

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Loan Agreement") dated as of March \_\_\_, 2011, by and between Novametal Resources LLC, a limited liability company incorporated under the laws of Mongolia (Registration Number 5372658, State Registration Number 9011232015) (the "Borrower" or the "Company"), and NATALYA-1, S.A.R.L., a company organized under the laws of Luxembourg (the "Lender") (each, a "Party" and together, the "Parties").

### AGREEMENT:

NOW THEREFORE, pursuant to the agreements and covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

1. Loan Principal. Subject to the terms and conditions of this Loan Agreement and the applicable provisions of the Shareholders Agreement, dated as of August 10, 2010, by and among the Lender, the Borrower and the other parties thereto, as amended from time to time, the Lender hereby agrees to lend to the Borrower an aggregate amount of one hundred thousand U.S. Dollars (US\$ 100,000) (the "Loan Principal"). The Borrower may draw down the Loan Principal only over a period of time by completing and executing the form attached hereto as ANNEX A (a "Drawdown Request") for any such drawdowns and sending such Drawdown Request to the Lender. The Borrower may request in such Drawdown Request that the money be paid directly to it account or on its behalf to the account of a service provider of the Borrower. [The funds representing the Loan Principal shall be used by the Borrower solely to fund the Exploration Program in accordance with the provisions of the Shareholders Agreement].
2. Interest.
  - 2.1. Interest; Maturity Date. The outstanding Loan Principal shall bear simple interest ("Interest") at an annual rate equal to ten percent (10%), which shall become payable together with the Loan Principal on a date that is twelve months (12) months from the date of this Loan Agreement (such date, the "Maturity Date"). Interest on the Loan Principal shall accrue from the date hereof through and until repayment of the Loan Principal. Interest shall be computed on the basis of a 365- or 366-day year, as the case may be, and the actual number of days elapsed.
3. Prepayment. This Loan Principal may be prepaid, in whole or in part, at any time and from time to time, without premium or penalty. All prepayments shall be applied first to Interest accrued to the date of the payment and then to the unpaid Loan Principal.
4. Payments. The Loan Principal and all accrued and unpaid Interest thereon under this Loan Agreement shall become due and payable in full on the Maturity Date (unless repaid early pursuant to Section 3 hereof, or accelerated pursuant to Section 9 hereof). The payment of Loan Principal and the payment of Interest thereon under this Loan Agreement shall be payable in lawful money of the United States of America by wire transfer to an account specified in writing by the Lender. All payments made under this

Loan Agreement shall be applied first to Interest accrued to the date of the payment and then to the unpaid Loan Principal. Payments shall be net of any withholding taxes under Applicable Law.

5. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to the Lender that:
  - 5.1. The Borrower is a limited liability company duly organized, validly existing, and in good standing under the laws of Mongolia.
  - 5.2. The Borrower has the absolute and unrestricted right, power, and authority to execute, deliver, and to perform its obligations under this Loan Agreement.
  - 5.3. Neither the execution nor delivery by the Borrower of this Loan Agreement, nor the performance by the Borrower of any of the terms or conditions of this Loan Agreement, will give any Person the right to prevent, delay or otherwise interfere with any of the transactions contemplated by this Loan Agreement pursuant to:
    - (i) any provision of the Borrower's charter;
    - (ii) any resolution adopted by the Executive Director, board of directors or the equity holders of the Borrower;
    - (iii) any legal requirement or court order to which the Borrower may be subject; or
    - (iv) any contract to which the Borrower is a party or by which the Borrower may be bound, including without limitation, the [Shareholders Agreement].
  - 5.4. There are no outstanding court or administrative judgments or arbitral awards against the Borrower, and there is no pending court, arbitration proceeding or administrative proceeding that has been commenced against the Borrower, that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the transactions contemplated by this Loan Agreement and to the Borrower's knowledge, no such proceeding is threatened.
  - 5.5. The Borrower has obtained all licenses and permits required for it to conduct its business, including exploration license No. 8573X, and all such licenses and permits are held by the Company, free and clear of any liens, and are currently in full force and effect.
  - 5.6. The Borrower has disclosed in the financial information it has previously provided to the Lender all outstanding debts and obligations owed by the Borrower to third parties and such financial information accurately reflects the financial condition of the Borrower as of the date of this Loan Agreement.

- 5.7. No statement, report or other documents furnished to the Lender by the Borrower in connection with this Loan Agreement contains any untrue statement of a material fact necessary to make the statements contained therein not misleading.
6. Certain Covenants of the Borrower. The Borrower hereby covenants and agrees that, so long as any portion of the Loan Principal and any accrued and unpaid Interest thereon (collectively, the "Loan Obligations") are outstanding:
- 6.1. The Borrower shall (a) make full and timely payment of all monies due under this Loan Agreement in the manner provided herein and (b) duly comply with all of the terms and conditions of this Loan Agreement.
  - 6.2. All taxes and assessments imposed on the Borrower will be paid before interest or penalties accrue with respect to such obligations.
  - 6.3. Without the Lender's prior written consent, the Borrower shall not create or permit the creation of any sale, lien, mortgage or pledge with respect to the assets of the Company (including any equity held by the Company in any other entity)..
  - 6.4. Any monies to be received, or which are received, by the Borrower as compensation for confiscation of its assets, or as payment for losses caused by natural disasters or military actions, shall be payable immediately to the Lender when such funds are received by the Borrower and shall be applied against the Loan Obligations.
  - 6.5. The Borrower shall cooperate with the Lender in causing all pledge agreements to be registered in all places, which in the opinion of the Lender are necessary to fully protect the interests of the Lender.
  - 6.6. The Borrower shall pay all fees in connection with the notarization of this Loan Agreement and any pledge agreements as well as with the registration of any pledge agreements.
  - 6.7. The Borrower shall, at its expense, sign and deliver to the Lender all such other documents and cause to be done all such further acts as in the Lender's opinion are necessary or desirable to carry out the transactions contemplated by this Loan Agreement, including such documents as are required for the Lender to obtain a valid and enforceable security interest in the assets of the Company (including any equity held by the Company in any other entity).
7. U.S. Foreign Corrupt Practices Act. The Borrower, on its behalf and on behalf of each of its officers, directors, employees and agents, agrees to comply fully with the U.S. Foreign Corrupt Practices Act of 1977, as amended, and with any comparable anti-corruption laws in the Republic of Mongolia and any other jurisdiction where the Borrower conducts business. Specifically, the Borrower represents and warrants that it has not and will not directly or indirectly, unlawfully offer, promise, authorize or make a payment or give anything of value, including, but not limited to, any portion of the compensation received pursuant to this Loan Agreement, any bribe, payoff, influence payment or kickback, to

- public officials (including government and military officials and employees, executives and employees of a business owned or controlled by a government, officials and candidates of a foreign political party, and officials and employees of a public international organization such as the United Nations, World Bank or European Union) or to any Person for the benefit of a public official, for the purpose of (i) influencing any act or decision of such public official in his official capacity, (ii) inducing such public official to do or omit to do any act in violation of the lawful duty of such official, (iii) securing any improper advantage, or (iv) inducing such public official to use his or her influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in obtaining or retaining business for or with, or directing business to, any Person.
8. Priority of Payment. Each of the Borrower and the Lender hereby agree that the obligations of the Borrower hereunder to pay the Loan Obligations are not subordinate and junior in right of payment to any other indebtedness of the Borrower.
9. Events of Default.
- 9.1. An "Event of Default" shall occur if:
- (i) any statement, representation or warranty made herein to the Lender by the Borrower is or becomes incorrect or misleading in any material respect;
  - (ii) failure by the Borrower to perform any of its obligations, covenants and undertakings under this Loan Agreement;
  - (iii) the Borrower shall in any material respect fail to comply with any law, regulation, court decision or order concerning such party or its assets;
  - (iv) the Borrower is unable to continue to operate its business because of the expropriation or destruction of any of its property or assets;
  - (v) the Borrower shall default in the payment of the Loan Principal or Interest, when and as the same shall become due and payable, whether at maturity or by acceleration or otherwise;
  - (vi) a proceeding shall be commenced or a petition shall be filed in a court of competent jurisdiction seeking (a) relief in respect of the Borrower or of a substantial part of the Company's property or assets, under any applicable bankruptcy, insolvency, receivership or similar law, (b) the appointment of a receiver, trustee, custodian or similar official for a substantial part of the property or assets of the Borrower, or (c) the winding up or liquidation of the Borrower; and such proceeding or petition shall continue undismissed for 60 calendar days, or an order or decree approving or ordering any of the foregoing shall be entered; or

- (vii) the Company shall (a) make a general assignment for the benefit of creditors, (b) become unable, admit in writing its inability or fail generally to pay its debts as they become due, or (c) take any action for the purpose of effecting any of the foregoing.

9.2. Rights Upon an Event of Default. Upon the occurrence of an Event of Default under Section 9.1 hereof, the Lender shall, at its sole option, have the right, upon sending a written notice to the Borrower of the occurrence of such Event of Default, to require the Borrower to pay the outstanding Loan Principal and all accrued Interest thereon; provided that upon the occurrence of an Event of Default under Section 9.1(vi) or Section 9.1(vii) hereof, the outstanding Loan Principal and all accrued Interest thereon shall be accelerated and shall automatically become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are expressly waived by the Borrower, notwithstanding anything contained herein to the contrary; and provided further that if any one or more Events of Default occur and are continuing for more than 10 Business Days after notice to the Borrower, the Lender may proceed to protect and enforce its rights to the maximum extent provided for under Applicable Law, including, but not limited to, enforcing its rights under any pledge agreements and/or any guarantees of the Loan.

10. Remedies. No right or remedy herein conferred on the Lender is intended to be exclusive of any other right or remedy available to the Lender. Every such right and remedy shall be cumulative and shall be in addition to every other such right or remedy contained herein or now or hereafter existing under Applicable Law.
11. Suits for Enforcement: Costs and Expenses. Subject to the provisions of Section 9 hereof, upon the occurrence of any one or more Events of Default, the Lender may proceed to protect and enforce its rights by suit in equity, action at law or by other appropriate proceeding in aid of the exercise of any power or remedy contemplated by this Loan Agreement, or may proceed to enforce the payment of the Loan Obligations, or to enforce any other legal or equitable right it may have as a Lender. In case of any Event of Default, the Borrower will pay to the Lender such amounts as shall be sufficient to cover the reasonable costs and expenses of the Lender due to such Event of Default, including without limitation, costs of collection and fees, disbursements and other charges of counsel incurred in connection with enforcing its rights under this Loan Agreement and any pledge agreements.
12. Notices and Addresses. Any notice, demand, request, waiver, or other communication under this Loan Agreement shall be in writing and shall be deemed to have been duly given on the date of service, if personally served or sent by facsimile; on the business day after notice is delivered to a courier or mailed by express mail, if sent by courier delivery service or express mail for next day delivery; and on the third day after mailing, if mailed to the party to whom notice is to be given, by first class mail, registered, return receipt requested, postage prepaid and addressed as follows:

If to the Lender to:

<b>Name</b>	NATALYA-1, S.A.R.L
<b>Address</b>	74, rue de Merl, 1st floor, L-2146
<b>City</b>	Luxembourg
<b>Country</b>	Luxembourg
<b>Facsimile</b>	+1 212-698-9266

With a copy (which shall not constitute notice) to:

<b>Name</b>	James Passin and Anthony Milewski
<b>Address</b>	152 West 57th Street, 24th floor
<b>City</b>	New York, NY 10019
<b>Country</b>	USA
<b>Facsimile</b>	+1 212 698 9266

If to the Borrower to:

<b>Name</b>	Novametal Resources LLC
<b>Address</b>	3 <sup>rd</sup> Floor, National Circus Building, Seoul Street, Sukhbaatar District, 1 <sup>st</sup> Khoroo
<b>City</b>	Ulaanbaatar
<b>Country</b>	Mongolia
<b>Facsimile</b>	99110899

13. Certain Definitions. As used herein, in addition to the terms defined elsewhere herein, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa):
- 13.1. "Applicable Law" means, with reference to any Person, all laws, ordinances, treaties, judgments, decrees, injunctions, writs, rules, regulations, orders, interpretations, directives, concessions, licenses and permits of any court, arbitrator or Governmental Authority applicable to such Person or its property or in respect of its properties or operations.
- 13.2. "Business Day" means any day other than a Saturday, Sunday or scheduled holiday of a nationally recognized bank in Mongolia.
- 13.3. "Governmental Authority" means any national, state or sovereign government, and any federal, regional, state, provincial, municipal, local, city government or other political subdivision, legislative body, administrative agency or governmental or quasi-governmental or regulatory authority, administrative body or government department, board, body, instrumentality, commission, court or other judicial body or agency exercising executive, legislative, judicial or administrative functions.

13.4. "Person" means any individual, corporation, company, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, bank, trust company, land trust, business trust or other unincorporated organization, whether or not a legal entity, or any government or any agency or political subdivision thereof.

14. Miscellaneous.

14.1. Governing Law. This Loan Agreement shall be governed by and construed in accordance with the laws of Mongolia without regard to the conflicts of laws principles thereof. The parties hereto shall make their reasonable best efforts to solve any disputes amicably. The parties hereto irrevocably agree that any dispute arising out of or connected with this Loan Agreement, including a dispute as to the validity, existence or termination of this Loan Agreement, shall be finally resolved in accordance with the UNCITRAL Arbitration Rules. The seat of arbitration shall be located, upon the Lender's election, in Singapore; Paris, France; or Hong Kong. Any such arbitration shall be overseen by three arbitrators. The Lender and the Borrower shall each be permitted to choose one arbitrator and the third arbitrator shall be mutually agreed by such parties. Any award of the arbitrators will be final and binding on each of the parties hereto. All arbitration awards against any party hereto shall be rendered and paid in U.S. Dollars. The prevailing party in any dispute shall be entitled to recover all costs incurred, including, but not limited to, reasonable attorneys' fees and other costs. The language of the arbitration shall be English.

14.2. Assignment. Neither this Loan Agreement nor any right, interest or obligation hereunder may be assigned by the Borrower or the Lender without the prior written consent of the other and any attempt to do so will be void. Subject to the preceding sentence, this Loan Agreement inures to the benefit of and shall be binding upon the successors and assigns of the Borrower and the Lender. Any purported assignment made in violation of this Section 14.2 shall be void and of no force and effect.

14.3. Waiver, Amendments. No failure or delay on the part of the Lender or the Borrower in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Any amendment, supplement or modification of or to any provision of this Loan Agreement, any waiver of any provision of this Loan Agreement and any consent to any departure by the Borrower from the terms of any provision of this Loan Agreement, shall be effective (i) only if it is made or given in writing and signed by the Lender and the Borrower and (ii) only in the specific instance and for the specific purpose for which made or given.

14.4. Severability. Any provision of this Loan Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or

unenforceable the remaining terms and provisions of this Loan Agreement or affecting the validity or unenforceability of any of the terms and provisions of this Loan Agreement in any other jurisdiction.

14.5. Further Assurances. From and after the date hereof, the parties hereto agree to cooperate with each other, and at the request of the other party hereto, to execute and deliver any further instruments or documents and to take all such further action as the other party hereto may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

14.6. Headings. The headings of the Sections of this Loan Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Loan Agreement.

14.7. Counterparts. This Loan Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument and all such counterparts together shall constitute one agreement.


14.8. Business Day. If any action required by this Loan Agreement is to be taken on a day that is not a Business Day, such action shall be taken on the next succeeding Business Day.

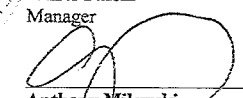
14.9. No Third Party Beneficiaries. Except as otherwise expressly permitted by this Loan Agreement, nothing expressed or referred to in this Loan Agreement will be construed to give any Person other than the Parties and their respective successors and permitted assigns any rights or benefits hereunder.

*[Signature Pages Follow]*

WITNESS the following signatures:

NATALYA-I.S.A.R.L.:

By:   
James Passin  
Manager

By:   
Anthony Milewski  
Manager

NOVAMETAL RESOURCES LLC:

By: \_\_\_\_\_  
Batbaatar Badangiin  
CEO

ANNEX A

DRAW DOWN REQUEST

DATE: [DATE]  
AMOUNT REQUESTED: U.S.\$ [ ]  
FUNDS TO BE USED FOR: [DESCRIPTION]

Use of Funds	US\$(000)
DESCRIPTION OF SERVICES (TO BE PROVIDED AND DATE(S) (TO BE) PROVIDED	\$
Total	\$

ATTENTION: Notify beneficiary by email or fax upon wiring of funds.

WIRE INSTRUCTIONS: [BANK DETAILS]

NOVAMETAL RESOURCES LLC:

By: \_\_\_\_\_  
[Name]  
[Title]

By: \_\_\_\_\_  
[Name]  
[Title]

