

Exclusivity Agreement and Term Sheet

The Vendor and Purchaser (as those terms are defined below) agree as follows:

	Term	Details
1.	Date	24 August 2018
2.	Parties	<p>Papuan Minerals Pty Ltd (ACN 156 225 919) (PMPL or the Vendor) of Central Plaza One, Level 30, 345 Queen Street, Brisbane, QLD 4000 Australia</p> <p>Golden Birch Resources Inc. (Corporation No. 1043482-5) (GBR or the Purchaser) of Level 8, 55 Clarence St, Sydney, NSW, Australia 2000, having a registered office at c/- Iain Martin, 140 Cook's Lake Road, Timmins ON P4R 0B7 Canada</p> <p>Papuan Minerals Ltd (PML), of 2nd Floor, Brian Bell Plaza, Turnmu Street, Boroko, National Capital District, Papua New Guinea being a wholly owned subsidiary of PMPL</p>
3.	Background	<p>3.1 The Ada'u Valley Project consists of one exploration licence (EL), EL 2391 and one exploration licence application (ELA) ELA 2560 (together, Licences). 3.2 PML is the legal and beneficial owner of 100% of the Licences. The Vendor is the legal and beneficial owner of 100% of PML. 3.3 The Licences are located in an area that is known, or that will be known, as the Ada'u Valley Project, the area of which is identified in Schedule A. 3.4 Pursuant to this Term Sheet, the Purchaser is granted an option to purchase up to 85% of the Shares in PML (Option). 3.5 Following execution of this Term Sheet and by no later than the end of the Initial Exclusivity Period (unless extended by mutual agreement between the Parties) the Parties will enter into the Transaction Documents. Notwithstanding the foregoing, the Parties will use reasonable endeavours to enter into the Transaction Documents within three months of the Execution Date. Upon the exercise of the Option, the Parties agree that the Transaction Documents will come into full force and effect.</p>
4.	Tenements	<p>4.1 The following existing tenements are owned legally and beneficially by PML set out in Schedule A of this Term Sheet:</p> <p>(a) Exploration Licence: EL 2391</p> <p>(b) Exploration Licence Application: ELA 2560 (Licences).</p> <p>4.2 The Licences are known or will be known as the Ada'u Valley Project. The Licences are prospective for base and precious metals.</p>
5.	Exclusivity Period	<p>5.1 In consideration for the grant of the Option, during the period (Initial Exclusivity Period) starting on:</p> <p>(a) the Execution Date; and</p> <p>(b) ending on the earlier of:</p> <p>(1) the period being six months after the Execution</p>

		<p>Date;</p> <p>(2) the listing of the Purchaser on a Recognised Stock Exchange; or</p> <p>(3) termination of this Term Sheet,</p> <p>the Parties agree that neither the Vendor, PML, nor any of their respective officers, representatives, associates or agents, will, without the prior written consent of the Purchaser:</p> <p>(c) directly or indirectly engage in or enter into discussions with, solicit or entertain offers or proposals from, negotiate with, or in any manner encourage, accept or consider any offers or proposals from or with third Parties (binding or otherwise) in relation to the sale, transfer or alienation of, or an option to sell, transfer or alienate, all or some of their interest in the Licences, whether directly or indirectly or in whole or in part, and whether through any purchase, merger or any other transaction of the same;</p> <p>(d) grant or agree to grant any rights (whether conditional or not) over its interest in any of the Licences, or contract to sell its interest in any of the Licences; and</p> <p>(e) encumber, assign, charge or otherwise dispose of its interest (or agree to do so, whether conditionally or otherwise) in any of the Licences or any of its rights in respect of any of the Licences or issue any new shares in PML; and</p> <p>(f) in the case of PMPL, not to agree to assign or transfer or otherwise dispose of any interest in any of its shares in PML,</p> <p>except to the Purchaser or its related bodies corporate or related entities.</p> <p>5.2 In consideration of the grant of the Initial Exclusivity Period, the Purchaser will pay to the Vendor the sum of \$129,000 within 25 Business Days of the Execution Date (Initial Exclusivity Fee) as follows:</p> <p>(a) \$34,000 within 5 days of the Execution Date,</p> <p>(b) \$30,000 within 15 days of the Execution Date and</p> <p>(c) \$65,000 within 25 days of the Execution Date.</p> <p>5.3 Subject to clause 5.3A, the Initial Exclusivity Fee is non-refundable, including, for the avoidance of doubt, where the condition precedent in clause 12.1(a) is not satisfied or waived for any reason.</p> <p>5.3A If the Minister notifies the Vendor or PML formally and expressly in writing that he will not (i) renew EL 2391 or (ii) grant a licence in respect of ELA 2560, the Vendor must refund the Initial Exclusivity Fee to the Purchaser within seven days of receiving such notification.</p>
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6.	Access	<p>6.1 PMPL and PML grant access to the Purchaser, any Subsidiary of the Purchaser or its nominee to enter any part of the Licences to exercise all rights and obligations necessary to give effect to or ancillary to the grant of the rights or the allocation of obligations under this Term Sheet or any Transaction Documents.</p> <p>Access will include, but is not limited to, access to and the use of existing roads, tracks and access points. GBR is required to notify PMPL prior to entering the Licences.</p> <p>6.2 The rights of the Purchaser under clause 6.1 are granted subject to the requirements of Related Legislation. In exercising their rights and obligations under clause 6.1, the Vendor and the Purchaser must ensure that all Related</p>

		Legislation is complied with.
7.	Stage 1 Option	<p>7.1 From the Execution Date, PMPL grants, subject to the terms of this Term Sheet, to the Purchaser an exclusive option to acquire up to 85% of the legal and beneficial interest in PML Shares by the Purchaser (Option).</p> <p>7.2 The Option is exercisable in 2 stages over a total period of 6 years from the Listing Date:</p> <ul style="list-style-type: none"> (a) an option to acquire a 51% interest in PML Shares (Stage 1 Interest) during the first 3 years from the Listing Date; and (b) having acquired the Stage 1 Interest an option to acquire a further 34% interest in PML Shares giving GBR an 85% interest (Stage 2 Interest) within 6 years from the Listing Date. <p>7.3 To earn the Stage 1 Interest GBR must:</p> <ul style="list-style-type: none"> (a) solely fund all Exploration Expenditure (after first liaising and consulting with PMPL on the design of the exploration program and the exploration activities however the Commercial and Technical Advisory Council (CTAC) will be responsible for the ongoing operation of the Exploration program(s) during the Stage 1 Option period) of not less than \$300,000 in the first 12 months from the Listing Date; (b) maintain the Licences in good standing and, without prejudice to clause 7.3(a), carry out the minimum exploration expenditure as per the Licences; (c) after first liaising and consulting with PMPL, complete at least 3,000 metres of diamond core drilling on the Licences in respect of geological target(s) within 30 months of a Listing; For clarity, while GBR will consult with the Vendor on the nature and specific targets that will be drill tested, the ultimate operation of the diamond drilling program and the Exploration program in general will be the responsibility of the CTAC; (d) complete an equity raising of not less than the amount specified in clause 9.4 of this Term Sheet; (e) contemporaneously with GBR's Listing on a Recognised Stock Exchange: <ul style="list-style-type: none"> (1) pay PMPL \$150,000 in Immediately Available Funds; and (2) issue to PMPL Shares having a value of \$600,000 and being either: <ul style="list-style-type: none"> (A) GBR Shares in the event of a Listing of GBR pursuant to an IPO to be issued at the issue price for GBR Shares under the IPO; or (B) Shares in the corporation listed on a Recognised Stock Exchange (Acquiring Corporation) in the event of GBR having been acquired by the Acquiring Corporation listed on

		<p>a Recognised Stock Exchange (Acquisition) and the Acquiring Corporation has raised not less than \$3m in the 6 months before or contemporaneously with the Acquisition which amount shall be deemed to include any Exploration Costs incurred in respect of the Licences by or on behalf of Golden Birch up to the time of the Acquisition, the price paid per share in the Acquiring Corporation under that raising for the sole purpose of the Acquisition.</p> <p>(f) within 12 months from the Listing Date, pay PMPL \$150,000 in Immediately Available Funds;</p> <p>(g) within 24 months from the Listing Date, pay PMPL \$150,000 in Immediately Available Funds;</p> <p>(h) within 30 months from the Listing Date, pay PMPL \$500,000 in Immediately Available Funds this payment being part of the \$1.5 million payment to acquire 51% of PML</p> <p>or by the issue of Shares (at GBR's election) being either:</p> <p>(1) GBR Shares in the event of a Listing of GBR pursuant to an IPO to be issued at the volume-weighted average price of GBR Shares in the 30 day period immediately preceding their issue; or</p> <p>(2) Shares in the Acquiring Corporation in the event of GBR having been acquired by the Acquiring Corporation listed on a Recognised Stock Exchange to be issued at the volume-weighted average price of ordinary shares in the Acquiring Corporation in the 30 day period immediately preceding their issue.</p> <p>(i) within 36 months from the Listing Date pay PMPL \$1,000,000 at GBR's election in either:</p> <p>(1) Immediately Available Funds; or</p> <p>(2) by the issue to PMPL Shares having a value of \$1,000,000 and being either;</p> <p>(A) GBR Shares in the event of a Listing of GBR pursuant to an IPO to be issued at the volume-weighted average price of GBR Shares in the 30 day period immediately preceding their issue; or</p> <p>(B) Shares in the Acquiring Corporation in the event of GBR having been acquired by the Acquiring Corporation listed on a Recognised Stock Exchange to be issued at the volume-weighted average price of ordinary shares in the Acquiring Corporation in the 30 day period immediately preceding their issue.</p> <p>(j) unless the agreement has been terminated, from the Listing Date, pay PMPL an Annual Option Fee of \$150,000 per annum until the Stage 2 interest is</p>
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		<p>acquired.</p> <p>7.4 GBR must use its best endeavours to ensure that any Shares issued to PMPL are free from trading restrictions except to the extent required by the relevant Recognised Stock Exchange. This obligation includes the requirement to ensure that GBR or the Acquiring Corporation issues disclosure documents or cleansing notices to enable the Shares to be traded by PMPL without required disclosure to be made by PMPL.</p> <p>7.5 PMPL shall transfer (or procure the issue of) such number of PML Shares from PMPL comprising the Stage 1 Interest free of all Encumbrances to the Purchaser or its nominee upon completion pursuant to clause 7.2. Completion will occur contemporaneously with the last requirement of clause 7.3 being satisfied, if PMPL is notified by GBR in writing that it has elected to acquire 51% of PML.</p> <p>7.6 Completion of the acquisition of the Stage 1 Interest by the Purchaser shall be deemed as an election to proceed to earn the Stage 2 Interest, unless the Vendor is notified otherwise in writing (Stage 2 Election).</p> <p>7.7 Whether GBR or its nominee elects to proceed with acquiring the Stage 1 Interest or not, GBR is obliged to meet all Exploration Expenditure required to maintain the Licences in good standing pursuant to the conditions of the Licences for a period being the earlier of:</p> <ul style="list-style-type: none"> (a) 3 months after termination of this Term Sheet; or (b) at least 24 months upon GBR's Listing on a Recognised Stock Exchange. <p>GBR is also obliged to meet all statutory and administrative expenses during this period.</p>
7	Stage 2 Option	<p>8.1 GBR or its nominee is not obliged to proceed to acquire the Stage 2 Interest.</p> <p>8.2 To earn the Stage 2 Interest GBR shall:</p> <ul style="list-style-type: none"> (a) solely fund all Exploration Expenditure (consultation on the design of the exploration program and the exploration activities shall be discussed with the Vendor however the CTAC will be responsible for the ongoing operation of the exploration program(s) during the Stage 2 Option period)) in the period of 36 months from acquiring the Stage 1 Interest (Stage 2 Period) or the end of the 72 month period from the Listing Date, whichever shall first occur (b) maintain the Licences in good standing during the Stage 2 Period; and GBR or its nominee must carry out the minimum exploration expenditure under the conditions of the Licence for the following 12 months in the case of

		<p>electing not to exercise the Stage 2 Interest;</p> <p>(c) complete at least 10,000 metres of diamond core drilling on the Licences during the Stage 2 Period;</p> <p>(d) during the Stage 2 Period, pay PMPL the following payments in Immediately Available Funds or GBR Shares or shares in the Acquiring Corporation, as the case maybe (at the election of GBR):</p> <ol style="list-style-type: none"> (1) within 4 years from the Listing Date \$500,000; (2) within 5 years from the Listing Date \$1,000,000; and (3) within 6 years from the Listing Date \$1,500,000. <p>Following satisfaction of the obligations in Clauses 8.2 (a), (b), (c) and (d) above, GBR or its nominee will have earned a further 34% interest in PML taking its total equity interest in PML to an aggregate 85%.</p> <p>(e) for the purposes of clause 8.2(d):</p> <ol style="list-style-type: none"> (1) GBR Shares in the event of a Listing of GBR pursuant to an IPO are to be issued at the volume-weighted average price of GBR Shares in the 30 day period immediately preceding their issue; or (2) Shares in the Acquiring Corporation in the event of GBR having been acquired by the Acquiring Corporation listed on a Recognised Stock Exchange to be issued at the volume-weighted average price of ordinary shares in the Acquiring Corporation in the 30 day period immediately preceding their issue. <p>8.3 PMPL shall transfer (or procure the issue of) such number of PML Shares (and to avoid any doubt such number of PML shares will equal 34% of the total issued capital of PML) comprising the Stage 2 Interest free of all Encumbrances to the Purchaser or its nominee upon completion pursuant to clause 8.2. Completion will occur contemporaneously with the last requirement of clause 8.2 being satisfied.</p> <p>8.4 If GBR does not acquire the Stage 2 Interest then the funding obligations of PML shall be determined by the Board of GBR or its nominee in accordance with usual mining and exploration company practices. Whether GBR or its nominee elects to proceed with acquiring the Stage 2 Interest or not, GBR is obliged to meet all Exploration Expenditure required to maintain the Licences in good standing according to the Licence for at least 12 months if it elects not to proceed during the Stage 2 Period. This includes GBR's obligation to meet all of PML's statutory and administrative expenses during this period. Subject to clause 8.5, if GBR or its nominee does not elect to earn the Stage 2 Interest the interests in PML will be 51% GBR or its nominee and 49% PMPL.</p> <p>8.5 If GBR or its nominee does not elect to earn or for any other reason does not earn the Stage 2 Interest, within the time permitted then within a period of 120 days</p>
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9	Listing of GBR or its nominee	<p>9.1 The Parties acknowledge that it is the intention of GBR to cause and procure the Listing of GBR or its nominee as soon as is reasonably practicable.</p> <p>9.2 The Parties agree to use all reasonable endeavours to facilitate a Listing of GBR as soon as is reasonably practicable.</p> <p>9.3 The Parties acknowledge that on any Listing it is intended that Alan Martin be appointed the Chief Executive Officer of GBR or its nominee.</p> <p>9.4 A minimum equity raising of \$3 million (net of advisory, listing fees and transaction costs) is required for the listing of GBR or its nominee and for this Term Sheet to proceed beyond either the Initial Exclusivity Period, the Extended Exclusivity Period or the Final Exclusivity Period, the amount which can only be amended by mutual agreement of both the Purchaser and the Vendor.. For avoidance of doubt this amount shall also include any pre Listing funding.. If the proposed equity raising does not meet this threshold, any party may terminate this Term Sheet by notice in writing to the other parties.</p>
10	Post Stage 2	<p>10.1 Upon GBR acquiring the Stage 2 Interest, and until completion of a Definitive Feasibility Study (DFS), GBR shall:</p> <ul style="list-style-type: none"> (a) solely fund and subject to the input of the CTAC in accordance with this Term Sheet manage all Exploration Expenditure, including the costs of the DFS; and (b) maintain the Licences in good standing. <p>10.2 On completion of a DFS, GBR shall give notice in writing to PMPL of the same (DFS Completion Notice). In the event that GBR fails to give notice of same, it shall be deemed to have given the DFS Completion Notice 10 Business Days following receipt of the final report in respect of the DFS.</p> <p>10.3 After receipt (or deemed receipt) of the DFS Completion Notice, the parties shall liaise and consult within 30 days in order to make a Decision to Mine. PMPL shall then following the date of such meeting have a period of 60 days in which to elect whether to:</p> <ul style="list-style-type: none"> (a) contribute to all future costs of PML on a pro-rata basis; or (b) require GBR to fund PMPL's proportion of all future costs of PML pursuant to 10.4 (Funding Notice). 10.4 If PMPL gives a Funding Notice, GBR shall, subject to

		<p>clause 10.5, fund PMPL's proportion of all future costs of PML through to commencement of production of Minerals. If PMPL fails to give a Funding Notice within such period, it shall be deemed to have elected to fund PMPL's proportion of such costs and clause 10.5 will not apply.</p> <p>10.5 In the event of an Operating Mine and subject to PMPL giving a Funding Notice pursuant to clause 10.4, the Parties agree that PML shall from resulting proceeds from the sale of Mineral products, distribute the net proceeds as follows:</p> <ul style="list-style-type: none"> (a) 100% of the net proceeds until repayment, to GBR of 100% of past costs incurred pursuant to clauses 10.3(b) plus interest thereon from the dates such expenditures were incurred at a rate per annum equal to LIBOR plus 2 per cent; and until PMPL has been repaid 100% of the Exploration Expenditure incurred by PMPL prior to the Commencement Date, to GBR and PMPL in proportion to their shareholdings in PML; and (b) thereafter to GBR and PMPL in proportion to their shareholdings in PML. <p>10.6 if a Funding Notice has been given, then in the event of :</p> <ul style="list-style-type: none"> (a) a sale of assets of PML; or (b) a sale of PMPL's shares in PML, <p>GBR shall have the same entitlement from the buyer of such assets or shares in respect of any resulting distributions or proceeds from the sale of Mineral Products as set forth in 10.5.</p> <p>10.7 For avoidance of doubt, in the event of an Operating Mine for which a Funding Notice has not been given, the Parties agree that PML shall from resulting proceeds from the sale of Mineral products, distribute the net proceeds to GBR and PMPL in proportion to their shareholdings in PML.</p>
11	Transaction Documents	<p>11.1 This Term Sheet is legally binding until such time as it is replaced by the Transaction Documents.</p> <p>11.2 The Transaction Documents, the content of which the Parties shall negotiate, in good faith, during the Exclusivity Period, shall include the terms in this Term Sheet and the following commercial terms already agreed between the parties:</p> <ul style="list-style-type: none"> (a) On signing the Term Sheet GBR shall be entitled to appoint Alan Martin to the Board of PML; (b) From the Commencement Date GBR or its nominee shall be entitled to appoint two (2) of four (4) directors to the Board of the Listed company and PMPL shall be entitled to appoint two (2) directors to the Board; (c) On GBR earning the Stage 1 Interest, an independent chairman shall be appointed to the Board, or earlier if agreed by both parties. The independent chairman shall have a casting vote;

		<p>(d) PML shall have its own constitution and operate independently through a Board of Directors, elected by the Shareholders;</p> <p>(e) On GBR acquiring the Stage 2 Interest, GBR shall be entitled to board representation of the Listed company proportional to its interest in PML;</p> <p>(f) Unless otherwise provided (including under clause 10.3(b), each Shareholder in PML will be required to fund their share of the future Expenditure of the Company and the Licences including, but not limited to, Exploration, feasibility, Development and construction expenditure post GBR completing a DFS;</p> <p>(g) Besides the already agreed commercial terms described in this Term Sheet, the Transaction Documents shall determine the structure, governance and operations of PML, including all standard terms and conditions for these types of agreements, including but not limited to:</p> <ol style="list-style-type: none"> (1) operator provisions, with GBR entitled, to the extent consistent with the rights of PML to operatorship (other than operatorship of the Licences which shall be retained by PML under Relevant Legislation); (2) establishment of a management committee to oversee operations; (3) budget and program provisions; (4) dilution provisions in the event of non-contribution by a party; (5) buy out rights in the event of default by a party; (6) first rights of refusal in the event of a party willing to transfer some or all of its interest. Standard clauses regarding share valuation for these cases, as well as tag along or drag along rights, in favour of both the majority or minority shareholder, as applicable; (7) marketing provisions; (8) default and termination provisions; (9) dispute resolution provisions; (10) non-compete provisions; and (11) investment provisions. <p>11.3 A 75% vote of shareholders of PML shall be required in relation to matters having a material effect on the value or structure of PML. Such matters shall include, but will not be limited to:</p> <ol style="list-style-type: none"> (1) any further issue of shares by PML; (2) any amendment to PML's constitutional documents or the rights attaching to any shares; (3) any sale of all of PML's assets; (4) any capital reduction, share buyback/redemption, share redenomination, liquidation or winding up of the PML;
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		<ul style="list-style-type: none"> (5) borrowings in excess of \$200,000); (6) acquisitions and disposals in excess of \$200,000) (including in relation to the Licences) other than in the ordinary course of business; (7) the appointment or removal of a director or varying or making any binding decision on the terms of employment of any director or senior employee or increasing or varying the salary or other benefits of any such person; (8) other than in respect of a party's nominees hereunder, the appointment or removal of any person as a director; (9) the conduct of material litigation; (10) the implementation of or variation to any share option other than pursuant to an employee share option plan; (11) any surrender or material variation of any of the Licences; (12) any related party transactions other than those contemplated in this Term Sheet. <p>The Transaction Documents will reflect these rights.</p> <p>11.4 The parties must use their best endeavours, including without limitation by negotiating in good faith, to enter into the Transaction Documents within three months of the Execution Date and in any event:</p> <ul style="list-style-type: none"> (a) prior to the expiry of the initial Exclusivity Period, or such later date as agreed between the parties; and (b) on terms consistent with this Term Sheet. <p>11.4 The parties agree that the Transaction Documents will be entered into on terms the same or substantially similar to that contained in this Term Sheet.</p> <p>11.5 The parties agree that, until such time that the Transaction Documents are entered into, this Term Sheet and the transactions contemplated therein, including the Option, shall remain legally binding on the parties, and their heirs, assigns and successors.</p>
12	Condition Precedent	<p>12.1 The grant of the Option is conditional upon the satisfaction of the following condition precedent:</p> <ul style="list-style-type: none"> (a) if required, the parties obtaining all necessary government consents and approvals (including any approvals required under any Relevant Legislation) to give effect to the Option and any other transactions contemplated in this Term Sheet or the Transaction Documents. <p>The foregoing condition precedent shall not relieve GBR of the obligation to pay the Initial Exclusivity Fee in accordance</p>

		<p>with clause 5.2, notwithstanding that the condition precedent has not been satisfied or waived by such payment dates.</p> <p>12.2 Completion of the acquisition of the Stage 1 Interest and/or the Stage 2 Interest is conditional upon the satisfaction of the following conditions precedent:</p> <p>(a) exercise of the Option under the Term Sheet; and</p> <p>(b) if required, the parties obtaining all necessary government consents and approvals (including any approvals required under any Relevant Legislation) to give effect to the exercise of the Option and any other transactions.</p> <p>12.4 The conditions in paragraphs 12.1(a) and 12.2(a) and (c) are for the benefit of all parties and may only be waived to the extent permitted by law by agreement in writing of all of the parties.</p>
13	Net Smelter Return	<p>13.1 In the event GBR or its nominee acquires the Stage 2 Interest, PMPL shall be granted a 2.00% Net Smelter Return on the terms set out in Schedule C (NSR).</p> <p>13.2 GBR or its nominee shall have an option exercisable at any time after GBR acquires the Stage 2 Interest to purchase 50% (being 1% of the 2% NSR) of the NSR for \$1,500,000.</p> <p>13.3 The completion of any purchase of the NSR under clause 13.2 will take place at a time during normal business hours on the Business Day 30 days after exercise of the option by GBR.</p>
14	Area of Interest	<p>14.1 From the Execution Date, PMPL shall not without the prior written consent of GBR or its nominee, nor shall any related body corporate or related entity of PMPL so long as GBR or its nominee is still earning an interest in PML, during the Option Period, or upon exercise of the Option, until Completion:</p> <p>(a) tender or otherwise apply for any exploration or mining interest to seek to explore for or extract any minerals within the Area of Interest; or</p> <p>(b) acquire or agree to acquire any interest in a corporation or other entity which has or intends to tender or otherwise apply for any exploration or mining interest to seek to explore for or extract any minerals within the Area of Interest.</p> <p>14.2 Any EL(s), ELA(s) or mining interests acquired by PML or PMPL prior to or during the Option Period within the Area of Interest will be deemed to be included in the Licences and subject at all times to the provisions of this Term Sheet.</p> <p>14.3 From the Execution Date, GBR shall not without the prior written consent of PMPL, nor shall any related body corporate or related entity of GBR so long as GBR is still earning an interest in PML, during the Option Period, or upon exercise of the Option, until</p>

		<p>completion of the acquisition of the Stage 1 Interest and the Stage 2 Interest:</p> <p>(a) tender or otherwise apply for any exploration or mining interest to seek to explore for or extract any minerals within the Area of Interest; or</p> <p>(b) acquire or agree to acquire any interest in a corporation or other entity which has or intends to tender or otherwise apply for any exploration or mining interest to seek to explore for or extract any minerals within the Area of Interest.</p> <p>Any EL(s), ELA(s) or mining interests acquired by GBR or a related body corporate or related entity prior to or during the Option Period within the Area of Interest will be deemed to be included in the Licences and subject at all times to the provisions of this Term Sheet.</p>
15	Termination	<p>15.1 If a Listing has not occurred on a Recognised Stock Exchange within 18 months from the Execution Date PMPL may terminate the Option under this Term Sheet by giving one month's notice to GBR or its nominee.</p> <p>15.2 If GBR or its nominee has not met all the requirements specified in clause 7.3 (including effecting at least 3,000 metres of diamond core drilling in respect of the geological target(s) within 30 months of a Listing) PMPL can terminate the Option under this Term Sheet by giving one month's notice to GBR or its nominee.</p> <p>15.3 If a party has breached its obligations under this Term Sheet and failed to remedy that breach within one month's notice from the non-defaulting party, the non-defaulting party may, without prejudice to its other rights, immediately terminate the Option and this Term Sheet.</p> <p>15.4 The termination rights specified in this clause 15 are in addition to and without prejudice to any other termination or other rights the parties may otherwise have under or in connection with this Term Sheet.</p> <p>15.5 GBR may at any time give notice in writing to terminate this Term Sheet provided that upon termination of the Option pursuant to this clause GBR has no further obligation under this Term Sheet save for being required to meet the minimum expenditure requirements under the Relevant Legislation (including the Mining Act) for a period from termination being the earlier of:</p> <p>(a) 3 months after termination of this Term Sheet; or</p> <p>(b) (b) at least 24 months upon GBR's Listing on a Recognised Stock Exchange.</p>
16	Legal effect	<p>16.1 The parties agree to be legally bound by the terms of this Term Sheet until such time that is replaced by the Transaction Documents.</p> <p>16.2 The parties acknowledge and agree that it is their intention that the Term Sheet be superseded and replaced by the</p>

		<p>Transaction Documents upon the exercise of the Option.</p> <p>16.3 Until the Option is exercised or otherwise terminated in accordance with the terms of this Term Sheet, the contents of this Term Sheet comprise (to the fullest extent possible) legally binding obligations between the parties.</p>
17	Assignment	<p>17.1 The Purchaser may appoint a Subsidiary or other Related Entity as its nominee to assume all of its rights under this Term Sheet provided that:</p> <p>(a) (a) such entity:</p> <p>(1) has, in the reasonable opinion of the Vendor, the financial and technical capability to perform the obligations of the Purchaser under this Term Sheet;</p> <p>(2) shall be required to enter into a deed agreeing to be bound by the terms herein; and</p> <p>(b) Alan Martin is the CEO and Managing Director of the entity; and</p> <p>(c) the Purchaser remains liable for the performance of such entity.</p> <p>17.2 Subject to 17.1, no party may assign, transfer or novate any of its rights or obligations conferred by this Term Sheet without the consent of the other parties, which consent will not be unreasonably withheld.</p>
18	Governing law	<p>18.1 This Term Sheet is and will be governed by and must be construed in accordance with the laws in force in Queensland, Australia.</p> <p>18.2 The parties irrevocably submit to the non-exclusive jurisdiction of the courts of and the courts competent to determine any appeals from those courts with respect to any proceedings which may be brought at any time relating to this Term Sheet.</p>
19	Force Majeure	<p>19.1 Notwithstanding any other provisions contained herein, a party will not be liable for its failure to perform any of its obligations under this Term Sheet due to a cause beyond its control and could not have been avoided by steps which might reasonably be expected to have been taken including acts of God, fire, flood, explosion, strikes, lockouts or other industrial disturbances; laws, rules and regulations or orders of any duly constituted court or governmental authority; government intervention with operations; war or protests, demonstrations or other events causing work stoppages by environmental lobbyists or aboriginal peoples' groups which, as relevant, the affected party could not prevent or overcome by the exercise of the degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same kind of undertaking under the same or similar circumstances (in this clause, each an "Intervening Event") provided that inability to pay (howsoever caused) of a party</p>

		<p>shall not be an Intervening Event.</p> <p>19.2 All time limits imposed by this Term Sheet, including for certainty the incurring of Expenditure pursuant to this Term Sheet, will be extended by a period equivalent to the period of delay resulting from an Intervening Event.</p> <p>19.3 A party relying on the provisions of this clause 19 will take commercially reasonable steps to eliminate any Intervening Event and, if possible, will perform its obligations under this Term Sheet as far as practical, but nothing herein will require such party to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted court or governmental authority or to complete its obligations under this Term Sheet if an Intervening Event renders completion impossible.</p> <p>19.4 A party relying on the provisions of this clause 19 will give notice to the other party upon the occurrence of the Intervening Event and after the end of the period of delay when such Intervening Event has been eliminated or rectified.</p>
20	Costs	<p>20.1 With the exception legal costs agreed to be borne by GB pursuant to the legal costs letter agreement dated 23 July 2018, each party will bear its own legal and other costs arising from and incidental to the negotiation, preparation and completion of this Term Sheet and the Transaction Documents.</p> <p>20.2 The Purchaser will be liable for any stamp or transfer duty in connection with the transactions contemplated in this Term Sheet and the Transaction Documents save for any retransfer of shares in PML to PMPL pursuant to clause 8.5 which shall be borne by PMPL.</p>
21	Notices	<p>Each notice authorised or required to be given to a party shall be in writing in the English language and may be delivered personally or sent by properly addressed prepaid mail in each case addressed to the party at its address set out below (or as subsequently amended by notice in writing in accordance with this Term Sheet):</p> <p>(a) in the case of the Purchaser, pursuant to the contact information outlined in clause 2 of this Term Sheet; and</p> <p>(b) in the case of PMPL and PML, pursuant to the contact information outlined in clause 2 of this Term Sheet.</p>
22	Counterparts	<p>This Term Sheet may be executed in any number of counterparts, including by facsimile or electronic transmission, each of which when executed and delivered to the other parties shall constitute an original, but all counterparts together shall constitute one and the same Term Sheet.</p>

23	Warranties	<p>23.1 By execution of this Term Sheet, PMPL and the Purchaser make the warranties set out in Schedule B.</p> <p>23.2 PMPL acknowledges that the Purchaser has entered into this Term Sheet in reliance on the warranties set out in Schedule B.</p> <p>23.3 The Purchaser acknowledges that PMPL has entered into this Term Sheet in reliance on the warranties set out in Schedule B.</p> <p>23.4 It is recognised by each of the parties that the Transaction Documents will contain all such customary warranties, covenants, undertakings, and indemnities as a person in the Purchaser's position would reasonably expect and as would be reasonable for the Vendor to give, having regard to the size and nature of the proposed transaction. The Transaction Documents will contain customary limitations of liability in favour of the Vendor. Such limitations will include but not be limited to disclosure, monetary liability caps, de minimis thresholds and time limitations. Prior to the execution of the Transaction Documents, PMPL's maximum aggregate liability under or in connection with this Term Sheet shall be limited to the Initial Exclusivity Fee, the Extended Exclusivity Fee and the Final Exclusivity Fee to the extent that the same have been received by PMPL.</p>
24	Confidentiality	<p>24.1 The parties acknowledge that the:</p> <ul style="list-style-type: none"> (a) Term Sheet; <ul style="list-style-type: none"> (1) transactions contemplated by the Term Sheet; (2) any discussions or negotiations in relating to the Term Sheet, including the fact that negotiations and discussions are taking place; and (3) all other information disclosed by the parties to each other. <p>(the Confidential Information) is confidential.</p> <p>24.2 Each party undertakes to, and will cause its directors, officers, employees, advisors and agents to, keep the Confidential Information confidential and not disclose any of the Confidential Information without the prior and written approval of the other party, except:</p> <ul style="list-style-type: none"> (a) as is necessary in the Purchaser's case to raise capital for the purposes of the transactions contemplated by this Term Sheet (provided that the Purchaser will consult with the Vendor); and (b) except to the extent required by law, or by relevant regulatory authority of a party;

25	GST	<p>25.1 Amounts specified in this Term Sheet have been fixed without regard to the impact of GST.</p> <p>25.2 If GST is or becomes payable on a Taxable Supply made under or in connection with this Term Sheet, the party providing consideration for that Taxable Supply must pay an additional amount equal to the GST payable on the Taxable Supply.</p> <p>25.3 The additional amount payable under clause 25.2 must be paid at the same time as the consideration for the Taxable Supply or on the date on which the party making the supply delivers a Tax Invoice (whichever is later).</p>
25	Definitions	<p>ADI has the meaning given in section 5 of the Banking Act 1959 (Cth). .</p> <p>Area of Interest means an area within a radius of 10 kilometres of the boundary of, and including the area depicting, the Licences as they exist at the date of this Term Sheet, as depicted in Schedule A, and any associated renewal, extension or substitution thereof. .</p> <p>AIM means Alternate Investment Market, the stock exchange associated with the London Stock Exchange. .</p> <p>Annual Option Fee means the payment of \$150,000 in Immediately Available Funds within the 12 month anniversary dates from the Listing Date.</p> <p>ASX means ASX Limited.</p> <p>Authorisation includes:</p> <ul style="list-style-type: none"> (a) any consent, authorisation, registration, filing, recording, agreement, notarisation, certificate, permission, licence, approval, permit, authority or exemption; or (b) in relation to any act, matter or thing which may be proscribed or restricted in whole or in part by law or otherwise if a Government Agency intervenes or acts in any way within a specified period after lodgement, registration or other notification of such act, matter or thing, the expiration of such period without such intervention or action. <p>Bank Cheque means a cheque drawn by an ADI on itself.</p> <p>Board means the board of directors of the Listed Company.</p> <p>Business Day means if determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Brisbane and Sydney, Australia and Port Moresby, Papua New Guinea.</p>

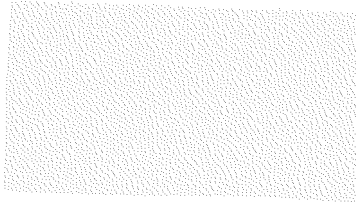
		<p>Commencement Date means the Business Day after satisfaction of the last of the Conditions Precedent.</p> <p>Commercial and Technical Advisory Council or CTAC means a committee formed of at least 4 persons, three nominated from GBR or its nominee and 1 nominated from PMPL. The CTAC is responsible for advising GBR on matters relating to technical aspects of the exploration program within the Tenement Area [and matters relating to the commercial aspects of whether or not GBR or its nominee elects to fulfil the earn-in requirements for the Stage 1 and Stage 2 Options]. For clarity, the board of GBR or its nominee is responsible for all matters other than the technical supervision of the exploration program and commercial matters related to whether or not GBR or its nominee elects to fulfil the earn-in requirements of Stage 1 or Stage 2 of the Option.</p> <p>Corporations Act means the <i>Corporations Act 2001</i> (Cth).</p> <p>Cost means any charge, cost, expense, outgoing, payment or other expenditure of any nature including legal fees on a full indemnity basis (whether calculated on a time charge basis or otherwise).</p> <p>CSE means Canadian Securities Exchange.</p> <p>Decision to Mine means a decision made by the Purchaser and the Vendor to Mine on the Licences after satisfaction of the following conditions by the Purchaser and the Vendor: .</p> <ul style="list-style-type: none"> (a) completion of a Definitive Feasibility Study (DFS); (b) securing 100% financing for the Mine and all ancillary and related operations, including banking and equity finance; and (a) obtaining any and all approvals required under the Relevant Legislation, including but not limited to being granted a mining lease(s) by the relevant Government Agency, being granted environmental licences by the relevant Government Agency, and the entry into agreements with FN people and community (if applicable). <p>Definitive Feasibility Study means a definitive feasibility study as per the definitions under the Australasian Institute of Mines and Minerals (AusIMM).</p> <p>Encumbrance means:</p> <ul style="list-style-type: none"> (a) a mortgage, charge, encumbrance, pledge, lien or other security over the property; <ul style="list-style-type: none"> (1) a profit a prendre, easement or restrictive covenant affecting the property; (2) a caveat, garnishee order, writ of execution, right of set off, assignment of income or monetary licence affecting the property; (3) a lease or licence in respect of the property; (4) a preferential interest, title retention, or other estate, interest, licence or arrangement affecting the
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		<p>property;</p> <p>(5) a right of any person or entity to purchase, occupy or use the property or any interest therein (including under an option, licence or lease); or</p> <p>(6) an agreement, contract, arrangement or right (including an option) to grant, create, allow or register any of these;</p> <p>whether the Encumbrance is registered or unregistered, statutory, legal or equitable.</p> <p>Exchange means a recognised stock exchange, including ASX, AIM, CSE or TSX.</p> <p>Execution Date means the date of this Term Sheet, outlined in clause 1. .</p> <p>Expenditure means all direct and properly incurred costs and expenses incurred for or in respect of exploration activities, feasibility studies, rehabilitation work, and the costs of maintaining and renewing the Licences, and any such expenditure incurred prior to execution of this Term Sheet and the Transaction Documents. .</p> <p>Exploration means searching for, discovery and delineation of commercial ore deposits of Minerals within the Tenement Area and the evaluation of such deposits, including prospecting, surface mapping, sampling, aerial mapping, drilling, trenching and related field work, geophysical and geochemical testing, core sampling, assaying, test mining, analysis and evaluation of activities undertaken and results obtained, conducting preliminary feasibility studies, preparing Feasibility Studies reports, and planning, supervising and administrating all activities undertaken, but does not include Development, Mining or Treatment.</p> <p>Exploration Expenditure means Expenditure incurred in respect of Exploration.</p> <p>EL means exploration licence.</p> <p>ELA means exploration licence application.</p> <p>Feasibility Study means a study of the technical, commercial and economic feasibility of Development and Mining in the Tenement Area and producing Minerals in significant commercial quantities, which includes all available exploration, geological, engineering and other relevant data and capital and operating cost estimates and (if appropriate) marketing studies in sufficient detail to enable options for optimum Development, Mining and Treatment to be identified in reasonable detail, including:</p> <p>(a) exploration results and estimates of Mineral Resources, and Proven and Probable Ore Reserves (all as defined in the JORC Code);</p> <p>(b) the proposed methods of Development, Mining and Treatment, including the extraction, beneficiation and transportation of the ore and the Treatment and</p>
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		<p>production of Minerals, including waste disposal;</p> <p>(c) an estimate of operating levels, environmental costs, shutdown and rehabilitation costs, including an estimate of required capital expenditure and operating costs;</p> <p>(d) an economic evaluation of the proposed Development, Mining and Treatment and the marketing and sale of the Minerals including a comparative analysis of the effect of various assumptions, financing methods, operating costs and taxation; and</p> <p>(e) a schedule of relevant Authorisations required to be obtained before mining may commence.</p> <p>GBR means GBR or any nominee appointed pursuant to this Term Sheet.</p> <p>GBR Shares means Shares in GBR on listing on a Recognised Stock Exchange.</p> <p>Governmental Agency means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department commission, authority, tribunal, agency or entity.</p> <p>GST has the same meaning as in the GST Act.</p> <p>GST Act means <i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i></p> <p>Immediately Available Funds means:</p> <p>(a) cash;</p> <p>(1) Bank Cheque; or</p> <p>(2) electronic transfers of cleared funds.</p> <p>IPO means an initial public offering on a Recognised Stock Exchange.</p> <p>JORC Code means the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as adopted by the Australasian Joint Ore Reserves Committee (JORC).</p> <p>LIBOR means the London Interbank Rate from time to time. . .</p> <p>Licence Area means the area of the boundary of the Licences as they exist at the date of this Term Sheet, as depicted in Schedule A, and any associated renewal, extension or substitution thereof. .</p> <p>Listed Company means GBR or its nominee attaining a listing on a Recognised Stock Exchange. .</p> <p>Listing Date means the date of listing of GBR or its nominee on a Recognised Stock Exchange, directly or indirectly, either by way of:</p> <p>(a) GBR or its nominee conducting an IPO and listing GBR Shares on a Recognised Stock Exchange; or</p> <p>(b) GBR being acquired by an entity already listed on a</p>
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		<p>Recognised Stock Exchange.</p> <p>Loss means loss (including loss of profit and loss of expected profit), diminution in value or deficiency of any kind whether indirect or otherwise but does not include any consequential loss.</p> <p>Minerals has the meaning given to the term under the Mining Act.</p> <p>Mining means all operations associated with the extraction of ore on a commercial basis, including pre stripping, and removal and disposal of overburden and waste, but does not include Exploration, Development or Treatment.</p> <p>Mining Act means the Mining Act 1992 as amended of Papua New Guinea.</p> <p>Mining Information means all information in relation to the Licences and the Licence Area, including all geological, geophysical, drilling information, drill cores, samples, correspondence, files, surveys, maps, aerial photographs, electromagnetic tapes, drawings, notes, technical reports, studies, designs, plans and financial or other records related to the Tenements and models whether held by the Vendors on the Execution Date or generated during the term of the Term Sheet, or any subsequent Transaction Documents.</p> <p>Minister means the Minister for Minerals and Energy, exercising powers conferred by the Mining Act.</p> <p>NSR Fair Value means the average of 2 independent valuations for a mineral deposit within the Licences and to which a DFS has been completed and a Funding Notice has issued.</p> <p>Operating Mine means once commercial operations commence pursuant to the Relevant Legislation, and as certified by an independent third party.</p> <p>Option Period means:</p> <ul style="list-style-type: none"> (a) in the case of the Stage 1 Interest the period being within 36 months of Listing; and (1) in the case of the Stage 2 Interest the period being within 36 months of acquiring the Stage 1 Interest. <p>Option means the option to purchase granted pursuant to clause 3.4.</p> <p>PML Shares means Shares in PML. .</p> <p>Recognised Stock Exchanges means the ASX, CSE TSX, TSXV or AIM.</p> <p>Related Entity has the meaning given in the Corporations Act.</p> <p>Relevant Legislation means any legislation or law that regulates, or will regulate, or will otherwise be relevant to:</p> <ul style="list-style-type: none"> (a) the standing and validity of the Licences; (1) carrying out the terms of this Term Sheet;
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		<p>(2) carrying out the terms of any Transaction Documents; and</p> <p>(3) the Transaction, including but not limited to the Mining Act.</p> <p>Shares means fully paid ordinary shares.</p> <p>Subsidiary has the meaning given to it in the <i>Corporations Act 2001</i>(Cth). .</p> <p>Taxable Supply has the same meaning as in the GST Act. .</p> <p>Tax Invoice has the same meaning as in the GST Act. .</p> <p>Term Sheet means this Exclusivity Agreement and Term Sheet. .</p> <p>Transaction means the transaction contemplated in this Term Sheet. . .</p> <p>Transaction Documents means any agreement(s) required to fully and completely document and effect the Transaction contemplated by this Term Sheet, on the terms outlined in this Term Sheet, drafts of such agreements to be prepared by the solicitors for the Purchaser. .</p> <p>TSX means Toronto Stock Exchange in Toronto, Canada. .</p> <p>TSXV means the Canadian Venture Exchange. .</p> <p>Tenement Area means the area of the Tenements.</p> <p>Third Party means a person not a party, or the Related Body Corporate of a party to this Term Sheet.</p> <p>Treatment means the processing, smelting, and refining of ore up to and including a product stage, and includes crushing, weighing, sampling, assaying, refining, treatment, transportation, handling, storage, loading and delivery of the Mineral and its associated ore, overburden and waste, but does not include Mining.</p> <p>Year means a financial year from 1 July of a calendar year until 30 June of the following calendar year.</p>
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Execution Page

Executed by Golden Birch Resources Inc.

Corporation Number: 1043482-5

"Alan M. Martin"

Director

Director/Secretary

ALAN M. MARTIN

Print full name of Director

Print full name of Director/Secretary

Executed by Papuan Minerals Pty Ltd

"Andrew Morris"

Director

Director/Secretary

Andrew Morris

Print full name of Director

Print full name of Director/Secretary

Executed by Papuan Minerals Ltd

"Andrew Morris"

Director

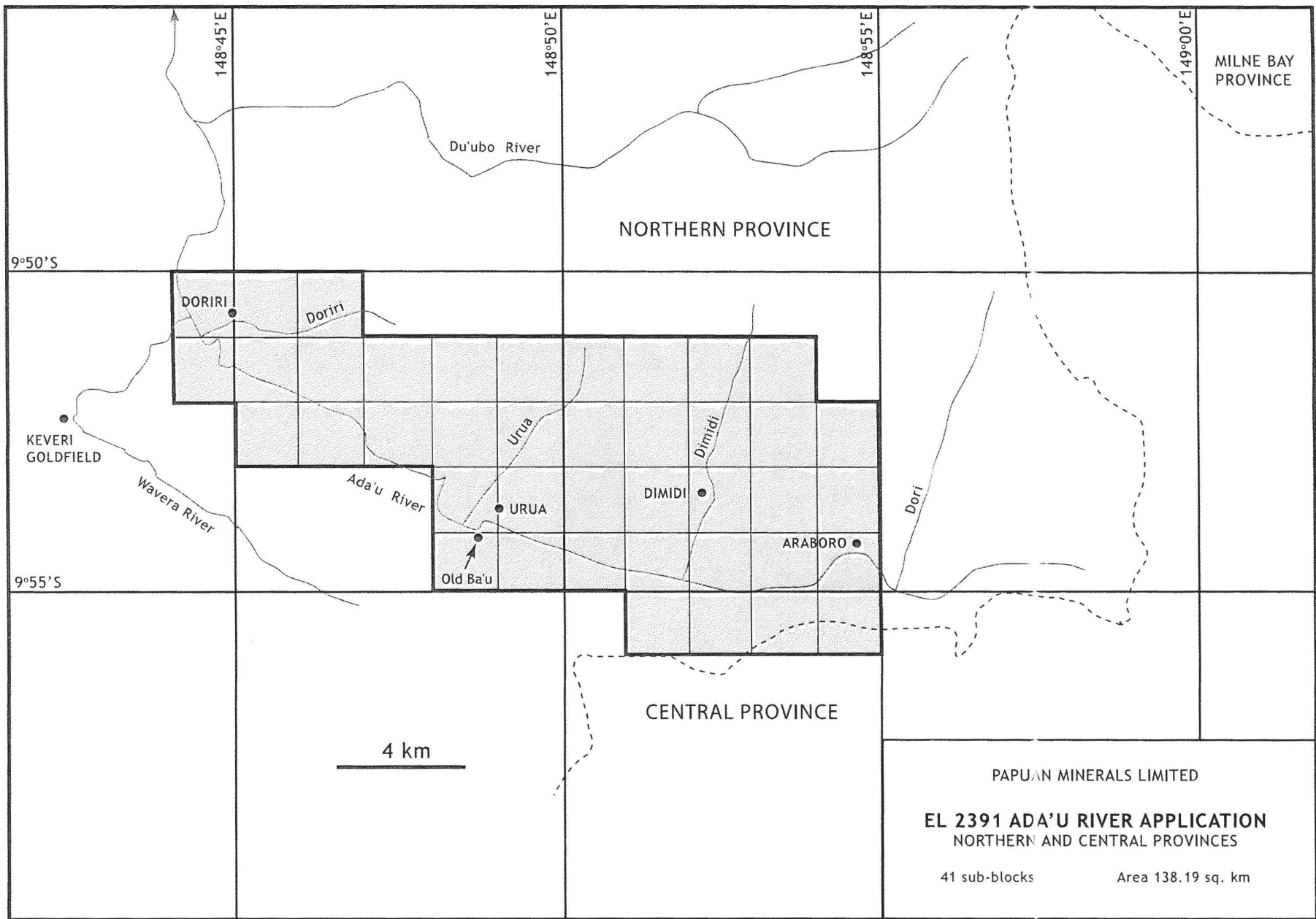
Director/Secretary

Andrew Morris

Print full name of Director

Print full name of Director/Secretary

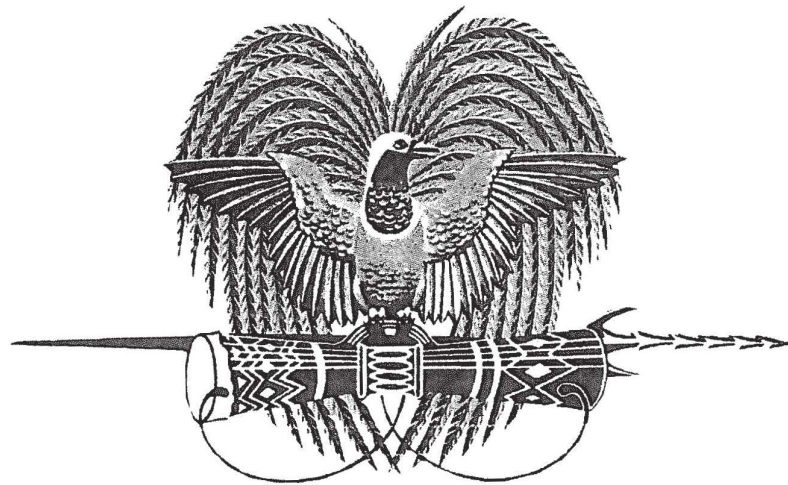
Schedule A – Licence Map and Identification



PAPUAN MINERALS LIMITED
EL 2391 ADA'U RIVER APPLICATION
 NORTHERN AND CENTRAL PROVINCES
 41 sub-blocks Area 138.19 sq. km

PAPUA NEW GUINEA
MINERAL RESOURCES AUTHORITY

OFFICE OF THE REGISTRAR
OF MINERAL TENEMENTS



NEW GRANT

EL 2391

HOLDER

MAC NO: 06/2015

Papuan Minerals Limited
PO Box 6861
BOROKO
National Capital District
Papua New Guinea

ITEM NO: 35

INDEPENDENT STATE OF PAPUA NEW GUINEA
Mining Act 1992
Mining Regulation 1992

Act, Sec. 20
Reg. Sec 1 (1)

FORM 1.

EXPLORATION LICENCE

I, **Hon. Byron Chan MP, Minister for Mining** by virtue of the powers conferred by the **Mining Act 1992**,

GRANT TO: **Papuan Minerals Limited**
PO Box 6861
BOROKO
National Capital District
Papua New Guinea

EXPLORATION LICENCE NO. 2391

situated over Doma - Central Province
and more particularly described in **Schedule 1** attached hereto, as may be varied from time to time, but not including any portion of land comprising any existing exploration licence or any other tenement whether existing or granted subsequently, except a mining easement for which the land has not been excised, for a term of

TWO (2) YEARS

FROM THIS DATE

for the purpose of carrying out **EXPLORATION FOR MINERALS** in accordance with the Act and subject to the following **CONDITIONS**:

- (i) The holder shall comply with the **PROGRAMME** described in **SCHEDULE 2** attached hereto as varied from time to time.
- (ii) Subject to any agreement made under Section 17 of the Act the State reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase up to 30% equitable interest in any mineral discovery arising from this licence, at a price **prorata** to the accumulated exploration expenditure and then to contribute to further exploration and development in relation to the lease on a **prorata** basis unless otherwise agreed.

Dated at Port Moresby this 17th day of December 2015.

"Byron Chan"

MINISTER FOR MINING

Accompanying Schedules
SCHEDULE 1. Description of Boundary
SCHEDULE 2. Programme

SCHEDULE 1

BOUNDARY DESCRIPTION FOR EL 2391

The area of land over which the tenement has been applied for is bounded by a line commencing at:

	09° 50' S	148° 44' E
then to	09° 50' S	148° 47' E
then to	09° 51' S	148° 47' E
then to	09° 51' S	148° 54' E
then to	09° 52' S	148° 54' E
then to	09° 52' S	148° 55' E
then to	09° 56' S	148° 55' E
then to	09° 56' S	148° 51' E
then to	09° 55' S	148° 51' E
then to	09° 55' S	148° 48' E
then to	09° 53' S	148° 48' E
then to	09° 53' S	148° 45' E
then to	09° 52' S	148° 45' E
then to	09° 52' S	148° 44' E
then to	09° 50' S	148° 44' E

being the point of commencement comprising **41 sub blocks** that consists of a total area of **138.19 sq. km²**.

NOTES:

1. Coordinates must be in latitude and longitude and, except for an application for an exploration licence, applicants must state whether description of coordinates is taken from an authorized survey or estimated from a map.
2. If the coordinates have been taken from a survey, the name, number and date of survey or such information as will allow the survey to be correctly identified must be provided.
3. Descriptions other than surveys or amended schedules under Section 97 are to be signed by the applicant. Surveys and amended schedules are to be signed by the registered surveyor and Registrar respectively.

To be used for the describing the boundary of an area of land under Sections 24, 35, 42, 52, 70, 85, 97, 135 and 138 of the Act.

SCHEDULE 2

INDEPENDENT STATE OF PAPUA NEW GUINEA Mining Act 1992 Mining Regulation 1992

Act, Sec. 24, 27

FORM 20

EXPLORATION LICENCE NO. 2391 PROGRAMME

MISCELLANEOUS	YEAR 1	YEAR 2		
	(man weeks)			
Access negotiations	5			
Library search and data review/analysis	8	6		
Exploration reconnaissance (not leading to the production of maps or collection of samples)	2			
MAPPING			(Km ²)	
			Colour B & W SAR	
Acquisition of new bathymetry imagery				
Preparation of topographic maps by photogrammetric or Survey techniques				
Aerial photograph interpretation				
Imagery interpretation (land sat.SAR etc)				
Reconnaissance geological mapping (limited traversing)	2	2		
Detailed geological mapping (grid or detailed traversing)		2		
GEOCHEMISTRY	(No. of samples)		(list target elements)	
Drainage -	20	20	Au,Cu,Ag,Mo,As	
Surface sampling-	20	20	Au,Cu,Ag,Mo,As	
Coastal Sampling		40	Au,Cu,Ag,Mo,As	
Bedrock sampling				

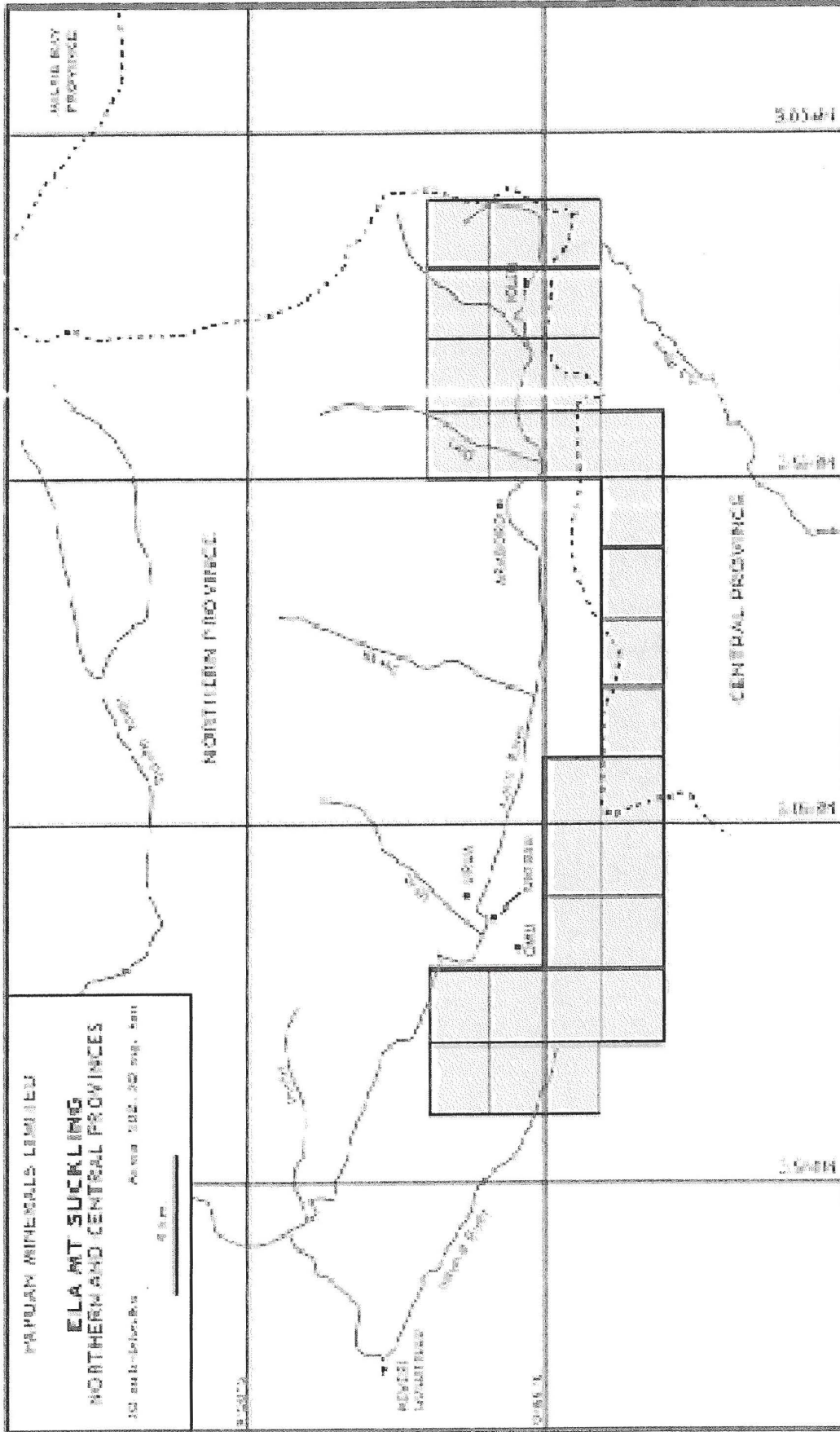
To accompany an application for grant or extension of an EL under Section 24 of the Act. or an application for a variation under Section 27 of the Act.

Note 1 Reference should be made to Sections 23(b), 25 and 26 of the Act.

Note 2 Both year 1 and year 2 proposed programmes must be completed and if necessary these may be amended by seeking a variation under Section 27 of the Act. It is sufficient to indicate proposed activities with a cross in most cases. However quantitative estimates are required when mechanised earth moving or mining equipment is to be used and when bulk sampling is intended. For the purposes of Section 23 (b) of the Act crosses will signify that reasonable numbers of geochemical samples may be taken.

Note 3 Agents should provide evidence of authorisation.

			(Km ²)
GEOPHYSICS			
Airborne geophysics and remote sensing	(Magnetics (E.M (Gravity (Other (type....)		
			(line Km)
Ground geophysics-	(Magnetics (IP/resistivity (E.M (Seismic (Other (type...)		
ACCESS AND EXCAVATION			(Km)
Line cutting and grading New road and track development			
			(metres)
Trenching and costeaning Airstrip			
DRILLING			(No. of Holes) (list target elements)
Cored and part cored holes (include. all R.C. except alluvial drilling) Non-cored holes (except alluvial drilling) Alluvial drilling			
BULK SAMPLING			
Pits, adits etc.	(type)	(No. of samples)	(list target elements)
	(purpose)		(total weight/Vol.in tonnes/m ³)
SPECIALIST GEOLOGICAL STUDIES			(No. of samples)
Petrology Whole rock analyses Age determinations Isotope geochemistry Fluid inclusions Other (type....)			
PRE-FEASIBILITY/FEASIBILITY STUDIES			(man weeks)
Ore reserve calculations Financial evaluation Metallurgical investigation Geotechnical investigation Environmental investigation Land tenure investigation Engineering studies			
PROPOSED EXPENDITURE			(Kina)
		<u>20,000.00</u>	<u>20,000.00</u>





Mining Haus, Poreporena Highway
P.O. Box 1906
Port Moresby 121, NCD
Papua New Guinea

Regulatory Operations Division
Tel: +675 321 3511
Facsimile: +675 321 5711
Email: info@mra.gov.pg

Date: 8 January 2018
Our Ref: ROD/8-4/ELA 2560 - 14

Papuan Minerals Limited

Mr. Andrew Morris - Director
C/- Sinton Spence Chartered Accountants
2nd Floor Brian Bell Plaza
Turumu Street, Port Moresby
National Capital District

By email: andrewmorris420@gmail.com, andrew.morris@papuanminerals.com

Dear Mr. Morris,

RE: NEW APPLICATION – EL 2560 , DOMA, NORTHERN PROVINCE

Your application for the exploration license number 2560 (EL 2560) lodged on 24th November 2017 is acknowledged.

You may track your applications online through the Flexicadastre PNG Mining Cadastre Portal system (Flexi) - PNG Mining Cadastre Portal - portal.mra.gov.pg. Please ensure you are registered with Flexi for this purpose. To inquire further about registration, which is currently free, please contact us at tenementsinfo@mra.gov.pg.

In order to ensure that your applications may be assessed and processed as quickly as possible we highlight the following matters for your attention and action, if required (all section references are to the Mining Act):

Section 22 – area of exploration license

- The area shall be no more than 750 sub-blocks, where 1 sub-block is equivalent to 3.41 km².

Sections 24 & 25 – application requirements.

- **Work Programme:** Ensure you have submitted a work programme on the prescribed form and a statement that gives particulars of the technical and financial resources available to the applicant.
- **Proposed Expenditure:** Your related expenditure must not be less than the prescribed amount and invariably will need to be substantially more (the prescribed amounts are outdated) based on your work programme. Your expenditure should be connected with the acquisition and

interpretation of exploration data from the area of the exploration license and may include related laboratory and feasibility work. Expenditure for the purchase of a tenement and purchase of land and building are not acceptable expenditure.

- Technical & Financial Resources: You must provide adequate, verifiable information to demonstrate you, or a parent or shareholder, or financier, has the “technical and financial resources available to effectively carry out the programme” (refer s26(1)(b)). You should note that where you hold other tenements we will consider your performance/compliance in relation to those tenements and will also take into account your total PNG tenement interests, especially financial obligations. You must satisfy MRA that you can afford to satisfy all your financial commitments across a portfolio of tenements.
- Financial information you must provide should include:
 - Company accounts, preferably audited, and no older than 90 days from the date of application;
 - Parent or associated company accounts if you rely on another company or entity to meet your tenement’s financial commitments;
 - IPA registration extracts (or the overseas equivalent) no more than 30 days old, providing full details of the relevant company, including details of directors, shareholders, other officers, registered office address, contacts for communication including an email address and evidence that the company is compliant with any company reporting requirements;
 - A PNG bank account statement for the applicant, which gives a continuous 6 month history of transactions within the account relevant to the tenement exploration expenditure.
- In the event that we hold concerns about your ability to fund your tenement obligations we may request you to obtain a directors personal guarantee, or a parent company guarantee, or other company guarantee if funds are to be provided by a third party, subject to your circumstances. This will be the case whether the relevant director or entity is resident in PNG or an overseas jurisdiction.
- We will provide you with a copy of the necessary guarantee documents for completion and execution if required. The financial obligations to be guaranteed will include the total exploration expenditure for the tenement term, rental (year 2) and potential compensation payment obligations to landowners arising from the work intended to be undertaken within the tenement.
- With regard to compensation, please ensure you are familiar with your compensation obligations under Part VII Mining Act.
- Please note that promises of funding to be effective in the future will not be acceptable – we suggest you do not pursue your applications if you are not assured of funding to meet the commitments for the 2 year term at the time of application.

It is your obligation to provide all required information in support of your applications. Please enquire if you need assistance. Delays in providing information will result in delay to your application and therefore our ability to provide the assessment report to the Mining Advisory Council (MAC) for its recommendation to the Minister for Mining.

If you do not provide the necessary information within a reasonable time i.e. 45 days from the date of this letter, you risk an incomplete assessment report being presented to MAC. Under section 110(4), (5) or (6) Mining Act, MAC may defer consideration of the application and request an applicant to amend the application or to provide further information or a revised programme within a specified time. Failure to provide the further information or a revised programme within the time given may result in a recommendation for refusal by MAC.

Shortly after lodgment of your applications you will receive a separate letter from the Chief Warden regarding the statutory requirement for a warden hearing, whose warden report is also a prerequisite for your application to proceed to the MAC. That letter will specify the separate requirements you will need to meet for the warden hearing to be scheduled, advertised and held under sections 105-109 Mining Act.

We trust this letter is of assistance to you with regard to our regulatory tenement process.

Yours faithfully,

"Tim Ricky"

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Tim Ricky
Manager, Technical Assessment Branch
Email: tricky@mra.gov.pg

Cc:

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Schedule B – Warranties

1. **PMPL's Warranties**

- a. PMPL warrants to the Purchaser that:
 - i. It has full power and authority to enter into this Term Sheet and to carry out the transactions contemplated by this Term Sheet; and
 - ii. this Term Sheet constitutes legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally), subject to any necessary stamping or registration.
- b. Other than as disclosed in this Term Sheet or arising by way of statute, the Licences are not subject to any Encumbrances.
- c. PML is the sole legal and beneficial owner of the Licences.
- d. The Licences are in good standing.
- e. PML is conducting, and will continue to conduct, its business and all activities relating to the Licences in the ordinary course.
- f. There are no other agreements, arrangements or understandings in place with any other party in respect of the Licences other than that disclosed.
- g. PMPL has not received notice of any and, to the best of its knowledge, there are no actual, alleged, potential or future adverse Licences, challenges, suits, actions, prosecutions, investigations or proceedings against the Licences or any portion thereof or which relate to title or ownership of or otherwise relate to or affect the Licences or any portion thereof, nor to the best of its knowledge, is there any basis thereof.
- h. No litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, or as far as they are aware, pending or threatened which related in any way to the Licences or PMPL's right, title and interest in and to the Licences.
- i. Neither PMPL's execution of this Term Sheet nor the carrying out by it of the transactions contemplated by this Term Sheet, including the Transaction, does or will:
 - i. contravene any law to which PMPL or any of its Licences is subject or any order of any Government Agency that is binding on PMPL or any of the Licences;
 - ii. contravene any Authorisation;
 - iii. contravene any Relevant Legislation; or
- j. PMPL agrees to indemnify the Purchaser in respect of any Loss arising directly or indirectly from or incurred in connection with any gross negligence or wilful misconduct by the Vendors in the management or operation of the Licences.

- k. PMPL agrees that if it becomes aware of a breach of any warranty set out this Schedule B, it must immediately give notice to the Purchaser (such notice to give full and complete details of the breach and its consequences to the extent known by it).

2. **Purchaser's Warranties**

- a. The Purchaser warrants to PMPL that:
 - i. The Purchaser has full power and authority to enter into this Term Sheet and to carry out the transactions contemplated by this Term Sheet, other than as specified in this Term Sheet;
 - ii. the Term Sheet constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally), subject to any necessary stamping or registration.
- b. The Purchaser agrees to indemnify PMPL in respect of any Loss arising directly or indirectly from or incurred in connection with any gross negligence or wilful misconduct by the Purchaser in the management or operation of the Licences.

Schedule C – Net Smelter Return

1. Terms used in this Schedule C have the same meanings as defined in the Agreement, except as follows:

Allowable Deductions means all costs actually paid or incurred by the Royalty Payer in Australian dollars, or in Australian Dollar Equivalent on An Arm's Length Basis and in accordance with the IFRS, in relation to the sale of Products extracted and recovered from the Tenement Area, and includes:

- (a) road, sea and rail transportation costs, including insurance costs;
- (b) handling costs including assaying, sampling, umpire charges, weighing, loading, unloading, stockpiling and storage;
- (c) all smelting and refining costs including product impurity Penalties;
- (d) taxes (excluding taxes on net income), duties and like charges imposed on transport, export, distribution, stockholding or sale;
- (e) bank charges on sales receipts and payments and government charges on banking transactions;
- (f) any royalty paid to any Government Agency and any other royalty payable in respect of the Tenements; and
- (g) all other outlays which are a direct incident of the marketing and sale of any smelted gold, copper or silver derived from ore mined from the Tenement,

but do not include any exploration, development, construction, mining, crushing, treatment (not falling within (c)) or concentrating costs (not falling within (c)) incurred by the Royalty Payer within or adjacent to the Tenements.

Arm's Length Basis means, for the purposes of calculating the Royalty, prices and terms no less favourable to the Royalty Payer than those which would be paid and agreed to by a Third Party in an arm's length transaction under similar circumstances.

Australian Dollar Equivalent means, where a sum to which this Agreement relates is not stated in Australian dollars, the amount determined by converting the amount in foreign currency into Australian dollars at the Exchange Rate existing when the relevant revenue was earned or receivable or the relevant expenditure was incurred, by the Company.

Carried Forward Deduction means the amount of Allowable Deduction that exceeds the Gross Revenue in a Quarter, which may then be carried forward and deducted from Gross Revenue in subsequent Quarters.

Exchange Rate means, in respect of any foreign currency the average of the buy and sell rates for the foreign currency in Australian, as quoted in the Australian Financial Review, or where that publication does not quote the applicable rates(s), another rate(s) agreed by the Royalty Holder and Royalty Payer.

Expert means a person independent of the parties who is suitably qualified and capable of making an expert determination under this Schedule C in accordance with, and subject to, the Institute of Arbitrators & Mediators Australia Expert Determination Rules.

Gross Revenue means the gross proceeds actually received by or applied to the benefit of a Royalty Payer in Australian dollars, or in Australian Dollar Equivalent, on an arm's length basis from the sale of Products to the owner or operator of a Refinery or to any other purchaser (and shall be deemed to include proceeds (net of any excess paid in respect of that loss) received from an insurer in the case of loss of, or damage to, the Products).

IFRS means the International Financial Reporting Standards.

Minerals means any minerals, including gold, silver and copper.

Net Smelter Return means, for a Quarter, the Gross Revenue of a Royalty Payer minus the Allowable Deductions of a Royalty Payer for that Quarter.

Penalty means a charge made by a Refinery, in addition to normal refining costs, for removing from the Product Minerals or other substances where the cost of the removal exceeds the value of those minerals or other substances.

Product means ore mined or concentrates or precipitates processed from ore mined from the Tenement Area, including, without limitation, gold/silver bearing doré, and in the case of copper or other base metal deposits, concentrates or and/or unfinished products requiring further smelting or refining.

Quarter means a period of three months commencing on 1 January, 1 April, 1 July or 1 October.

Records has the meaning given by item 2(a) of this schedule.

Refinery means a smelter, refinery or other processing facility.

Royalty means the royalty payable by the Royalty Payer to the Royalty Holder under this deed.

Royalty Payer means PML.

Royalty Holder means PMPL.

Royalty Percentage means 2.0%.

Statement means, for a Quarter, a statement setting out in reasonable detail:

- (a)
- (b) the quantities and grades of Products recovered and sold during the Quarter;
- (c) the individual elements which make up the royalty calculation, being the Gross Revenue, Adjustments, Allowable Deductions, and Carried Forward Deductions (if any) for the Quarter;
- (d) the Royalty payable for that Quarter; and
- (e) any other material information which is relevant in explaining the calculation of the Royalty payment.

Tenements means the Licences, and includes any application for a mineral title, and any extension, renewal, variation, conversion, amalgamation, replacement or substitution of a mineral title, which is granted in respect of the whole or part of the area of a mineral title on the application of a Royalty Payer or on the authority of a Royalty Payer.

Term means from when a Net Smelter Return royalty commences in accordance with this Schedule C until the date on which Product is no longer mined from the Tenement Area.

2. **Calculation and payment of the Net Smelter Return**

- (a) The Royalty commences on the date on which the extraction and recovery of any Product commences from the Tenement Area.
- (b) A Royalty Payer will pay a Royalty Holder an amount of royalty (if any) calculated by multiplying the Royalty Percentage by the Net Smelter Return for each Quarter.
- (c) Within 30 days after the end of each Quarter, a Royalty Payer, must:
 - (1) calculate the Royalty payable for that Quarter, if any;
 - (2) give to the Royalty Holder a Statement in respect of that Quarter, even if there is no Royalty payable in respect of that Quarter; and
 - (3) if the Royalty is payable, pay to the Royalty Holder the Royalty due by it for that Quarter, in immediately available funds without demand, reduction or set-off (except any deduction or withholding required by law).
 - (4) by direct deposit to the bank account nominated by the Royalty Holder, which the Royalty Holder may, by notice to the Payer, change from time to time; or
- (d) Payment must be made in immediately available funds without demand, reduction or set-off (except any deduction or withholding required by law) by direct deposit into the bank account nominated by the Royalty Holder or where there is no current nomination, by bank cheque payable to the Royalty Holder or its nominee.

3. **Records for audit**

A Royalty Payer must:

- (a) maintain true, accurate and adequate records in accordance with the Accounting Standards (and generally accepted Australian mining practices) in respect of the calculation of the Net Smelter Return calculation in sufficient detail to enable an independent audit to be carried out that is capable of establishing the accuracy of the calculations referred to by item 2(a) of this schedule (**Records**); and
- (b) keep such Records for a period of not less than 72 months after the end of each Quarter to which they relate.

4. **Access**

Each Royalty Payer must:

- (a) provide the Royalty Holder and the Royalty Holder's auditors access to the Records at all reasonable times upon receipt of reasonable prior notice; and
- (b) allow these persons the opportunity to photocopy any of the Records (at their cost).

5. **Inspection and audit of Royalty Records**

- (a) The Royalty Holder may, upon reasonable notice to the Royalty Payer and at reasonable times and at its own cost, within 60 days of receiving a Statement in respect of a Quarter, appoint a registered company auditor under the Corporations Act

to inspect, audit and report on the Royalty Records of a Royalty Payer to the Royalty Holder in respect of that Quarter.

- (b) Each Royalty Payer must give the auditor appointed by the Royalty Holder full and free access to the Royalty Records of the Payer at its offices, or elsewhere as agreed, in respect of the payment of the Royalty for that Quarter.
- (c) The Royalty Holder must ensure that any audit undertaken by, or on behalf of, the Royalty Holder is conducted and concluded promptly and diligently.
- (d) If the Royalty Holder notifies a Royalty Payer of any underpayment or overpayment of the Royalty which the Royalty Holder's auditor, in its reasonable opinion, considers exists, or the audit determines that any Royalty paid has been calculated in error, the Royalty Payer must, on being provided with a copy of the report of the Royalty Holder's auditor, make an Adjustment of the Royalty due for the next Quarter accordingly.
- (e) If the Royalty properly payable is established by audit to be more than 5% than the Royalty set out in a Statement provided by the Royalty Payer, the Royalty Payer must refund to the Royalty Holder forthwith the costs of the audit.

6. **Disputes about the Net Smelter Return Royalty**

- (a) Notwithstanding any other clause of the Agreement, all disputes in connection with the calculation, payment or verification of the Net Smelter Return (**dispute**) will be determined by an Expert appointed by the parties.
- (b) The determination of the Expert for a dispute is final and binding on the parties other than in the case of fraud or manifest error, and the parties must do everything reasonably required by the Expert to assist him or her to reach a decision.

7. **Assignment**

- (a) A Royalty Payer may not sell, transfer, grant, assign or otherwise dispose of (**Transfer**) all, part of, or any interest or right in, any of the Tenements, or any rights in relation to Products extracted and recovered or to be extracted and recovered from the Tenement Area to a third party or a related body corporate or a related entity without the prior written consent of the Royalty Holder provided that prior to any such Assignment becoming effective the Royalty Payer must deliver to the Royalty Holder an Assumption Deed executed by the assignee or other recipient of the interest and rights being the subject of the Assignment and executed by the Royalty Payer and the Royalty Holder whereby the assignee assumes all the obligations of the Royalty Payer towards the Royalty Holder.
- (b) The Royalty Holder may sell, transfer, grant, assign or otherwise dispose of (an **Assignment**) all of its rights and interests under this Schedule C provided that prior to any such Assignment becoming effective the Royalty Holder must deliver to the Royalty Payer an Assumption Deed executed by the assignee or other recipient of the interest and rights being the subject of the Assignment and executed by the Royalty Holder and the Royalty Payer.