

DEBENTURE PURCHASE AGREEMENT

between

MARENGO MINING LIMITED

- and -

YANDERA MINING COMPANY LIMITED

- and -

MARENGO MINING (PNG) LIMITED

- and -

SENTIENT GLOBAL RESOURCES FUND IV, L.P., by its
general partner **SENTIENT GP IV, L.P.**, by its general partner
SENTIENT EXECUTIVE GP IV, LIMITED

May 27, 2013

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THIS DEBENTURE PURCHASE AGREEMENT made as of the 27th day of May, 2013.

BETWEEN:

MARENGO MINING LIMITED, a corporation incorporated under the laws of Canada (the "**Corporation**")

- and -

YANDERA MINING COMPANY LIMITED, a corporation incorporated under the laws of Papua New Guinea ("**YMCL**")

- and –

MARENGO MINING (PNG) LIMITED, a corporation incorporated under the laws of Papua New Guinea ("**MML**" and, together with YMCL, collectively, the "**PNG Subsidiaries**")

- and –

SENTIENT GLOBAL RESOURCES FUND IV, L.P., a limited partnership formed under the laws of the Cayman Islands, by its general partner **SENTIENT GP IV, L.P.**, a limited partnership formed under the laws of the Cayman Islands, by its general partner **SENTIENT EXECUTIVE GP IV, LIMITED**, a corporation incorporated under the laws of the Cayman Islands (collectively, the "**Purchaser**")

WHEREAS in order to provide the Corporation and the PNG Subsidiaries with additional funds to conduct their business, the Purchaser has committed to provide the Corporation and the PNG Subsidiaries with investment funds, in three tranches, on the terms and subject to the conditions set forth herein;

AND WHEREAS the Purchaser's investment shall take the form of senior unsecured convertible debentures (collectively, the "**Debentures**") which shall bear interest from and including the date of issuance at the rate of 9% per annum, payable in equal semi-annual instalments in arrears on April 30 and October 30 in each year, with an aggregate issue price of US\$15,000,000 and maturing in 2016, on the terms and in the manner set forth herein;

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, covenants and conditions set forth below, the Parties, intending to be legally bound, hereby agree as follows.

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

"**Affiliate**" has the meaning ascribed thereto in the *Securities Act* (Ontario);

"**Applicable Laws**" means, at any time and with respect to any Person, property, transaction, event or other matter, all present or future applicable laws, statutes, regulations, treaties, judgments, ordinances,

codes, decrees and common law and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, restrictions, requirements and policies of any Governmental Authority having authority over such Person, property, transaction, event or other matter;

"Applicable Securities Laws" means, collectively, the applicable securities laws of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, their respective regulations, rulings, rules, orders and prescribed forms thereunder and the applicable policy statements issued by the securities commissions of each of such provinces;

"Agreement" means this Debenture Purchase Agreement;

"ASX" means the Australian Securities Exchange;

"Board" means the board of directors of the Corporation;

"Business Day" means any day other than a Saturday, Sunday or other day on which banks located in Toronto, Ontario are authorized to be closed;

"CDI" means a CHESS Depositary Interest in Common Shares that are listed on the ASX;

"Claim" means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment;

"Closing" means any closing of the issuance of Debentures in accordance with the terms hereof;

"Closing Time" has the meaning set forth in Section 2.2(a) of this Agreement;

"Common Shares" has the meaning set forth in Section 2.1(a) of this Agreement;

"Confidential Information" has the meaning set forth in Section 6.9 of this Agreement;

"Contract" means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding or other right or obligation (written or oral) to which the Corporation or any of its Subsidiaries is a party or by which the Corporation or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject;

"Corporation" means Marengo Mining Limited and its successors and assigns;

"Corporation Indemnified Party" and **"Corporation Indemnified Parties"** have the meanings set forth in Section 9.1(b) of this Agreement;

"Corporation Organizational Documents" means the articles of incorporation, continuance or amalgamation and by-laws (or the equivalent organizational documents), each as amended to date, of the Corporation and each of its Subsidiaries;

"Corporation's Information Record" means all information contained in any press release, material change report (excluding any confidential material change report), financial statements, technical reports or other document of the Corporation which has been publicly filed by or on behalf of the Corporation pursuant to Applicable Securities Laws or otherwise;

"Debenture Shares" has the meaning set forth in Section 4.5(a) of this Agreement;

"Debentures" has the meaning ascribed thereto in the recitals, and shall be comprised of the **"Initial Debentures"**, **"Subsequent Debentures"**, **"Final Debentures"**, **"Establishment Fee Debentures"** and **"Interest Debentures"**;

"Deliver" or any derivative thereof means, actual delivery to the other Party or its professional advisors, or in the case of the Corporation (or any predecessor to the Corporation), otherwise filed on SEDAR since June 30, 2012;

"Disclosure Schedule" has the meaning set forth in the introductory paragraph to Article 4 of this Agreement;

"Employee Plans" has the meaning set forth in Section 4.17(b) of this Agreement;

"Encumbrance" includes a mortgage, pledge, charge, lien, assignment, hypothecation, security interest, title retention or any other security arrangement howsoever created or arising and whether perfected or not;

"Environment" means soil, surface waters, groundwater, land, stream sediments, surface or subsurface strata, and ambient air;

"Environmental Laws" has the meaning set forth in Section 4.30(a) of this Agreement;

"Establishment Fee" means the fee payable by the Corporation and the PNG Subsidiaries to the Purchaser on each of the Initial Closing Date, the Second Closing Date and the Third Closing Date, equal to 2% of the Principal Amount advanced to the Corporation and the PNG Subsidiaries by the Purchaser at each of the Initial Closing Date, the Second Closing Date and the Third Closing Date, through the issuance to the Purchaser of Debentures having the same terms and attributes as the Debentures (the **"Establishment Fee Debentures"**);

"Establishment Fee Debentures" has the meaning set forth in the definition of Establishment Fee;

"Filings" means the Corporation's publicly available filings with the applicable securities regulatory authorities in those jurisdictions in which the Corporation is a reporting issuer;

"Final Debentures" has the meaning set forth in Section 2.1(c) of this Agreement;

"Financial Statements" has the meaning set forth in Section 4.15 of this Agreement;

"first currency" has the meaning set forth in Section 10.11 of this Agreement;

"Governmental Authority" means any (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, statutory body, commission, board, bureau or agency, (ii) self-regulatory organization or authority, (iii) subdivision, agent, commission, board or authority of any of the foregoing, (iv) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (v) stock exchange;

"Guarantees" means the guarantees to be executed and delivered by each of the Guarantors and dated as of the Initial Closing Date, in form and substance agreed to by the Purchaser and the Corporation, acting reasonably;

"Guarantors" means each of Marengo Mining (Australia) Limited (ABN: 57 099 496 474) and Yandera Mining Company (Holdings) Pty Limited (ABN: 24 147 330 336);

"IFRS" means, at any date of determination, International Financial Reporting Standards as issued by the International Accounting Standards Board;

"Indebtedness" means, with respect to any Person, without duplication:

- (a) all indebtedness of such Person for borrowed money, secured or unsecured;
- (b) all reimbursement and other obligations of such Person with respect to letters of credit, banker's acceptances and surety bonds, whether or not matured;
- (c) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (d) all obligations of such Person under purchase money mortgages, conditional sale agreements, title retention agreements or other similar instruments relating to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);
- (e) all capitalized lease obligations of such Person and the present value of future rental payments under all synthetic leases, if any;
- (f) all obligations of such Person under commodity purchase or options agreements or other commodity price hedging arrangements, in each case whether contingent or matured;
- (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, currency hedging transactions (valued at the termination value thereof), interest rate cap, swap, collar or similar transactions, or other similar agreement or arrangement designed to alter the risks arising from fluctuations in currency values or interest rates, in each case whether contingent or matured;
- (h) all obligations of the type referred to above of any other person, the payment of which such person has guaranteed or for which such person is otherwise responsible or liable; and
- (i) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness;

"Indemnified Party" has the meaning set forth in Section 9.2(a) of this Agreement;

"Indemnifying Party" has the meaning set forth in Section 9.2(a)(i) of this Agreement;

"Initial Closing Date" means May 30, 2013 or such other date as shall be mutually agreed to by the Parties;

"Initial Debentures" has the meaning set forth in Section 2.1(a) of this Agreement;

"Initial Issue Price" means US\$3,500,000;

"Interest Debentures" means the Debentures to be issued by the Corporation and the PNG Subsidiaries to the Purchaser in satisfaction of all interest payments hereunder;

"Interest Payment Date" has the meaning set forth in Section 2.1(d) of this Agreement;

"Judgment Conversion Rate" has the meaning set forth in Section 10.11 of this Agreement;

"Law" means any law, statute, code, ordinance, regulation, rule, Permit, rules of common law, including any judicial and administrative interpretations thereof, of any Governmental Authority which have been made public, including all judicial and administrative Orders which have been made public;

"Leased Premises" means the premises which are material to the Corporation and/or any of its Subsidiaries and which the Corporation and/or any of its Subsidiaries occupies as tenant;

"Legal Actions" has the meaning set forth in Section 4.14 of this Agreement;

"Losses" has the meaning set forth in Section 9.1(a) of this Agreement;

"Management" has the meaning set forth in Section 7.1(b)(ii) of this Agreement;

"Material Adverse Change" means any change to the Corporation's and its Subsidiaries' business, condition, results of operations, assets or liabilities, taken together as a whole, that reasonably has a Material Adverse Effect;

"Material Adverse Effect" means an effect that, reasonably, individually or collectively with another state of facts or effects, is materially adverse or may be expected to be materially adverse on the Corporation's and its Subsidiaries' business, condition, prospects, results of operations, assets or liabilities, taken together as a whole;

"Material Contracts" means any Contract which has been filed by the Corporation with any Canadian securities regulatory authorities as a material contract and forming part of the Corporation's public disclosure record, together with all exhibits and schedules thereto;

"Mining Claims" has the meaning set forth in Section 4.18(c) of this Agreement;

"MML" means Marengo Mining (PNG) Limited;

"MML Board" means the board of directors of MML;

"NI 43-101" means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

"Order" means any order, judgment, ruling, injunction, assessment, award, decree or writ of any Governmental Authority;

"OSC" has the meaning set forth in Section 5.9 of this Agreement;

"Parties" means the parties hereto and **"Party"** means any one of them;

"PCMLA" has the meaning set forth in Section 5.8 of this Agreement;

"Permit" means any license, permit, authorization, certificate of authority, qualification or similar document or authority that has been issued or granted by any Governmental Authority;

"Permitted Issuance" means any of the following:

- (a) the issuance of options or performance rights to acquire Common Shares pursuant to the Corporation's employee share option plan and other compensation plans, as modified or amended from time to time and the issuance of Common Shares upon the exercise of such options or performance rights;
- (b) any issuance of Debentures Shares; and
- (c) any issuance of Common Shares upon exercise of any rights, performance rights, options or warrants, pursuant to the terms governing such securities as of the date hereof;

"Permitted Transferee" means any Affiliate of the Purchaser or other entity whose decision-making is controlled by the Purchaser or by the Persons who control the decision-making of the Purchaser;

"Person" an individual, corporation, partnership, trust, syndicate, association, limited liability company, unlimited liability company, association, joint venture, Governmental Authority or other entity or organization, whether or not recognized as a legal entity;

"PNG" means Papua New Guinea;

"PNG Subsidiaries" means YMCL and MML, collectively;

"Principal Amount" means the principal amount of the Debentures outstanding from time to time;

"Proceeding" means any action, suit, proceeding, claim, arbitration, mediation or investigation before any Governmental Authority or before any arbitrator or mediator or similar party, or any investigation or review by any Governmental Authority or similar party;

"Purchaser Indemnified Party" and **"Purchaser Indemnified Parties"** have the meanings set forth in Section 9.1(a) of this Agreement;

"Purchaser" has the meaning ascribed thereto in the recitals to this Agreement;

"Registered" has the meaning set forth in Section 5.2 of this Agreement;

"Registration" has the meaning set forth in Section 5.2 of this Agreement;

"SEC" means the U.S. Securities and Exchange Commission;

"Second Closing Date" means the date that is five (5) Business Days following the receipt by the Corporation or YMCL of all necessary approvals for the renewal of Exploration Licence 1335 held by YMCL or such other date as shall be mutually agreed to by the Parties;

"second currency" has the meaning set forth in Section 10.11 of this Agreement;

"Second Issue Price" means US\$5,500,000;

"Securities" has the meaning set forth in Section 4.5(a) of this Agreement;

"Sentient Loan" means the US\$10,000,000 loan facility advanced to the Corporation in accordance with the loan agreement dated February 6, 2013, as amended on the date hereof, originally entered into

between the Corporation and the Purchaser and to which YMCL and MML subsequently acceded as borrowers;

"Sentient Loan Interest" means the interest or (if applicable) the "Termination Sum" (as defined in the Sentient Loan) payable or which may become payable to the Purchaser by the "Borrower" (within the meaning of the Sentient Loan) under the Sentient Loan up to the amount of US\$1,000,000;

"Shareholders' Meeting" means the special meeting of Shareholders to be convened and held to approve, *inter alia*, the sale of the Final Debentures on the Third Closing Date;

"Shareholders" means the shareholders of the Corporation;

"Subsequent Debentures" has the meaning set forth in Section 2.1(b) of this Agreement;

"Subsidiary" or **"subsidiary"** means: (i) any corporation or company of which at least a majority of the outstanding securities having by the terms thereof ordinary voting power to elect a majority of the board of such corporation or company is at the time directly, indirectly or beneficially owned or controlled by the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries; (ii) any partnership of which, at the time, the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries directly, indirectly or beneficially own or control at least a majority of the voting interests (however designated) thereof, or otherwise control such partnership; and (iii) any other Person of which at least a majority of the voting interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries;

"Tax Act" means *the Income Tax Act* (Canada);

"Tax Returns" means all reports, forms, elections, designations, schedules, statements, estimates, declarations, filings, information statements and returns required to be filed with a Governmental Authority with respect to any Tax;

"Taxes" means all taxes of any kind or nature whatsoever, including without limitation, income taxes, sales taxes, capital taxes, levies, imposts, stamp taxes, duties, royalties, charges to tax, real property taxes and assessments, fees, deductions, contributions, premiums, withholding taxes, business transfer, multistage, goods and services or value added taxes and similar impositions payable, levied, collected, withheld or assessed as of the date of this Agreement or at any time in the future by any Governmental Authority of or within Canada or any other jurisdiction whatsoever having power to tax together with penalties, fines, additions to tax and interest thereon;

"Technical Committee" has the meaning set forth in Section 7.1(a) of this Agreement;

"Technical Committee Items" has the meaning set forth in Section 7.1(c) of this Agreement;

"Third Closing Date" means the date that is five (5) Business Days following the receipt of approval of the Shareholders at the Shareholders' Meeting for the transactions contemplated hereby, or such other date as shall be mutually agreed to by the Parties;

"Third Issue Price" means US\$6,000,000;

"Transaction Documents" means this Agreement, the Guarantees and the Debentures;

"TSX" means the Toronto Stock Exchange;

"**U.S. Accredited Investor**" means an "accredited investor" within the meaning of Regulation D under the U.S. Securities Act;

"**Yandera Project**" has the meaning set forth in Section 6.2 of this Agreement;

"**YMCL**" means Yandera Mining Company Limited; and

"**YMCL Board**" means the board of directors of YMCL.

1.2 Schedules

The following are the Schedules attached hereto and incorporated by reference herein and deemed to be part hereof:

Schedule 2.2	- Wire Transfer Account
Schedule 3.2(g)	- Capitalization
Schedule 6.10	- Form of Monthly Progress Report
Disclosure Schedule	

1.3 Exhibits

The following are the Exhibits attached hereto:

Exhibit A	- Form of Debenture
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ARTICLE 2 ISSUANCE AND SALE

2.1 Issuance and Sale of the Debentures

- (a) In reliance upon the representations, warranties and covenants of the Parties set forth herein, and subject to satisfaction of the relevant conditions set forth in Section 3.2 hereof, on the Initial Closing Date, the Corporation and the PNG Subsidiaries shall issue, sell and deliver to the Purchaser, and the Purchaser shall purchase from the Corporation and the PNG Subsidiaries: (i) Debentures having an aggregate Principal Amount of US\$3,500,000 for proceeds equal to the Initial Issue Price to be paid by the Purchaser to the Corporation and the PNG Subsidiaries; and (ii) Debentures having an aggregate Principal Amount of US\$70,000 in payment of the applicable Establishment Fee. The Debentures issued on the Initial Closing Date (the "**Initial Debentures**") shall be convertible into common shares in the capital of the Corporation (the "**Common Shares**") or CDI's, as applicable, in accordance with the terms thereof, shall mature on the date that is the earlier of (i) June 30, 2016, and (ii) three (3) years following the Third Closing Date, and shall be in the form attached hereto as Exhibit A.
- (b) In reliance upon the representations, warranties and covenants of the Parties set forth herein, and subject to satisfaction of the relevant conditions set forth in Section 3.3 hereof, on the Second Closing Date, the Corporation and the PNG Subsidiaries shall issue, sell and deliver to the Purchaser, and the Purchaser shall purchase from the Corporation and the PNG Subsidiaries: (i) Debentures having an aggregate Principal Amount of US\$5,500,000 for proceeds equal to the Second Issue Price to be paid by the

Purchaser to the Corporation and the PNG Subsidiaries; and (ii) Debentures having an aggregate Principal Amount of US\$110,000 in payment of the applicable Establishment Fee. The Debentures issued on the Second Closing Date (the "**Subsequent Debentures**") shall be convertible into Common Shares or CDI's, as applicable, in accordance with the terms thereof, shall mature on the date that is the earlier of (i) June 30, 2016, and (ii) three (3) years following the Third Closing Date, and shall be in the form attached hereto as Exhibit A

- (c) In reliance upon the representations, warranties and covenants of the Parties set forth herein, and subject to satisfaction of the relevant conditions set forth in Section 3.4 hereof, on the Third Closing Date, the Corporation and the PNG Subsidiaries shall issue, sell and deliver to the Purchaser, and the Purchaser shall purchase from the Corporation and the PNG Subsidiaries: (i) Debentures having an aggregate Principal Amount of US\$6,000,000 for proceeds equal to the Third Issue Price to be paid by the Purchaser to the Corporation and the PNG Subsidiaries; (ii) Debentures having an aggregate Principal Amount of US\$1,000,000 in exchange for the conversion and payment (or, in the case of Sentient Loan Interest not yet payable, prepayment) of the Sentient Loan Interest; and (iii) Debentures having an aggregate Principal Amount of US\$120,000 in payment of the applicable Establishment Fee. The Debentures issued on the Third Closing Date (the "**Final Debentures**") shall be convertible into Common Shares or CDI's, as applicable, in accordance with the terms thereof, shall mature on the date that is the earlier of (i) June 30, 2016, and (ii) three (3) years following the Third Closing Date, and shall be in the form attached hereto as Exhibit A.
- (d) The Principal Amount of the Debentures shall bear interest from and including the date of issuance on the Initial Closing Date, the Second Closing Date and the Third Closing Date, as applicable, at an annual rate of 9% per annum (calculated on a 360 day basis) accruing daily and compounded daily, and payable semi-annually in arrears on April 30 and October 30 of each year or on the Maturity Date (as defined in the Debentures), commencing on October 30, 2013 until the Maturity Date (an "**Interest Payment Date**"), with each payment representing Interest that has accrued since the last Interest Payment date, up to and including the day before the current Interest Payment Date, and the payment of such interest shall be satisfied by the issuance of the Interest Debentures.
- (e) The issuance and sale of the Debentures by the Corporation and the PNG Subsidiaries to the Purchaser hereunder, shall not be subject to any deduction, withholding or offset for any reason whatsoever except to the extent required by applicable Law.

2.2 Closings

- (a) Closing of the issuance of the Initial Debentures shall take place at 10:00 a.m. (Toronto time) (the "**Closing Time**") at the offices of Bennett Jones LLP in Toronto, Ontario, on the Initial Closing Date or at such other times and places as shall be mutually agreed to by the Parties. On the Initial Closing Date, the Purchaser shall pay the Initial Issue Price by wire transfer of immediately available funds to the account designated by the Corporation on Schedule 2.2 hereto.
- (b) Closing of the issuance of the Subsequent Debentures shall take place at the Closing Time at the offices of Bennett Jones LLP in Toronto, Ontario, on the Second Closing Date or at such other times and places as shall be mutually agreed to by the Parties. On the Second Closing Date, the Purchaser shall pay the Second Issue Price by wire transfer of immediately available funds to the account designated by the Corporation on Schedule 2.2 hereto.

- (c) Closing of the issuance of the Final Debentures shall take place at the Closing Time at the offices of Bennett Jones LLP in Toronto, Ontario, on the Third Closing Date or at such other times and places as shall be mutually agreed to by the Parties. On the Third Closing Date, the Purchaser shall pay the Third Issue Price by wire transfer of immediately available funds to the account designated by the Corporation on Schedule 2.2 hereto.

ARTICLE 3 CONDITIONS TO CLOSING

3.1 Conditions to Each Party's Obligations

The respective obligation of each Party hereto to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the respective Party), at or before each Closing, of the following conditions:

- (a) no temporary restraining order, preliminary or permanent injunction or other order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition which has the effect of preventing the consummation of the transactions contemplated in this Agreement and the other Transaction Documents is in effect; and
- (b) all consents of a Governmental Authority required in connection with the transactions described in this Agreement and the other Transaction Documents have been obtained or made, and are in full force and effect.

3.2 Conditions to Obligations of the Purchaser at Initial Closing Date

The obligation of the Purchaser to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Purchaser), at or before the Initial Closing Date, of the following conditions:

- (a) **Required Approvals.** The Corporation and the PNG Subsidiaries shall have obtained all necessary approvals required in connection with the issuance of the Initial Debentures, including the approval of the Board, the YMCL Board, the MML Board, the TSX, the ASX and such other approvals as may be required by Applicable Laws.
- (b) **Representations and Warranties Correct.** The representations and warranties of the Corporation and the PNG Subsidiaries set forth in this Agreement shall be true and correct as at the Initial Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date, and a certificate to that effect, executed by duly authorized officers of the Corporation and of each of the PNG Subsidiaries, dated as of the Initial Closing Date, shall have been delivered to the Purchaser.
- (c) **Performance of Obligations.** The Corporation and the PNG Subsidiaries shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by them under this Agreement at or prior to the Initial Closing Date, and a certificate to that effect, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Initial Closing Date, shall have been delivered to the Purchaser.

- (d) **Stock Exchange.** The Corporation shall continue to meet the minimum listing requirements of each of the TSX and the ASX as of the Initial Closing Date.
- (e) **Officer's Certificates.** The Corporation and the PNG Subsidiaries shall have delivered to the Purchaser certificates, executed by a duly authorized officer of the Corporation and each of the PNG Subsidiaries, dated as of the Initial Closing Date, certifying the authenticity and continued effectiveness of attached copies of the Corporation's and each of the PNG Subsidiaries' articles of incorporation, bylaws and resolutions of the Board, of the YMCL Board and of the MML Board, approving the transactions contemplated hereby and by the other Transaction Documents, and authorizing specific officers to execute and deliver this Agreement and each of the other Transaction Documents.
- (f) **Initial Debentures.** The Initial Debentures shall have been executed and delivered by the Corporation and the PNG Subsidiaries to the Purchaser.
- (g) **Capitalization.** The total capitalization of the Corporation as at the Initial Closing Date shall be as set forth in Schedule 3.2(g) hereto.
- (h) **Opinion of Corporation's Canadian Counsel.** The Purchaser shall have received a legal opinion of Bennett Jones LLP, Canadian counsel to the Corporation, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Initial Debentures.
- (i) **Opinion of Corporation's Australian Counsel.** The Purchaser shall have received a legal opinion of Gilbert + Tobin, Australian counsel to the Corporation and the Guarantors, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Initial Debentures.
- (j) **Opinion of Corporation's PNG Counsel.** The Purchaser shall have received a legal opinion of Allens Linklaters, PNG counsel to the Corporation and the PNG Subsidiaries, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Initial Debentures.
- (k) **Consents and Waivers.** The Corporation and the PNG Subsidiaries shall have received all required consents, approvals, authorizations, permits and waivers of third parties, if any, necessary for the Corporation and the PNG Subsidiaries to consummate the sale of the Initial Debentures to the Purchaser.
- (l) **Material Adverse Effect.** No event shall have occurred or be reasonably likely to occur that would have a Material Adverse Effect.
- (m) **Establishment Fee.** The applicable Establishment Fee shall have been paid to the Purchaser.
- (n) **Guarantees.** The Guarantors shall have executed and delivered the Guarantees.
- (o) **Other Documents and Undertakings.** The Purchaser shall have received from the Corporation and the PNG Subsidiaries such other documents as it may reasonably request.

3.3 Conditions to the Obligations of the Purchaser on the Second Closing Date

The obligation of the Purchaser to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Purchaser), at or before the Second Closing Date, of the following conditions:

- (a) **Required Approvals.** The Corporation and the PNG Subsidiaries shall have obtained all necessary approvals required in connection with the issuance of the Subsequent Debentures, including the approval of the Board, the YMCL Board, the MML Board, the TSX, the ASX and such other approvals as may be required by Applicable Laws.
- (b) **Representations and Warranties Correct.** The representations and warranties of the Corporation and the PNG Subsidiaries set forth in this Agreement shall be true and correct as at the Second Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date, and a certificate to that effect, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Second Closing Date, shall have been delivered to the Purchaser.
- (c) **Performance of Obligations.** The Corporation and the PNG Subsidiaries shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by them under this Agreement at or prior to the Second Closing Date, and a certificate to that effect, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Second Closing Date, shall have been delivered to the Purchaser.
- (d) **Stock Exchange.** The Corporation shall continue to meet the minimum listing requirements of each of the TSX and the ASX as of the Second Closing Date.
- (e) **Officer's Certificates.** The Corporation and the PNG Subsidiaries shall have delivered to the Purchaser certificates, executed by a duly authorized officer of the Corporation and each of the PNG Subsidiaries, dated as of the Second Closing Date, certifying the authenticity and continued effectiveness of attached copies of the Corporation's and each of the PNG Subsidiaries' articles of incorporation, bylaws and resolutions of the Board, of the YMCL Board and of the MML Board, approving the transactions contemplated hereby and by the other Transaction Documents, and authorizing specific officers to execute and deliver this Agreement and each of the other Transaction Documents.
- (f) **Subsequent Debentures.** The Subsequent Debentures shall have been executed and delivered by the Corporation and the PNG Subsidiaries to the Purchaser.
- (g) **Capitalization.** The total capitalization of the Corporation as at the Second Closing Date shall be as set forth in Schedule 3.2(g) hereto (excluding the Initial Debentures issued on the Initial Closing Date and any Common Shares issued on conversion thereof).
- (h) **Opinion of Corporation's Canadian Counsel.** The Purchaser shall have received a legal opinion of Bennett Jones LLP, Canadian counsel to the Corporation, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Subsequent Debentures.
- (i) **Opinion of Corporation's Australian Counsel.** The Purchaser shall have received a legal opinion of Gilbert + Tobin, Australian counsel to the Corporation and the

Guarantors, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Subsequent Debentures.

- (j) **Opinion of Corporation's PNG Counsel.** The Purchaser shall have received a legal opinion of Allens Linklaters, PNG counsel to the Corporation and the PNG Subsidiaries, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Subsequent Debentures.
- (k) **Consents and Waivers.** The Corporation and the PNG Subsidiaries shall have received all required consents, approvals, authorizations, permits and waivers of third parties, if any, necessary for the Corporation and the PNG Subsidiaries to consummate the sale of the Subsequent Debentures to the Purchaser.
- (l) **Material Adverse Effect.** No event shall have occurred or be reasonably likely to occur that would have a Material Adverse Effect.
- (m) **Establishment Fee.** The applicable Establishment Fee shall have been paid to the Purchaser.
- (n) **Confirmation of Renewal.** The Corporation or YMCL shall have obtained all necessary approvals for the renewal of Exploration Licence 1335 held by YMCL.
- (o) **Other Documents and Undertakings.** The Purchaser shall have received from the Corporation and the PNG Subsidiaries such other documents as it may reasonably request.

3.4 Conditions to the Obligations of the Purchaser on the Third Closing Date

The obligation of the Purchaser to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Purchaser), at or before the Third Closing Date, of the following conditions:

- (a) **Required Approvals.** The Corporation and the PNG Subsidiaries shall have obtained all necessary approvals required in connection with the issuance of the Final Debentures, including the approval of the Board, the YMCL Board, the MML Board, the TSX, the ASX, the approval of the Shareholders at the Shareholders' Meeting and such other approvals as may be required by Applicable Laws.
- (b) **Representations and Warranties Correct.** The representations and warranties of the Corporation and the PNG Subsidiaries set forth in this Agreement shall be true and correct as at the Third Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date, and a certificate to that effect, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Third Closing Date, shall have been delivered to the Purchaser.
- (c) **Performance of Obligations.** The Corporation and the PNG Subsidiaries shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by them under this Agreement at or prior to the Third Closing Date, and a certificate to that effect, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Third Closing Date, shall have been delivered to the Purchaser.

- (d) **Stock Exchange.** The Corporation shall continue to meet the minimum listing requirements of each of the TSX and the ASX as of the Third Closing Date.
- (e) **Officer's Certificates.** The Corporation and the PNG Subsidiaries shall have delivered to the Purchaser certificates, executed by duly authorized officers of the Corporation and each of the PNG Subsidiaries, dated as of the Third Closing Date, certifying the authenticity and continued effectiveness of attached copies of the Corporation's and each of the PNG Subsidiaries' articles of incorporation, bylaws and resolutions of the Board, of the YMCL Board and of the MML Board, approving the transactions contemplated hereby and by the other Transaction Documents, and authorizing specific officers to execute and deliver this Agreement and each of the other Transaction Documents.
- (f) **Final Debentures.** The Final Debentures shall have been executed and delivered by the Corporation and the PNG Subsidiaries to the Purchaser.
- (g) **Opinion of Corporation's Canadian Counsel.** The Purchaser shall have received a legal opinion of Bennett Jones LLP, Canadian counsel to the Corporation, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Final Debentures.
- (h) **Opinion of Corporation's Australian Counsel.** The Purchaser shall have received a legal opinion of Gilbert + Tobin, Australian counsel to the Corporation and the Guarantors, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Final Debentures.
- (i) **Opinion of Corporation's PNG Counsel.** The Purchaser shall have received a legal opinion of Allens Linklaters, PNG counsel to the Corporation and the PNG Subsidiaries, in form and substance reasonably satisfactory to the Purchaser, in respect of the purchase and sale of the Final Debentures.
- (j) **Consents and Waivers.** The Corporation and the PNG Subsidiaries shall have received all required consents, approvals, authorizations, permits and waivers of third parties, if any, necessary for the Corporation and the PNG Subsidiaries to consummate the sale of the Final Debentures to the Purchaser.
- (k) **Material Adverse Effect.** No event shall have occurred or be reasonably likely to occur that would have a Material Adverse Effect.
- (l) **Establishment Fee.** The applicable Establishment Fee shall have been paid to the Purchaser.
- (m) **Work Program and Related Budgets.** The Purchaser shall have received, to its sole satisfaction, acting reasonably, the applicable work program and related budgets from the Corporation with respect to the development of the Yandera Project.
- (n) **Other Documents and Undertakings.** The Purchaser shall have received from the Corporation and the PNG Subsidiaries such other documents as it may reasonably request.

3.5 Conditions to Obligations of the Corporation and the PNG Subsidiaries on the Initial Closing Date

The obligation of the Corporation and the PNG Subsidiaries to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Corporation and the PNG Subsidiaries), at or before the Initial Closing Date, of the following conditions:

- (a) **Representations and Warranties Correct.** The representations and warranties of Purchaser set forth in this Agreement shall be true and correct as of the Initial Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date;
- (b) **Performance of Obligations.** The Purchaser shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by it under this Agreement at or prior to the Initial Closing Date;
- (c) **Closing Certificate.** The Purchaser shall have delivered to the Corporation and the PNG Subsidiaries a certificate, executed by an authorized representative of the Purchaser, dated as of the Initial Closing Date, certifying to the Purchaser's authority to consummate the transactions contemplated by this Agreement and the other Transaction Documents;
- (d) **Payment.** The Purchaser shall have provided payment for the Initial Debentures in accordance with Section 2.1(a);
- (e) **Approvals.** All necessary approvals of the TSX and the ASX shall have been obtained.

3.6 Conditions to the Obligations of the Corporation and the PNG Subsidiaries on the Second Closing Date

The obligation of the Corporation and the PNG Subsidiaries to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Corporation and the PNG Subsidiaries), at or before the Second Closing Date, of the following conditions:

- (a) **Representations and Warranties Correct.** The representations and warranties of Purchaser set forth in this Agreement shall be true and correct as of the Second Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date;
- (b) **Performance of Obligations.** The Purchaser shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by it under this Agreement at or prior to the Second Closing Date;
- (c) **Closing Certificate.** The Purchaser shall have delivered to the Corporation and the PNG Subsidiaries a certificate, executed by an authorized representative of the Purchaser, dated as of the Second Closing Date, certifying to the Purchaser's authority to consummate the transactions contemplated by this Agreement and the other Transaction Documents;
- (d) **Payment.** The Purchaser shall have provided payment for the Subsequent Debentures in accordance with Section 2.1(b);

- (e) **Approvals.** All necessary approvals of the TSX and the ASX shall have been obtained.

3.7 **Conditions to the Obligations of the Corporation and the PNG Subsidiaries on the Third Closing Date**

The obligation of the Corporation and the PNG Subsidiaries to consummate the transactions described in this Agreement and the other Transaction Documents is subject to the satisfaction (or waiver by the Corporation and the PNG Subsidiaries), at or before the Third Closing Date, of the following conditions:

- (a) **Representations and Warranties Correct.** The representations and warranties of Purchaser set forth in this Agreement shall be true and correct as of the Third Closing Date with the same effect as though made as of the date of this Agreement, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date;
- (b) **Performance of Obligations.** The Purchaser shall have performed or complied in all material respects with all agreements and covenants required to be performed or complied with by it under this Agreement at or prior to the Third Closing Date;
- (c) **Closing Certificate.** The Purchaser shall have delivered to the Corporation and the PNG Subsidiaries a certificate, executed by an authorized representative of the Purchaser, dated as of the Third Closing Date, certifying to the Purchaser's authority to consummate the transactions contemplated by this Agreement and the other Transaction Documents;
- (d) **Payment.** The Purchaser shall have provided payment for the Final Debentures in accordance with Section 2.1(c);
- (e) **Approvals.** All necessary approvals of the TSX, the ASX and the Shareholders at the Shareholders' Meeting shall have been obtained.

ARTICLE 4 REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF THE CORPORATION AND THE PNG SUBSIDIARIES

The Corporation and each of the PNG Subsidiaries hereby jointly and severally represent and warrant to the Purchaser that, except as set forth in the Disclosure Schedule delivered to the Purchaser on the date hereof (the "**Disclosure Schedule**"), the statements contained in the following paragraphs of this Article 4 are true and correct:

4.1 Organization and Qualification

The Corporation and each of its Subsidiaries is a corporation duly incorporated, continued or amalgamated or an entity duly created and validly existing under the laws of its jurisdiction of incorporation, continuance, amalgamation or creation and has the requisite corporate or other power and authority to own its assets as now owned and to carry on its business as it is now being conducted. The Corporation and each of its Subsidiaries is duly registered or otherwise authorized to do business and each is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered, authorized or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Correct, current and complete copies of Corporation Organizational Documents have been made available to the Purchaser.

4.2 Ownership of Subsidiaries

Section 4.2 of the Disclosure Schedule sets forth a complete and accurate list and/or chart of all Subsidiaries owned, directly or indirectly, by the Corporation, each of which is wholly-owned. All of the outstanding shares of capital stock and other ownership interests in the Subsidiaries are duly authorized, validly issued, fully paid and non-assessable, and all such shares and other ownership interests held directly or indirectly by the Corporation are owned free and clear of all Encumbrances and subject to no proxy, voting trust or other agreement relating to the voting of such shares, and there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such shares of capital stock or other ownership interests in or real properties of any of the Subsidiaries. There are no outstanding contractual or other obligations of any of the Subsidiaries, except in the normal course of business or as detailed in Section 4.2 of the Disclosure Schedule, to:

- (a) repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any Subsidiaries of the Corporation;
- (b) make any investment in or provide any funds to (whether in the form of a loan, capital contribution or otherwise) any Person, other than a wholly-owned subsidiary of the Corporation; or
- (c) provide any guarantee with respect to any Person (other than a wholly-owned subsidiary of the Corporation).

4.3 Authority Relative to this Agreement

Each of the Corporation and the PNG Subsidiaries has the requisite corporate power and authority to enter into this Agreement and the other Transaction Documents and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the consummation by the Corporation and the PNG Subsidiaries of the transactions contemplated in this Agreement and the other Transaction Documents have been duly authorized by the Board, the YMCL Board, or the MML Board, as applicable, and no other corporate proceedings (other than the Shareholders' Meeting) on the part of the Corporation or the PNG Subsidiaries are necessary to authorize the execution and delivery by it of this Agreement or the other Transaction Documents or any agreement ancillary thereto and the consummation by it of the transactions contemplated hereby and thereby. This Agreement has been, and the other Transaction Documents executed at Closing will be, duly executed and delivered by the Corporation and the PNG Subsidiaries and constitute legal, valid and binding obligations of the Corporation and the PNG Subsidiaries enforceable against the Corporation and the PNG Subsidiaries in accordance with their terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

4.4 Reporting Status and Securities Laws Matters

The Corporation is a "reporting issuer" in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia and not on the list of reporting issuers in default under Applicable Securities Laws and is in compliance in all material respects with all Applicable Securities Laws and the listing rules of the ASX. No delisting of, suspension of trading in or cease trading order with respect to any securities of the Corporation and, to the knowledge of the Corporation, no inquiry or investigation (formal or informal) of any securities regulatory authority, is in effect or ongoing or, to the knowledge of the Corporation, expected to be implemented or undertaken. No Subsidiary of the Corporation is subject to the continuous disclosure requirements under any Applicable Securities Laws.

4.5 Authorization

- (a) **Corporation Action.** All corporate and legal action (other than the approvals required to be obtained at the Shareholders' Meeting) on the part of each of the Corporation and the PNG Subsidiaries, its officers, and directors necessary for the execution and delivery of this Agreement, the other Transaction Documents, the sale and issuance of the Debentures or any Common Shares or CDI's, as applicable, issuable upon conversion of any Debenture ("**Debenture Shares**", and together with the Debentures, the "**Securities**"), and the performance of the Corporation's and each of the PNG Subsidiaries' obligations hereunder and thereunder, has been taken.
- (b) **Subsidiary Action.** All corporate and legal action on the part of each of the PNG Subsidiaries, their officers, directors, Shareholders and members necessary for the execution and delivery of this Agreement, the Debenture, and the performance of all obligations hereunder and thereunder, have been taken, as applicable.
- (c) **Valid Issuance.** The Securities, when issued against payment in compliance with the provisions of this Agreement, will be validly issued and, in the case of any such issued Securities, will be fully paid and non-assessable and delivered to the Purchaser free and clear of any Encumbrances.
- (d) **No Voting Rights.** There are no agreements to which the Corporation is a party with respect to the voting or transfer of any securities of the Corporation other than the Transaction Documents or as set forth in the Corporation Organizational Documents, as amended, and, in respect of transfer of securities, its listing agreement with the TSX, its ordinary-course agreements with its transfer agent and the restrictions on transfer of options and warrants imposed by its existing option and warrant agreements.
- (e) **Non-contravention.** None of the execution, delivery and performance of and compliance with this Agreement and the other Transaction Documents, nor the issuance of any of the Securities will result in or constitute any breach, default or violation of:
 - (i) any agreement, contract, lease, license, instrument or commitment (oral or written) to which the Corporation or either of the PNG Subsidiaries is a party or is bound; or
 - (ii) any Law, rule, regulation, statute or order applicable to the Corporation or the PNG Subsidiaries or its property, including, without limitation, any rule imposed by the TSX or the ASX, or result in the creation of any Lien upon any of the properties or assets of the Corporation or the PNG Subsidiaries (other than as contemplated by the Transaction Documents).

4.6 Consents

No consent, approval, order or authorization of, or designation, registration, declaration or filing with, any federal, provincial, territorial, state, local or provincial or other Governmental Authority or other Person on the part of the Corporation or the PNG Subsidiaries is required in connection with its valid execution, delivery and performance of this Agreement and the other Transaction Documents or the offer, sale or issuance of the Securities, other than any filing required pursuant to the rules of the TSX or the ASX or the prospectus and registration exemptions relied upon by the Corporation under Applicable Securities Laws.

4.7 Capitalization

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As of the close of business on May 24, 2013, there were issued and outstanding 1,137,870,521 Common Shares; since such date, the Corporation has not issued any shares, and there has not been any split, combination or reclassification or redemption or repurchase of Common Shares; and, as of the date hereof, there are outstanding no other shares of any class or series in the capital of the Corporation. As of the close of business on May 24, 2013, an aggregate of up to 112,260,780 Common Shares were issuable upon the exercise of the options granted pursuant to the Corporation's stock option plan, performance rights and the warrants, the exercise prices, expiration dates and other material terms of which are set forth in Schedule 3.2(g) and, except as set forth above, there are no options, warrants or other rights, shareholder rights plans, agreements or commitments of any character whatsoever requiring or which may require the issuance, sale or transfer by the Corporation of any shares of the Corporation (including Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of the Corporation (including Common Shares). All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable, and all the Common Shares issuable upon the exercise of rights under the options granted pursuant to the Corporation's stock option plan and the warrants in accordance with their respective terms have been duly authorized and, upon issuance, will be validly issued as fully paid and non-assessable. All securities of the Corporation (including the Common Shares, the options granted pursuant to the Corporation's stock option plan and the warrants) have been issued in compliance, in all material respects, with all Applicable Securities Laws. Other than the Common Shares, the options granted pursuant to the Corporation's stock option plan and the warrants, there are no securities of the Corporation or of any of its subsidiaries outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the Shareholders on any matter. Except as detailed in Schedule 3.2(g), there are no outstanding contractual or other obligations of the Corporation to:

- (a) repurchase, redeem or otherwise acquire any of its securities;
- (b) make any investment in or provide any funds to (whether in the form of a loan, capital contribution or otherwise) any person, other than a wholly-owned subsidiary of the Corporation; or
- (c) provide any guarantee with respect to any person (other than a wholly-owned subsidiary of the Corporation).

4.8 Liabilities

- (a) As of the date of this Agreement, the only outstanding Indebtedness for borrowed money of the Corporation and its Subsidiaries (excluding any Indebtedness between the Corporation and any of its subsidiaries) is as set forth in Section 4.8 of the Disclosure Schedule.
- (b) Since December 31, 2012, there has been no Material Adverse Change in the business, condition, results of operations, assets or liabilities of the Corporation and its Subsidiaries, taken together as a whole, which is not disclosed on Section 4.8 of the Disclosure Schedule.

4.9 Judgments

Neither the Corporation nor any of its Subsidiaries is subject to the terms or provisions of any judgment, decree, order, writ or injunction of any Governmental Authority that could result in a Material Adverse Effect.

4.10 Intellectual Property

The Corporation and its Subsidiaries own all right, title and interest in and to, or are validly licensed (and are not in material breach of such licenses), all other intellectual property and proprietary rights that are material to the conduct of the business, as presently conducted, of the Corporation and its Subsidiaries taken as a whole.

4.11 Material Contracts

All of the Material Contracts not made in the ordinary course of business have been disclosed in Section 4.11 of the Disclosure Schedule and, if required under Applicable Securities Laws, have been filed with the applicable securities commissions, are valid and subsisting agreements and are in full force and effect. None of the Corporation, its Subsidiaries and, to the knowledge of the Corporation, any other party to any Material Contract, has received notification from any party that it is in breach of or default under any Material Contract.

4.12 No Material Adverse Effect

Since December 31, 2012:

- (a) there has been no change in the condition (financial or otherwise), or in the properties, affairs, prospects, operations, assets or liabilities of the Corporation and the Subsidiaries, on a consolidated basis, whether or not arising in the ordinary course of business which would give rise to a Material Adverse Effect, except as disclosed in Section 4.12 of the Disclosure Schedule, and
- (b) there have been no transactions entered into by the Corporation or the Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Corporation and the Subsidiaries, on a consolidated basis, in each case, except as disclosed in Section 4.12 of the Disclosure Schedule.

4.13 Compliance with Corporation Instruments and Laws

Neither the Corporation nor any of its Subsidiaries is in violation of any provisions of its respective Corporation Organizational Documents or other similar organizational document, each as currently in effect. The Corporation and each of its Subsidiaries has been and is in compliance in all respects with all Applicable Laws, except where failure to be in compliance would not have a Material Adverse Effect. All Permits and other authorizations by Governmental Authority held by the Corporation and its Subsidiaries and which are necessary to their businesses are valid and sufficient in all respects for the businesses presently carried on by them, except where such failure to obtain such Permits and authorizations would not have a Material Adverse Effect.

4.14 Litigation

There are no claims, actions, suits, demands, arbitrations, charges, indictments, hearings or other civil, criminal, administrative or investigative proceedings, or other investigations or examinations known to the Corporation (collectively, "**Legal Actions**") pending or, to the knowledge of the Corporation, threatened, against:

- (a) the Corporation or any of its Subsidiaries or against any of their respective property or assets at law or in equity before or by any Governmental Authority; or

- (b) any director or officer of the Corporation or any of its Subsidiaries or any employee of the Corporation, which Legal Actions would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Neither the Corporation nor any of its Subsidiaries nor their respective assets or properties is subject to any outstanding judgment, order, writ, injunction or decree that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.15 Financial Statements

The audited consolidated financial statements of the Corporation as at and for the financial year ended June 30, 2012 and the audit reviewed interim consolidated financial statements of the Corporation as at and for the three and six months ended December 31, 2012 (collectively, the "**Financial Statements**") have been prepared in accordance with IFRS consistently applied throughout the periods referred to therein and present fairly, in all material respects, the consolidated financial position (including the assets and liabilities, whether absolute, contingent or otherwise) of the Corporation and its Subsidiaries as at such dates and the consolidated results of operations of the Corporation and its Subsidiaries for the periods then ended and there has been no material change in accounting policies or practices of the Corporation since June 30, 2012.

4.16 Taxes

All Taxes due and payable or required to be collected or withheld and remitted, by the Corporation and the Subsidiaries have been paid, collected or withheld and remitted duly and timely as required by Law, except for where the failure to pay such Taxes would not have a Material Adverse Effect or result in an adverse material change to the Corporation and the Subsidiaries, on a consolidated basis. All Tax Returns required to be filed by the Corporation and the Subsidiaries have been filed with all appropriate Governmental Authorities and all such Tax Returns are complete and accurate in all material respects. To the knowledge of the Corporation, no examination, investigation, audit, reassessment or any other similar action is pending against the Corporation or any of the Subsidiaries and there are no issues or disputes outstanding with any Governmental Authority respecting any Taxes of the Corporation or the Subsidiaries. There are no agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time for any assessment or reassessment of Taxes with respect to the Corporation or any of the Subsidiaries.

4.17 Employment Matters

- (a) **Employment Laws.** Each of the Corporation and each of its Subsidiaries is in compliance with all laws respecting employment and employment practices, terms and conditions of employment, occupational health and safety, pay equity and wages, except for such failures to comply as would not have a Material Adverse Effect. There is not currently any, or any reasonably foreseeable, labour disruption or conflict involving the Corporation or any of its Subsidiaries.
- (b) **Employee Plans.** Each material plan for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, incentive or otherwise contributed to, or required to be contributed to, by the Corporation or its Subsidiaries for the benefit of any current or former director, officer, employee or consultant of the Corporation and its Subsidiaries (the "**Employee Plans**") has been maintained in all material respects with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such Employee Plans. All benefits under all Employee

Plans are either fully insured or accrued and fully and accurately reflected in the Financial Statements. All contributions, premiums or payments required to be made with respect to any Employee Plan have been made on or before their due dates. All such contributions have been fully deducted for income tax purposes and no such deductions has been challenged or disallowed by any Governmental Authority, and no factor or event exists that could give rise to any such challenge or disallowance. No Employee Plan has any "unfunded benefit liability".

- (c) **Union.** No union has been accredited or otherwise designated to represent any employees of the Corporation or any of its Subsidiaries and, to the knowledge of the Corporation, no accreditation request or other representation question is pending with respect to the employees of the Corporation or any of its Subsidiaries and no collective agreement or collective bargaining agreement or modification thereof has expired or is in effect and none is currently being negotiated by the Corporation or any of its Subsidiaries.
- (d) **Employee Indebtedness.** Other than as set out in Section 4.17 of the Disclosure Schedule, the Corporation does not have any loans or other indebtedness outstanding which has been made to any of its Shareholders, officers, directors or employees, or any person not dealing at "arm's length" (as such term is defined in the Tax Act) with the Corporation.
- (e) **Executive Compensation.** The directors and officers of the Corporation and their compensation arrangements with the Corporation, whether as directors, officers or employees of the Corporation, are as disclosed in Section 4.17 of the Disclosure Schedule.
- (f) **Directors and Officers.** To the knowledge of the Corporation, none of the directors or officers of the Corporation are now, or have ever been, subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange.

4.18 Property

- (a) **Title to Assets.** The Corporation or its Subsidiaries are the absolute legal and beneficial owner of, and has good and marketable title to or leasehold interest in, all of the property rights described in the Corporation's Information Record, free and clear of all Encumbrances, charges, other than those described in the Corporation's Information Record, and no other property rights are necessary for the conduct of the business of the Corporation or its Subsidiaries as currently conducted, the Corporation knows of no claim or basis for any claim that might or could adversely affect the right of the Corporation or its Subsidiaries to use, transfer or otherwise exploit such property rights, other than those described in the Corporation's Information Record, and neither the Corporation nor its Subsidiaries have any obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property rights thereof, except as described in the Corporation's Information Record.

- (b) **Title to Real Property.** Neither the Corporation nor any of its Subsidiaries owns any real property, except for interests in real property in the nature of mineral exploration leases. All of the leases, subleases and agreements in real property (other than mineral exploration leases) material to the business of the Corporation and its Subsidiaries, on a consolidated basis, and under which the Corporation or its Subsidiaries have an interest in properties described in the Corporation's Information Record, are in full force and effect, and, except as otherwise disclosed in the Corporation's Information Record, neither the Corporation nor any of its Subsidiaries has received any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Corporation or its Subsidiaries under any of the leases, subleases or agreements mentioned above, or affecting or questioning the rights of the Corporation or its Subsidiaries to the continued possession of the property under any such lease, sublease or agreement.
- (c) **Mining Claims.**
- (i) Section 4.18(c) of the Disclosure Schedule sets forth all interests in and rights to acquire mining claims, concessions, exploitation or extraction rights ("**Mining Claims**") of the Corporation or its Subsidiaries that are held by the Corporation or any of its Subsidiaries, together with the registered holders thereof and the nature of the Corporation's interest or right to acquire an interest therein.
 - (ii) The Mining Claims have been properly located and recorded in compliance with Applicable Laws and are in good standing, are valid and enforceable, are free and clear of any material Encumbrances, except as disclosed in Section 4.18(c) of the Disclosure Schedule.
 - (iii) Except as otherwise set out in Section 4.18(c) of the Disclosure Schedule, no other property rights are necessary for the conduct of the Corporation's or its Subsidiaries' business as presently conducted or for the development of the Yandera Project into a producing mine; and there are no material restrictions on the ability of the Corporation or its Subsidiaries to use, transfer or otherwise exploit any such property rights except as required by Applicable Laws.
 - (iv) The Corporation has the right, free and clear of any Encumbrance, to access and use the surface area where all of the Mining Claims are located and the Corporation has paid to all surface area owners all rent, royalties, indemnification or other amounts to which they are entitled, whether pursuant to any agreement or by Applicable Law.
 - (v) There are no competing surface rights in the area of the Mining Claims that could reasonably be expected to preclude, delay or increase the cost of developing, operating, exploiting or commercializing the Mining Claims.
 - (vi) The Corporation or its Subsidiaries have the exclusive right to deal with the Mining Claims and there are no restrictions on the ability of the Corporation to use, transfer or exploit the Mining Claims except pursuant to Applicable Laws.
 - (vii) No Person other than the Corporation and the State has any interest in the production or profits to be obtained in the future from the Mining Claims or any royalty in respect thereof or any right to acquire any such interest.

- (viii) Except for the PNG Government's pre-emptive right to farm-in to up to 30% of the Yandera Project, there are no farm-in or earn-in rights, rights of first refusal or similar rights or provisions which could materially affect the Mining Claims.
- (ix) Except as disclosed in Section 4.18(c) of the Disclosure Schedule, the Corporation has not received any notice, whether written or oral, from any Governmental Entity or any Person, of any contestation, revocation or intention to revoke the interest of the Corporation in any Mining Claims.
- (x) All work required to be performed in respect of the Mining Claims under Applicable Laws or any agreement has been performed and all Taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made.
- (xi) All mining operations and all exploration activities in respect of the Mining Claims have been conducted in accordance with good mining and engineering practices and all material workers' compensation and health and safety regulations and other Applicable Laws have been complied with.
- (xii) Except as disclosed in Section 4.18(c) of the Disclosure Schedule, there are no Claims that have been commenced, are pending or, to the knowledge of the Corporation, are threatened against the Corporation nor is there a state of facts or events that may give rise thereto, which could affect the Corporation's or its Subsidiaries' title to or right to explore or develop the Mining Claims
- (d) **Expropriation.** No property or asset of the Corporation has been taken or expropriated by any Governmental Authority or Person nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of the Corporation, is there any intent or proposal to give any such notice or commence any such proceeding.
- (e) **Options.** No Person has any agreement (including an option) or any right or privilege capable of becoming a Contract to acquire (whether or not subject to conditions) from the Corporation any of its property (or any interest therein) or other assets (including the Mining Claims).
- (f) **Aboriginal Matters.** Neither the Corporation nor its Subsidiaries has received any notice of, and the Corporation and its Subsidiaries are not aware of, any material Claim, assertion or demand, written or oral, made by any aboriginal person or group, or any person acting on behalf of any aboriginal person or group in respect of aboriginal rights, aboriginal title, treaty rights or any other aboriginal interest in or in relation to all or any portion of the Mining Claims or the development, exploitation, operation and commercialization of the Mining Claims or the Yandera Project. The Corporation's aboriginal consultation to date regarding the current exploration and intended development, exploitation, operation, commercialization, closure and rehabilitation of the Mining Claims and the Yandera Project has been appropriate and the Corporation has not been advised any Governmental Authorities or by any aboriginal person or group that such consultation is not satisfactory.
- (g) **Material Mineral Project.** The Corporation's only mineral project on a property material to the Corporation is the Yandera Project.

4.19 Scientific or Technical Information

With respect to the Yandera Project, the Corporation has duly filed with the applicable regulatory authorities all reports required by NI 43-101 and all such reports comply, in all material respects, with the requirements of NI 43-101. All scientific or technical information regarding the Yandera Project disclosed in the Corporation's Information Record is based upon information prepared by or under the supervision of a qualified person (as such term is defined in NI 43-101) and such disclosure remains true, complete and accurate in all material respects as of the date hereof.

4.20 Personal Property

The Corporation and its Subsidiaries have good and valid title to, or a valid and enforceable lease in, all personal property owned or leased, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither the Corporation's nor any of its Subsidiaries' ownership of or lease in any such personal property is subject to any Encumbrances and except for Encumbrances that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.21 Insurance

To the extent commercially reasonable and reasonably available, the Corporation and each of its Subsidiaries maintain insurance against loss of, or damage to, their fixed assets on a replacement cost or agreed value basis in accordance with industry standards, and all of the policies in respect of such insurance coverage are in good standing in all respects and not in default except in each case as could not reasonably be expected to have a Material Adverse Effect. In addition, the Corporation maintains customary occupier's insurance over its Leased Premises in West Perth, Western Australia and in Madang, Papua New Guinea.

4.22 Leased Premises

With respect to each of the Leased Premises, the Corporation or one of its Subsidiaries occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Corporation or a Subsidiary occupies the Leased Premises is in good standing and in full force and effect. The performance of obligations pursuant to and in compliance with the terms of this Agreement, and the completion of the transactions described herein by the Corporation, will not afford any of the parties to such leases or any other person the right to terminate such lease or result in any additional or more onerous obligations under such leases.

4.23 Filings

The Corporation has filed all reports, schedules, forms, statements, exhibits and other documents required to be filed by it with the securities commissions or other applicable provincial securities regulatory authorities, including the TSX. As of the date of such Filings, such Filings, as they may have been subsequently amended by filings made by the Corporation with applicable Canadian securities regulatory authorities or the TSX prior to the date hereof, complied in all material respects with the requirements of Applicable Securities Laws. None of the Filings, as of the date filed and as they may have been subsequently amended by filings made by the Corporation with the applicable Canadian securities regulatory authority prior to the date hereof, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4.24 Absence of Defaults and Conflicts

Each of the execution and delivery of this Agreement, the performance by the Corporation of its obligations hereunder, the issue and sale of the Securities hereunder and the consummation of the transactions contemplated hereby, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under (whether after notice or lapse of time or both):

- (a) any statute, rule or regulation applicable to the Corporation, including any Applicable Securities Laws, except for where such conflict, breach, violation or default would not have a Material Adverse Effect or result in an adverse material change to the Corporation;
- (b) the constitution or resolutions of the Corporation which are in effect at the date hereof;
- (c) any Material Contract to which the Corporation is a party or by which it is bound; or
- (d) any judgment, decree or order binding the Corporation or the property or assets of the Corporation.

4.25 Listing

The Corporation's Common Shares (or local equivalent thereof) are listed for trading on each of the TSX, the ASX and the Port Moresby Stock Exchange and satisfy the requirements for continuation of such listings in all respects. The Corporation has not received any notice from the TSX, the ASX or the Port Moresby Stock Exchange that its Common Shares (or local equivalent thereof) will be delisted from such stock exchange, or that its Common Shares (or local equivalent thereof) do not meet all requirements for listing.

4.26 Sufficient Capacity Under ASX Listing Rule 7.1

The Corporation has sufficient capacity to issue the Initial Debentures under ASX Listing Rule 7.1.

4.27 Corporation's Information Record

The information contained in the Corporation's Information Record is, as of the date of such information, true and correct in all material respects, and nothing contained in the Corporation's Information Record contains a misrepresentation that has not been publicly corrected.

4.28 Books and Records

The records of the Corporation for the period from December 31, 2012 to the date hereof, contain copies of all proceedings (or certified copies thereof) of the Shareholders, the board of directors and all committees of the board of directors of the Corporation for such period. There have been no other meetings, resolutions or proceedings of the Shareholders, board of directors or any committees of the board of directors of the Corporation during such period not reflected in such records, other than resolutions of the directors approving the transactions contemplated by this Agreement.

4.29 Accounting Controls

The Corporation and each of its Subsidiaries maintains, and will maintain, a system of internal accounting controls sufficient to provide reasonable assurance that: (a) transactions are executed in accordance with management's general or specific authorizations; (b) transactions are recorded as necessary to permit

preparation of financial statements in conformity with IFRS and to maintain asset accountability; (c) access to assets is permitted only in accordance with management's general or specific authorization; (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; (e) material information relating to the Corporation and each of its Subsidiaries is made known to those within the entity responsible for the preparation of the financial statements during the period in which the financial statements have been prepared and that such material information is disclosed to the public within the time periods required by Applicable Laws; and (f) all significant deficiencies and material weaknesses in the design or operation of such internal controls that could adversely affect any of the Corporation's or the any of its Subsidiaries' ability to disclose to the public information required to be disclosed by them in accordance with Applicable Laws and all fraud, whether or not material, that involves management or employees that have a significant role in the Corporation's or its Subsidiaries' internal controls have been disclosed to the audit committees of the Corporation or the applicable Subsidiary, as applicable.

4.30 Environment

- (a) **Environmental Laws.** Each of the Corporation and each of its Subsidiaries: (i) is in compliance with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, conservation, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), except for such failures to comply as would not have a Material Adverse Effect; and (ii) has received all material permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business as currently conducted; and is in compliance with all terms and conditions of any such permit, license or approval, except in each case for such permits, licenses, approvals or failures to comply that would not have a Material Adverse Effect. There have been no past, and there are no pending or, to the knowledge of the Corporation, threatened claims, complaints, notices or requests for information received by the Corporation with respect to any alleged violation of any Environmental Law and, to the knowledge of the Corporation, no conditions exist at, on or under any property now or previously owned, operated or leased by the Corporation or any of its Subsidiaries which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Law that, individually or in the aggregate, has or may reasonably be expected to have a Material Adverse Effect.
- (b) **No Environmental Audits.** There are no environmental audits, evaluations, assessments, studies or tests relating to the Corporation or any of its Subsidiaries, except for ongoing assessments conducted by or on behalf of the Corporation or its Subsidiaries in the ordinary course.

4.31 Full Disclosure

Other than as they relate to forward looking statements, the statements by the Corporation contained in this Agreement, the exhibits hereto, the certificates and documents required to be delivered by the Corporation and its Subsidiaries to the Purchaser under this Agreement and in the information Delivered to the Purchaser and its representatives, taken together as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein not materially misleading in light of the circumstances under which such statements were made.

4.32 No Brokers

Neither the Corporation nor any of its Subsidiaries, nor any of their shareholders or members, is obligated for the payment of fees or expenses of any broker or finder in connection with the origination, negotiation or execution of this Agreement or the other Transaction Documents, or in connection with any transaction contemplated hereby or thereby.

ARTICLE 5

REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS BY THE PURCHASER

The Purchaser hereby represents and warrants to the Corporation and the PNG Subsidiaries that the statements contained in the following paragraphs of this Article 5 are true and correct:

5.1 Authority

Sentient Executive GP IV, Limited is a corporation duly formed and validly existing under the laws of the Cayman Islands and is the general partner of Sentient GP IV, L.P., a limited partnership duly formed and validly existing under the laws of the Cayman Islands. Sentient GP IV, L.P. is the general partner of Sentient Global Resource Fund IV, L.P., a limited partnership duly formed and validly existing under the laws of the Cayman Islands. The Purchaser has the requisite legal right and power, as applicable, to enter into, execute, deliver and perform its obligations under this Agreement. Assuming due execution and delivery by the other Parties, this Agreement is a valid and binding obligation of the Purchaser, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally. The entering into of this Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any Law applicable to the Purchaser, or any of its organizational documents, or any material agreement to which it is a party or by which it is bound.

5.2 Securities Not Registered

The Purchaser understands and acknowledges that none of the Securities will be registered under the U.S. Securities Act, qualified under any state securities laws or qualified by a prospectus under any Applicable Securities Laws (collectively, "**Registered**", and the act of having securities registered means "**Registration**"), and that such securities will be offered and sold in reliance upon applicable exemptions from Registration, and that the Corporation's reliance upon such exemptions is predicated upon the Purchaser's representations, warranties, agreements, acknowledgements and undertakings set forth in this Agreement. The Purchaser understands and acknowledges that resale of the Securities may be restricted indefinitely in the United States unless they are subsequently Registered in the United States or an exemption from Registration under the U.S. Securities Act applies.

5.3 Accredited Investor; Securities Law Compliance; Investment Intent

The Purchaser is purchasing as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of the Debentures, is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus and Registration Exemptions*, adopted by the Canadian Securities Administrators in each province of Canada, and at the time the Debentures were offered to the Purchaser it was, and at the time it placed or places its order to buy the Debentures it was or will be, outside the United States (as such term is defined in Regulation S under the U.S. Securities Act).

5.4 Restrictions

The Purchaser understands that there is no public trading market for the Debentures and none is expected to develop. The Purchaser acknowledges and understands that the Securities have not been Registered and, therefore, will be subject to restrictions on transfer pursuant to Applicable Laws. The Purchaser is purchasing the Securities as principal for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof. The Purchaser has such knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of such investment, is able to incur a complete loss of such investment and is able to bear the economic risk of such investment for an indefinite period of time.

5.5 Disclosure of Information to Regulatory Authorities

The Purchaser acknowledges that the Corporation may be required to disclose to securities commissions, stock exchanges or other regulatory authorities the name and address of the Purchaser, the number and type of Securities purchased and the purchase price for such Securities, and, if required by Applicable Laws or the regulations, rules, policies or orders of any securities commission, stock exchange or other regulatory authority, they will, in a timely manner, execute, deliver, file and otherwise assist the Corporation in obtaining such necessary consents and filing such reports, undertakings and other documents with respect to the distribution of the Securities as may be required or requested by the Corporation to enable the Corporation to comply with such obligations.

5.6 No Prospectus

The Purchaser has not received or been provided with, nor have they requested, nor does it have any need to receive, any offering memorandum, prospectus, sales or advertising literature, or any other disclosure document (other than the Filings) describing, or purporting to describe, the business and affairs of the Corporation that has been prepared for delivery to, and review by, prospective purchasers of securities of the Corporation in order to assist them in making an investment decision in respect of the securities offered for sale under the terms of this Agreement. The Purchaser has been afforded the opportunity to ask such questions as it deemed necessary of, and to receive answers from, representatives of the Corporation concerning the terms and conditions of the offering of the Securities and to obtain such additional information that the Corporation possesses or can acquire without unreasonable effort or expense that it considered necessary in connection with its decision to invest in the Debentures. The Purchaser understands that the purchase of securities hereunder involves a high degree of risk and that the Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision in respect of the purchase of such Securities.

5.7 Private Placement

The Purchaser understands that the Securities are being offered for sale only on a "private placement" basis and that the offer and sale of the Securities and delivery of certificates representing the Securities are conditional upon such offer and sale being exempt from the requirements as to the filing of a prospectus or registration statement or upon the issuance of such orders, consents or approvals as may be required to permit such offer and sale without the requirement of filing a prospectus or delivering an offering memorandum or other disclosure document and, as a consequence:

- (a) certain protections, rights and remedies provided by Applicable Securities Laws, including statutory rights of rescission or damages, will not be available to the Purchaser; and
- (b) the Securities will be subject to resale restrictions and the certificates representing the Securities will bear legends described in Section 8.1 hereof.

5.8 Proceeds of Crime

The funds representing payment of the Principal Amount advanced by the Purchaser hereunder do not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "**PCMLA**"), and the Purchaser acknowledges that the Corporation may in the future be required by law to disclose the names of the Purchaser and other information relating to this Agreement and the subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of the knowledge of the Purchaser:

- (a) none of the subscription funds to be provided to pay the Initial Issue Price or the Second Issue Price, as the case may be:
 - (i) has been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States or any other jurisdiction; or
 - (ii) are being tendered on behalf of a person or entity who has not been identified to the Purchaser; and
- (b) the Purchaser shall promptly notify the Corporation if it discovers that any of such representations ceases to be true, and will provide the Corporation with all appropriate information in connection therewith.

5.9 Collection of Personal Information

This Agreement requires the Purchaser to provide certain personal information (respecting the Purchaser) to the Corporation. Such information is being collected by the Corporation for the purposes of completing the distribution of the Debenture, which includes, without limitation, determining the eligibility of the Purchaser to purchase the Debenture under Applicable Securities Laws, preparing and registering the Debenture and completing filings required under Applicable Securities Laws, or by any stock exchange or securities regulatory authority or taxation authority. In addition, such personal information may be used or disclosed by the Corporation for the purpose of administering the Corporation's relationship with the Purchaser. In connection with the foregoing, the personal information of the Purchaser may be disclosed by the Corporation to: (i) stock exchanges, securities regulatory or taxation authorities, (ii) any registrar and transfer agent appointed by the Corporation; (iii) the Canada Revenue Agency; or (iv) any of the other persons involved in the distribution of the Debentures, including legal counsel, and may be included in record books (if any) prepared in respect of the distribution of the Debentures. By executing this Agreement, the Purchaser hereby consents to the collection, use and disclosure of such personal information. The Purchaser also consents to the filing of copies or originals of any of the documents provided to the Corporation by or on behalf of the Purchaser with any securities regulatory authority in relation to the transactions contemplated by this Agreement.

If the Purchaser is a resident of or otherwise subject to applicable securities laws of Ontario, the Purchaser, by executing this Agreement, hereby acknowledges that it has been notified by the Corporation: (i) of the delivery to the Ontario Securities Commission (the "**OSC**") of the full name, residential address and telephone number of the Purchaser, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (ii) that this information is being collected indirectly by the OSC under the authority granted to it in securities legislation and that the Purchaser has authorized the indirect collection of the information by the OSC; (iii) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (iv) that the Administrative Assistant to the Director of Corporate Finance can be contacted at Suite 1903, Box 55, 20, Queen Street West, Toronto, Ontario M5H 3S8 or at (416) 593 8086 regarding any questions about the OSC's indirect collection of this information.

5.10 No Governmental Review

The Purchaser understands that no Governmental Authority has passed on or made any recommendation or endorsement of the Debentures or any Common Shares or CDI's, as applicable, issuable upon conversion of the Debentures, or of the fairness or suitability of the investment in the Debentures or any Common Shares or CDI's as applicable, issuable upon conversion thereof, nor has any such Governmental Authority passed upon or endorsed the merits thereof.

5.11 Financial Capability

The Purchaser of the Debentures will have, subject to the satisfaction of the conditions described herein, sufficient financial resources to deliver the required payment for the Debentures as contemplated in Section 2.1 hereof.

5.12 No Impairment

Nothing contained in this Article 5 is intended to otherwise impair the representations, warranties or covenants of the Corporation or the Subsidiaries in this Agreement or the other Transaction Documents.

ARTICLE 6 COVENANTS

The Corporation and the Purchaser covenant and agree that from and after the date hereof:

6.1 Tax Law Compliance

The Corporation and the PNG Subsidiaries shall bear and pay any Taxes that may be imposed with respect to the issue or delivery of the Securities by the Corporation and the PNG Subsidiaries to the Purchaser (including, for greater certainty, the payment of the Establishment Fee) and shall indemnify the Purchaser, within fifteen (15) days after written demand therefor, for the full amount of any such Taxes paid by the Purchaser (including any Taxes imposed or asserted on or attributable to amounts payable under this Section 6.1) and any reasonable expenses or losses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority, except where actions or inactions by the Purchaser have contributed to or compromised the Corporation's and the PNG Subsidiaries' ability to challenge any such taxes imposed. If the Corporation and the PNG Subsidiaries shall be required by Applicable Laws to deduct or withhold any amount on account of any Taxes from or in respect of any payment hereunder, the amount of such payment shall be increased as may be necessary so that after the Corporation and the PNG Subsidiaries making all required deductions or withholdings (including deductions or withholdings in respect of any such additional sums payable hereunder) the Purchaser receives an amount equal to the sum it would have received had no deductions or withholdings been made.

6.2 Use of Proceeds

Subject to consultation with the Technical Committee, each of the Corporation and the PNG Subsidiaries hereby covenants and agrees that all of the proceeds received by it from the issuance and sale of the Debentures shall be used for (i) development of the Corporation's and YMCL's Yandera copper-molybdenum-gold project located in Madang Province, Papua New Guinea (the "**Yandera Project**"), including completion of the feasibility study in respect thereof and finalizing the Engineering, Procurement and Construction facility; and (ii) working capital and general corporate purposes.

6.3 Shareholders' Approval

The Corporation shall take all such actions as are necessary to seek all required approvals of its Shareholders at the Shareholders' Meeting in connection with the issuance of the Final Debentures and such other transactions as contemplated in this Agreement.

6.4 Stop-Orders

The Corporation will advise the Purchaser promptly after it receives notice of issuance by any Canadian provincial securities commission, the SEC or any state securities commission or any other regulatory authority of any cease trade order, stop order or of any order preventing or suspending any offering of or trading in any securities of the Corporation, or of the suspension of the qualification of the Common Shares for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

6.5 Listing

The Corporation will use commercially reasonable efforts to maintain the listing of its Common Shares on each of the TSX and ASX and will comply in all material respects with the Corporation's reporting, filing and other obligations under the by-laws and rules of such exchanges, as applicable.

6.6 Market Regulation

The Corporation shall notify the TSX and the ASX of, and make all necessary filings with provincial securities regulators, in accordance with their requirements, in connection with, the transactions contemplated by this Agreement and the other Transaction Documents, and shall take all other necessary action and proceedings as may be required and permitted by Applicable Laws, for the legal and valid issuance of the Securities to the Purchaser, and promptly provide copies of all such notices and filings to the Purchaser.

6.7 Reporting Requirements

The Corporation will file, with the provincial securities regulator in each province of Canada in which it is a reporting issuer, all reports required to be filed pursuant to Applicable Securities Laws on a timely basis taking into account any and all extensions granted or permitted by the applicable securities regulator, and refrain from terminating its status as a reporting issuer in each such province.

6.8 Subsequent Debt Offerings

In the event that either the Corporation or either of the PNG Subsidiaries incurs any Indebtedness or issues any preferred securities or any securities convertible into or exchangeable for Common Shares (other than pursuant to a Permitted Issuance) on terms that are materially preferential for such lenders or subscribers to the terms of the Debentures, that do not cause an adjustment pursuant to the conversion price adjustments provisions of the Debentures which would eliminate any such material preference, subject to any required regulatory approvals, the terms of the Debentures (including the rate of Interest and the amount of the Establishment Fee) will be adjusted or replaced to match such preferential terms or otherwise provide equivalent compensation to the Purchaser.

6.9 Information

All material non-public information and data, in whatever form, obtained by the Purchaser in respect of the Corporation and the subject-matter of this Agreement (the "**Confidential Information**") shall be held by the Purchaser in the strictest confidence and shall not be disclosed to any third party; provided that such Confidential Information may be disclosed if the disclosure:

- (i) is made with the consent of the Corporation;
- (ii) is made to an Affiliate (including any limited partner, general partner, member, manager, shareholder, director, officer or employee) of the Purchaser and such Affiliate agrees to be subject to such confidentiality provisions;
- (iii) is required by Law or by a Governmental Authority;
- (iv) is in respect of information or data that is in the public domain at the time of the disclosure through no fault of the Purchaser or any party to which it has disclosed the information;
- (v) is made to the Purchaser's advisors or representatives, which agree to maintain the confidentiality of the Confidential Information; or
- (vi) is received from a third party not subject to confidentiality obligations with respect to such information.

6.10 Yandera Project Progress Reports

The Corporation shall deliver to the Purchaser, not later than 10 days following the end of each month in which Debentures are outstanding, progress reports regarding the development of the Yandera Project, such reports to be prepared in the form set out in Schedule 6.10 hereto.

ARTICLE 7 TECHNICAL COMMITTEE

7.1 Technical Committee

- (a) The Corporation and the Purchaser hereby ratify the implementation of the technical committee with the composition, powers, rights and responsibilities set forth in this Article 7 (the "**Technical Committee**").
- (b) Except to the extent provided in this Article 7, the Technical Committee shall have no decision-making authority with respect to the affairs of the Corporation. Nonetheless, the Technical Committee shall:
 - (i) act as a forum for the review and discussion of the Yandera Project and the results of the Corporation's operations; and
 - (ii) make recommendations to the Corporation's management ("**Management**") in relation to the development of the Yandera Project whether of its own volition or at the request of Management.
- (c) The Technical Committee shall have the authority to make decisions on:
 - (i) all technical matters relating to the Yandera Project, provided they are within the scope of the programs and budgets approved by Management, and
 - (ii) all other matters specifically delegated to the Technical Committee by Management from time to time (the "**Technical Committee Items**").

Decisions of the Technical Committee on such matters shall be made by unanimity of the members present at a meeting duly called and forming quorum.

The Board shall act on the decisions and recommendations of the Technical Committee except in such circumstances where the Board determines the acceptance of such decisions and recommendations would be contrary to the best interests of the Corporation.

- (d) The Technical Committee shall consist of three (3) members appointed by the Corporation and three (3) members appointed by the Purchaser. Each of the Corporation and the Purchaser may appoint one or more alternates to act in the absence of a regular member. Any alternate so acting shall be deemed a member.
- (e) Each of the Corporation and the Purchaser may, by delivering a notice to the other,:
 - (i) revoke the appointment of its nominee or alternate nominees to the Technical Committee; and
 - (ii) appoint, as a replacement nominee or alternate nominee, any of its employees, directors or officers, or consultants or those of its Affiliates.
- (f) Each of the Corporation and the Purchaser may invite, subject to prior notice to the other,:
 - (i) a reasonable number of its employees, directors or officers or those of its Affiliates; and
 - (ii) other representatives or consultants,to participate in any meeting or any part of any meeting of the Technical Committee where, in the reasonable view of the Corporation or the Purchaser, as applicable, the attendance of any of the foregoing is necessary or desirable in relation to the matters to be discussed at the meeting, provided that no such invitee shall have voting rights.
- (g) If any nominee or invitee of the Corporation or the Purchaser, as applicable, to a meeting of the Technical Committee is not a director, officer or full-time employee of that party or one of its Affiliates, the Corporation or the Purchaser, as applicable, undertakes and agrees to ensure that such person execute a reasonable confidentiality agreement to protect any confidential information disclosed to such nominee or invitee during a meeting of the Technical Committee.
- (h) Each year, the members of the Technical Committee shall appoint one person as secretary of the Technical Committee for the upcoming year to prepare the draft minutes of each meeting of the Technical Committee and perform the other duties of the secretary pursuant to this Agreement.
- (i) The Technical Committee shall hold regular meetings, at least once each month, unless the Corporation and the Purchaser unanimously waive the requirement for any such meeting.
- (j) Meetings shall be held at any mutually agreed place.

- (k) At the beginning of each meeting, the members of the Technical Committee shall appoint one of its members to chair such meeting of the Technical Committee.
- (l) The secretary of the Technical Committee shall give ten (10) days notice to the members of the Technical Committee of regular meetings. The secretary shall, upon request of the Corporation or the Purchaser, call a special meeting upon ten (10) days' written notice to the members of the Technical Committee. In case of emergency, reasonable notice of a special meeting shall suffice. In the absence of the secretary or if the secretary has not provided a notice as requested by the Corporation or the Purchaser with regard to any meeting, such party may send the notice instead of the secretary.
- (m) Each notice of a meeting shall include an itemized agenda prepared by the secretary and such supplemental information as the party requesting the meeting deems necessary or as may be requested by either of the Corporation or the Purchaser, acting reasonably. Any matters not included on the agenda may be considered in any event at the meeting with the consent of all parties.
- (n) There shall be a quorum if at least one (1) member representing each of the Corporation and the Purchaser is present. Otherwise, the meeting shall be adjourned and shall be reconvened at the earliest within five (5) days and at the latest within thirty (30) days of such adjournment. The members then present at such reconvened meeting shall constitute a quorum.
- (o) The decisions of the Technical Committee on the Technical Committee Items shall be taken by resolution, and a resolution shall be adopted if all the votes are cast in favor of its adoption. The voting rights of a party shall be exercised through one of its appointed members and shall be in proportion to its then current Interest.
- (p) No member of the Technical Committee shall be entitled to a casting vote.
- (q) The votes on any decision to be taken at a meeting of the Technical Committee shall be cast by a show of hands or verbally, without any additional formality.
- (r) In lieu of a meeting, decisions may be taken by way of written resolution signed by all members.
- (s) The secretary shall table the draft minutes of each meeting at the next meeting of the Technical Committee for review and approval.
- (t) Technical Committee members may, at their option, attend a meeting by any means of communication, telephone, video-conference, electronically or otherwise, enabling all participants to adequately communicate among themselves.
- (u) Members of the Technical Committee shall not be entitled to receive any remuneration for acting as such. All costs incurred by each party's representatives to attend Technical Committee meetings shall be borne by such party.

ARTICLE 8 LEGENDS

8.1 Legends

Each certificate representing any of the Debentures shall bear a legend substantially in the following form:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[the date that is 4-months and 1 day from the applicable closing date.]*"

In addition, the certificates representing the Debenture Shares issued upon the conversion of the Debentures at any time prior to the date that is four (4) months and one (1) day from the date of issuance of the said Debentures will also bear legends substantially in the following form as required by the TSX, and the Purchaser agrees to comply with the terms of such legend:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[the date that is 4-months and 1 day from the applicable closing date.]*"

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE ("TSX"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON TSX."

provided that at any time on or subsequent to the date that is four (4) months and one (1) day from the date of issuance of the Debentures that have been converted into such Debenture Shares, any certificate representing such Debenture Shares may be exchanged for a certificate bearing no legend whatsoever.

ARTICLE 9 INDEMNIFICATION

9.1 Indemnity

- (a) The Corporation and the PNG Subsidiaries hereby agree to jointly and severally indemnify and hold harmless the Purchaser, its respective Affiliates, successors and assigns and each of their respective officers, directors, employees and agents (a "**Purchaser Indemnified Party**" or collectively the "**Purchaser Indemnified Parties**") from and against, and agrees to pay or cause to be paid to the Purchaser Indemnified Parties all amounts equal to the sum of, any and all claims, demands, costs, expenses, losses and other liabilities of any kind, other than loss of profits of such Purchaser Indemnified Parties or consequential damages ("**Losses**") that the Purchaser Indemnified Parties may incur or suffer (including without limitation all reasonable legal fees and expenses) which arise or result from any breach by the Corporation or the PNG Subsidiaries of any of their representations or warranties, or failure by the Corporation or the PNG Subsidiaries to perform any of their covenants or agreements, in this Agreement or in any other Transaction Document or in any certificate or document delivered pursuant hereto or any other Transaction Document, including but not limited to any third party claims arising or resulting from such breach or failure, except to the extent such Losses arise out of the intentional fault, negligence or willful misconduct of the

Purchaser, its respective Affiliates, successors and assigns and their respective officers, directors, employees and agents. The rights of the Purchaser hereunder shall be in addition to, and not in lieu of, any other rights and remedies which may be available to it by Law.

- (b) The Purchaser hereby agrees to indemnify and hold harmless the Corporation and the PNG Subsidiaries, each of their Affiliates, successors and assigns and each of their respective officers, directors, employees and agents (a "**Corporation Indemnified Party**" or collectively the "**Corporation Indemnified Parties**") from and against, and agrees to pay or cause to be paid to the Corporation Indemnified Parties all Losses that the Corporation Indemnified Parties may incur or suffer (including without limitation all reasonable legal fees and expenses) which arise or result from any breach by the Purchaser of any of their representations or warranties, or failure by the Purchaser to perform any of its covenants or agreements, in this Agreement or in any other Transaction Document or in any certificate or document delivered pursuant hereto or any other Transaction Document, including but not limited to any third party claims arising or resulting from such breach or failure, except to the extent such Losses arise out of the intentional fault, negligence or willful misconduct of the Corporation or the PNG Subsidiaries or their respective Affiliates, successors and assigns and their respective officers, directors, employees and agents. The rights of the Corporation and the PNG Subsidiaries hereunder shall be in addition to, and not in lieu of, any other rights and remedies which may be available to it by Law or under the Transaction Documents.

9.2 Procedures

- (a) If a third party shall notify a Purchaser Indemnified Party or a Corporation Indemnified Party (an "**Indemnified Party**") with respect to any matter that may give rise to a claim for indemnification under the indemnities set forth above in Section 8.1, the procedure set forth below shall be followed.
 - (i) **Notice.** The respective Indemnified Party shall give to the party providing indemnification (the "**Indemnifying Party**") written notice of any claim, suit, judgment or matter for which indemnity may be sought under Section 8.1 promptly but in any event within thirty (30) days after the Indemnified Party receives notice thereof; provided, however, that failure by the Indemnified Party to give such notice shall not relieve the Indemnifying Party from any liability it shall otherwise have pursuant to this Agreement except to the extent that the Indemnifying Party is actually prejudiced by such failure. Such notice shall set forth in reasonable detail:
 - (A) the basis for such potential claim; and
 - (B) the dollar amount of such claim.

The Indemnifying Party shall have a period of thirty (30) days within which to respond thereto. If the Indemnifying Party does not respond within such 30-day period, the Indemnifying Party shall be deemed to have accepted responsibility for such indemnity.

- (ii) **Defense of Claim.** With respect to a claim by a third party against an Indemnified Party for which indemnification may be sought under this Agreement, the Indemnifying Party shall have the right, at its option, to be represented by counsel of its choice and to assume the defense or otherwise

control the handling of any claim, suit, judgment or matter for which indemnity is sought, which is set forth in the notice sent by the Indemnified Party, by notifying the Indemnified Party in writing to such effect within thirty (30) days of receipt of such notice; provided, however, that the Indemnified Party shall have the right to employ counsel to represent it if, in the Indemnified Party's reasonable judgment based upon the advice of counsel, it is advisable in light of the separate interests of the Indemnified Party, to be represented by separate counsel, and in that event the reasonable fees and expenses of such separate counsel shall be paid by the Indemnifying Party but only in respect of one counsel (chosen by the Purchaser) plus appropriate local counsel, if applicable, for all Indemnified Parties. If the Indemnifying Party does not give timely notice in accordance with the preceding sentence, the Indemnifying Party shall be deemed to have given notice that it does not wish to control the handling of such claim, suit or judgment. In the event the Indemnifying Party elects (by notice in writing within such 30-day period) to assume the defense of or otherwise control the handling of any such claim, suit, judgment or matter for which indemnity is sought, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any and all reasonable professional fees (including attorneys' fees, accountants, consultants and engineering fees) and investigation expenses incurred by the Indemnified Party after it provides notice under clause (i) and prior to such election, notwithstanding the fact that the Indemnifying Party may not have been so liable to the Indemnified Party had the Indemnifying Party not elected to assume the defense of or to otherwise control the handling of such claim, suit, judgment or other matter. In the event that the Indemnifying Party does not assume the defense or otherwise control the handling of such matter, the Indemnified Party may retain counsel, as an indemnification expense, to defend such claim, suit, judgment or matter.

(iii) **Final Authority.** The Parties shall cooperate in the defense of any such claim or litigation and each shall make available all books and records which are relevant in connection with such claim or litigation. In connection with any claim, suit or other proceeding with respect to which the Indemnifying Party has assumed the defense or control, the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to any matter which does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party, which shall not be unreasonably withheld. In connection with any claim, suit or other proceeding with respect to which the Indemnifying Party has not assumed the defense or control, the Indemnified Party may not compromise or settle such claim without the consent of the Indemnifying Party, which shall not be unreasonably withheld.

(b) **Claims Between the Indemnifying Party and the Indemnified Party.** Any claim for indemnification under this Agreement which does not result from the assertion of a claim by a third party shall be asserted by written notice given by the Indemnified Party to the Indemnifying Party. The Indemnifying Party shall have a period of thirty (30) days within which to respond thereto.

ARTICLE 10 MISCELLANEOUS

10.1 Waivers and Amendments

Unless otherwise provided, any provision of this Agreement may be amended, waived or modified upon the written consent of the Corporation and the Purchaser.

10.2 Governing Law

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, without regard to the conflict of laws provisions thereof.

10.3 Non-Exclusive Jurisdiction

Any action or proceeding brought by a Party arising out of or in connection with this Agreement or any other Transaction Document, may be brought in a court of competent jurisdiction located in the Province of Ontario. The Parties agree not to contest such jurisdiction or seek to transfer any action relating to such dispute brought in the Province of Ontario to any other jurisdiction.

10.4 Entire Agreement

This Agreement and the Transaction Documents constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and thereof.

10.5 Notices

All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given at the time of receipt if delivered by hand, facsimile transmission or other electronic format or three days after being mailed, registered or certified mail, return receipt requested, with postage prepaid to the applicable Parties hereto at the address stated below or if any Party shall have designated a different address or facsimile number by notice to the other Party given as provided above, then to the last address or facsimile number so designated.

If to the Corporation and the PNG Subsidiaries:

c/o Marengo Mining Limited
Level 1, 9 Havelock Street
West Perth, Western Australia 6005
Australia

Attention: President and Chief Executive Officer
Facsimile: +61 8 9429 0099
Email: lese@marengominig.com

and with a copy to (which shall not constitute notice):

Bennett Jones LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, Ontario M5X 1A4

Attention: Sander Grieve
Facsimile: (416) 863-1716
Email: grieves@bennettjones.com

If to the Purchaser:

Sentient Executive GP IV, Limited
Landmark Square, First Floor
64 Earth Close
West Bay Beach South, P.O. Box 10795
Grand Cayman KY1-1007
Cayman Islands, B.W.I.

Attention: Greg Link
Facsimile: (345) 769-9351
E-mail: greg.link@avalon.ky

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

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montréal, Québec
H3A 3N9 Canada

Attention: Olivier Désilets
Facsimile: (514) 841-6499
Email: odesilets@dwvp.com

10.6 Validity

If any provision of this Agreement or any of the Transaction Documents shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired thereby.

10.7 Counterparts

This Agreement may be executed in any number of counterparts. This Agreement, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or other electronic format, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party hereto or to any such agreement or instrument, each other Party hereto or thereto shall re-execute original forms thereof and deliver them to all other Parties. No Party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or other electronic format to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic means as a defense to the formation or enforceability of a contract and each such Party forever waives any such defense.

10.8 Publicity

Neither the Purchaser nor the Corporation shall issue any press release or make any public disclosure regarding the transactions contemplated hereby unless such press release or public disclosure is approved

by those Parties mentioned in such press release or public disclosure in advance; provided that such consent shall not be necessary if otherwise required by Law, a Governmental Authority or a securities exchange in the judgment of the disclosing Party, based on the advice of counsel, so long as prior to such disclosure, such Party consults with the other Party hereto on such press release or public disclosure. Notwithstanding the foregoing, the Parties hereto agree that the Purchaser shall be entitled from time to time to refer to its or their investments in the Corporation in its or their reports, publications and promotional materials and make public announcements or press releases concerning the Purchaser's investments in the Corporation.

10.9 Succession and Assignment

Except as otherwise expressly provided in this Agreement and subject to the other Transaction Documents and Applicable Laws, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, Permitted Transferees, heirs, executors and administrators of the Parties hereto. This Agreement may not be assigned by the Corporation without the prior written consent of the Purchaser. This Agreement may not be assigned by the Purchaser without the prior written consent of the Corporation, unless such transfer is to a Permitted Transferee, in which case no consent of the Corporation shall be required so long as the Purchaser provides prompt written notice to the Corporation of such assignment. No assignment contemplated by this Section 10.9 shall be or shall be deemed to be a discharge, rescission, extinguishment, novation or substitution of the Debentures and the Debentures shall continue to be the same obligation and not a new obligation.

10.10 Termination; Survival

This Agreement may be terminated (except as provided in the second succeeding sentence):

- (a) with the consent of each Party hereto to the termination of this Agreement; or
- (b) at any time prior to the Initial Closing by the Purchaser in writing, if the Corporation has, or by the Corporation in writing, if the Purchaser has, in any material respect, breached:
 - (i) any covenant or agreement contained herein; or
 - (ii) any representation or warranty contained herein, and in either case if such breach has not been cured by the date thirty (30) days after the date on which written notice of such breach is given to the Party committing such breach; or
- (c) at any time prior to the Initial Closing, by the Purchaser or the Corporation, in writing, if the applications for prior approval referred to in Section 3.1(b) hereof have been denied, and the time period for appeals and requests for reconsideration has elapsed.

In the event this Agreement is terminated for any reason, this Agreement shall have no further effect, except that:

- (d) the obligations of Article 9 shall continue for a period of one (1) year thereafter; and
- (e) the provisions set forth in Section 6.1, Section 6.5, Section 6.6, Section 6.7, Section 10.1, Section 10.2, Section 10.3, Section 10.10, Section 10.11 and Section 10.12 shall remain in full force and effect, each shall survive such termination indefinitely; and

A termination pursuant to clause (b) of this subsection shall not relieve the breaching party from liability for an uncured willful breach of any covenant or agreement contained herein.

10.11 Currency

Unless otherwise provided, all dollar amounts referred to in this Agreement are to the lawful money of Canada. Additionally, if, in connection with any action or proceeding brought in connection with this Agreement or any resulting judgment or order, it becomes necessary to convert any amount due hereunder in one currency (the "**first currency**") into another currency (the "**second currency**"), then the conversion shall be made at the Judgment Conversion Rate on the first business day prior to the day on which payment is received. If the conversion is not able to be made in the manner contemplated by the preceding paragraph in the jurisdiction in which the action or proceeding is brought, then the conversion shall be made at the Judgment Conversion Rate on the day on which the judgment is given. If the Judgment Conversion Rate on the date of payment is different from the Judgment Conversion Rate on such first business day or on the date of judgment, as the case may be, the Party shall pay such additional amount (if any) in the second currency as may be necessary to ensure that the amount paid on such payment date is the aggregate amount in the second currency which, when converted at the Judgment Conversion Rate on the date of payment, is the amount due in the first currency, together with all costs, charges and expenses of conversion. Any additional amount owing pursuant to the provisions of this section shall be due as a separate debt and shall give rise to a separate cause of action and shall not be affected by or merged into any judgment obtained for any other amounts due under or in respect of this Agreement.

The term "**Judgment Conversion Rate**" used in this section means the noon rate of exchange for Canadian interbank transactions in Canadian dollars in the other currency published by the Bank of Canada for the date in question.

10.12 Further Assurances

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties may require, acting reasonably, from time to time, for the purpose of giving effect to this Agreement and shall take such steps as may be reasonably within its power to implement the full extent of this Agreement.

[signatures appear on following page]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date and year first written above.

MARENGO MINING LIMITED

Per: "Leslie Emery"
Leslie Emery
President, Chief Executive Officer and
Director

YANDERA MINING COMPANY LIMITED

Per: "Leslie Emery"
Leslie Emery
Director

MARENGO MINING (PNG) LIMITED

Per: "Leslie Emery"
Leslie Emery
Director

**SENTIENT GLOBAL RESOURCES FUND
IV, L.P., by its general partner, SENTIENT GP
IV, L.P., by its general partner SENTIENT
EXECUTIVE GP IV, LIMITED**

Per: "Gregory Link"
Gregory Link
Director

SCHEDULE 2.2

WIRE TRANSFER ACCOUNT

[Redacted – Wire transfer bank account information.]

SCHEDULE 3.2(g)

CAPITALIZATION

Total Basic Shares Outstanding	1,137,870,521	91.0%
Stock Options	9,950,000	0.8%
Performance Rights	45,600,000	3.7%
Warrants	56,710,780	4.5%
Total Fully Diluted Shares Outstanding	1,250,131,301	100.0%

SCHEDULE 6.10

FORM OF MONTHLY PROGRESS REPORT

[Redacted – Form of monthly progress report regarding the development of the Yandera Project to be delivered by the Corporation to the Purchaser.]

DISCLOSURE SCHEDULE

[Redacted – Proprietary and confidential information of the Corporation.]

EXHIBIT A
FORM OF DEBENTURE
CONVERTIBLE UNSECURED DEBENTURE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[the date that is 4-months and 1 day from the applicable closing date]*.

MARENGO MINING LIMITED

AND

YANDERA MINING COMPANY LIMITED

AND

MARENGO MINING (PNG) LIMITED

US\$●

●, 2013

MARENGO MINING LIMITED, a corporation incorporated under the laws of Canada (the “**Corporation**”), **YANDERA MINING COMPANY LIMITED**, a corporation incorporated under the laws of Papua New Guinea (“**YMCL**”) and **MARENGO MINING (PNG) LIMITED**, a corporation incorporated under the laws of Papua New Guinea (“**MML**” and, together with the Corporation and YMCL, collectively, the “**Borrowers**”), for value received, hereby jointly and severally promise to pay to the order of **SENTIENT EXECUTIVE GP IV, LIMITED** (for the general partner of **SENTIENT GLOBAL RESOURCES FUND IV, LP**) (the “**Holder**”) on the earlier of June 30, 2016 and the date that is three years after the Third Closing Date (the “**Maturity Date**”) or on such earlier date as the Principal Amount (as defined herein) may become due and payable in accordance with the provisions of this Debenture (as defined herein), the aggregate principal amount of \$9,180,000 in lawful money of the United States.

This convertible unsecured debenture (this “**Debenture**”) has been issued pursuant to that certain Debenture Purchase Agreement dated as of May 27, 2013 by and among the Holder and the Borrowers (the “**Debenture Purchase Agreement**”).

The following is a statement of the rights of the Holder and the conditions to which this Debenture is subject, and to which the Holder hereof, by the acceptance of this Debenture, agrees:

ARTICLE I INTERPRETATION

1.1 Definitions

Capitalized terms used but not defined herein shall have the respective meanings given thereto in the Debenture Purchase Agreement. In addition, as used in this Debenture, the following capitalized terms shall have the following meanings:

“**Affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“**Applicable Law**” means, at any time, with respect to any Person, property, transaction, event or other matter, all present or future applicable laws, statutes, regulations, treaties, judgments, ordinances, codes, decrees and common law and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, authorizations, guidelines, orders, restrictions, requirements and policies of any Governmental Authority having authority over such Person, property, transaction, event or other matter;

“**Applicable Rate**” has the meaning ascribed thereto in Section 3.1;

“**ASX**” means the Australian Securities Exchange;

“**Borrowers**” means, collectively, the Corporation, YMCL and MML;

“**Business Day**” means any day other than a Saturday, Sunday or other day on which banks located in Toronto, Ontario, Canada, in Sydney, Australia or in the Cayman Islands are authorized to be closed;

“**CDI**” means a CHESS Depository Interest in Common Shares that are listed on the ASX;

“**Change of Control**” means the occurrence of any of the following events: (i) any offeror (as the term “offeror” is defined in Canadian Securities Administrators Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (“**MI 62-104**”) or any successor provision to the foregoing), other than the Corporation, any Subsidiary of the Corporation or any employee benefit plan of either the Corporation or any Subsidiary of the Corporation, acquires beneficial ownership (as that term is interpreted under MI 62-104) of, or the power to exercise control or direction over, or securities convertible into, any voting or equity shares of the Corporation (the “**Voting Securities**”), that together with the offeror’s securities (as the term “offeror’s securities” is defined in MI 62-104 or any successor provision thereto in relation to the voting or equity shares of the Corporation) would in the aggregate represent more than 50% of the Voting Securities then outstanding; (ii) there is consummated any amalgamation, consolidation, statutory arrangement (involving a business combination), merger or similar transaction involving the Corporation (1) in which the Corporation is not the continuing or surviving corporation or (2) pursuant to which any Common Shares would be reclassified, changed or converted into or exchanged for cash, securities or other property, other than (in each case) an amalgamation, consolidation, statutory arrangement, merger or similar transaction involving the Corporation in which the holders of the Common Shares immediately prior to the amalgamation, consolidation, statutory arrangement, merger or

similar transaction have, directly or indirectly, more than 50% of the outstanding Voting Securities of the continuing or surviving corporation immediately after such transaction; (iii) there occurs a sale or disposition of all or substantially all of the assets of the Corporation; or (iv) there is a replacement within a consecutive period of 24 months of more than one-half of the members of the Corporation's board of directors which is not approved by those individuals who are members of the Corporation's board of directors on the date thereof who were either directors at the beginning of such period or whose election or nomination was previously approved;

"Change of Control Notice" has the meaning ascribed thereto in Section 7.2;

"Change of Control Offer" has the meaning ascribed thereto in Section 7.1;

"Common Shares" means the common shares in the capital of the Corporation;

"Common Share Equivalents" means any security or obligation which is by its terms, directly or indirectly, convertible, exchangeable or exercisable into or for Common Shares, and any option, warrant or other right to purchase any Common Share;

"Conversion Price" means CDN\$0.11 per Common Share or CDI, as applicable, as adjusted pursuant to Article VI hereof;

"Corporation" means Marengo Mining Limited and its successors and assigns;

"Corporations Act" means the *Corporations Act 2001 (Cth)*;

"Current Market Price" means, as of any date of determination (i) the five (5) day weighted average trading price for the Common Shares on the TSX (or such other exchange on which the Common Shares are primarily traded) or (ii) if such Common Shares are not then listed on the TSX (or such other exchange on which the Common Shares are primarily traded), a market price per Common Share reasonably determined by the board of directors of the Corporation, subject to approval by the Holder not to be unreasonably withheld or delayed;

"Debenture" means this convertible unsecured debenture of the Borrowers in favour of the Holder;

"Debenture Purchase Agreement" means the Debenture Purchase Agreement dated as of May 27, 2013 by and between the Holder and the Borrowers;

"Event of Default" has the meaning ascribed thereto in Section 9.1;

"Excluded Transaction" means (i) the issuance of options to acquire Common Shares pursuant to the Corporation's employee share option plan, as modified or amended from time to time, (ii) any issuance of Common Shares upon conversion of this Debenture (or any portion thereof) or the repayment of this Debenture and (iii) any issuance of Common Shares upon conversion of any options or currently outstanding rights or warrants of the Corporation pursuant to the terms governing such securities as of the date hereof;

“Governmental Authority” means any (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, statutory body, commission, board, bureau or agency, (ii) self-regulatory organization or authority, (iii) subdivision, agent, commission, board or authority of any of the foregoing, (iv) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (v) stock exchange;

“Guarantees” means the unsecured guarantee and indemnity agreements entered into by each of Marengo Mining (Australia) Limited and Yandera Mining Company (Holdings) Pty Limited, guaranteeing the obligations of the Borrowers hereunder in favour of the Holder;

“Gross-Up Payment” has the meaning ascribed thereto in Section 4.1;

“Holder” means Sentient Executive GP IV, Limited (for the general partner of Sentient Global Resources Fund IV, LP);

“IFRS” means the international financial reporting standards, as issued by the International Accounting Standards Board;

“Interest” has the meaning ascribed thereto in Section 3.1;

“Interest Debentures” means debentures validly issued by the Borrowers to the Holder in a principal amount equal to the accrued Interest amount that is payable on the applicable Interest Payment Date pursuant to Section 3.1 and with a conversion price that is equal to the then applicable Conversion Price under this Debenture, subject to adjustment in accordance with the terms of such Interest Debentures, but otherwise in identical form and with identical terms to this Debenture;

“Interest Payment Date” has the meaning ascribed thereto in Section 3.1;

“Issue Date” means ●, 2013;

“Material Subsidiary” means a Subsidiary that constitutes more than 10% of consolidated assets for the Corporation as of the end of the immediately preceding fiscal quarter or generates more than 10% of consolidated revenues for the Corporation for the period of four (4) consecutive fiscal quarters ending as of the end of the immediately preceding fiscal quarter;

“Maturity Date” means the earlier of June 30, 2016 and the date that is 3 years after the Second Tranche Closing Date;

“MML” means Marengo Mining (PNG) Limited;

“New Issue Price” has the meaning ascribed thereto in Section 6.1(b)(i);

“Payment” has the meaning ascribed thereto in Section 4.1;

“Payment Tax” has the meaning ascribed thereto in Section 4.1;

“**Person**” means an individual, corporation, partnership, trust, syndicate, association, limited liability company, unlimited liability company, association, joint venture, Governmental Authority or other entity or organization, whether or not recognized as a legal entity;

“**Principal Amount**” means US\$●;

“**Subsidiary**” or “**subsidiary**” means (i) any corporation or company of which at least a majority of the outstanding securities having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation or company is at the time directly, indirectly or beneficially owned or controlled by the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries, (ii) any partnership of which, at the time, the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries directly, indirectly or beneficially own or control at least a majority of the voting interests (however designated) thereof, or otherwise control such partnership and (iii) any other Person of which at least a majority of the voting interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Corporation, or one or more of its subsidiaries, or the Corporation and one or more of its subsidiaries;

“**Transaction Documents**” means, collectively, this Debenture, the Guarantees, the Debenture Purchase Agreement and any other debentures issued thereunder;

“**TSX**” means the Toronto Stock Exchange;

“**Yandera Project**” means the Borrowers’ Yandera copper-molybdenum-gold project located in Madang Province, Papua New Guinea; and

“**YMCL**” means Yandera Mining Company Limited.

1.2 Accounting Terms

All accounting terms not specifically defined in this Debenture shall be interpreted in accordance with IFRS.

1.3 Gender and Number

Any reference in any Transaction Document to any gender includes all genders, and words importing the singular number only include the plural and vice versa.

1.4 Interpretation not Affected by Headings, etc.

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Debenture.

1.5 Cross-References

- (a) A reference to any other document is a reference to that other document as amended, varied, restated or supplemented from time to time.

- (b) Unless otherwise specified herein, a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted.

ARTICLE II REPAYMENT UPON MATURITY DATE

2.1 Repayment Upon Maturity Date

The outstanding Principal Amount shall be due and payable to the Holder on the Maturity Date, unless this Debenture has been earlier converted into Common Shares or CDI's in accordance with the provisions hereof or made due and payable pursuant to Section 9.2 hereof. Satisfaction of the outstanding Principal Amount on the Maturity Date (other than in the case of a conversion of the Debenture in accordance with the provisions hereof) may, at the election of the Holder, take the form of a cash payment or the issuance to the Holder of a number of Common Shares or, at the election of the Holder, CDI's at the Conversion Price then in effect.

2.2 Prepayment

The Borrowers shall not have the option or ability to prepay any amounts outstanding under this Debenture at any time unless otherwise agreed to in writing by the Holder.

ARTICLE III INTEREST

3.1 Interest on Principal Amount

Interest shall be payable by the Borrowers to the Holder in respect of the outstanding Principal Amount at an annual rate of 9% per annum (the "**Applicable Rate**") (calculated on a 360 day basis) accruing daily and compounded daily (the "**Interest**") and payable semi-annually in arrears on April 30 and October 30 of each year or on the Maturity Date, commencing on October 30, 2013 until the Maturity Date (an "**Interest Payment Date**"), with each payment representing Interest that has accrued since the last Interest Payment date, up to and including the day before the current Interest Payment Date.

3.2 Payment of Interest

The Borrowers shall, subject to the approval of the Shareholders at the Shareholders' Meeting in accordance with the Debenture Purchase Agreement, pay all Interest payable under this Debenture, subject to Section 4.1 hereof, by issuing Interest Debentures to the Holder, each in a principal amount equal to the Interest amount that is then accrued and payable pursuant to Section 3.1. If the Corporation fails to obtain the approval of the Shareholders for the issuance of Interest Debentures at the Shareholders' Meeting in accordance with the Debenture Purchase Agreement, all Interest under this Debenture shall be payable in cash.

ARTICLE IV
CERTAIN ADDITIONAL PAYMENTS BY THE BORROWERS

4.1 Gross-Up Payment

Any payment, transfer or distribution by the Borrowers to the Holder hereunder, whether for principal, interest or otherwise and including on a conversion in whole or in part of the Debenture, shall not be subject to any deduction, withholding or offset for any reason whatsoever except to the extent required by Applicable Law, and the Borrowers represent that to their best knowledge no deduction, withholding or offset is so required for any tax or any other reason. Notwithstanding any term or provision of this Debenture to the contrary, if it shall be determined that any payment or distribution (other than a payment dealt with under Section 4.2) by the Borrowers to or for the benefit of the Holder pursuant to the terms of this Debenture, whether for principal, interest or otherwise and whether paid or payable, distributed or distributable, or actual or deemed (a “**Payment**”) would be or is subject to any deduction, withholding or offset due to any duty or tax (such duty or tax, together with any interest and/or penalties related thereto, hereinafter collectively referred to as the “**Payment Tax**”), then:

- (a) the Borrowers shall, in addition to such Payment, pay or credit to or for the benefit of the Holder an additional amount in cash (a “**Gross-Up Payment**”) in an amount such that after the Payment Tax on the aggregate of the Payment and the Gross-Up Payment is deducted, withheld or offset by the Borrowers, the Holder receives a net after-tax amount equal to the Payment; and
- (b) the Borrowers shall duly deduct, withhold or offset such Payment Tax on the aggregate of the Payment and the Gross-Up Payment from or against the Gross-Up Payment, shall timely remit such Payment Tax to the applicable Governmental Authority and shall provide evidence of such remittance to the Holder within ten (10) days of making such remittance.

4.2 Indemnification

The Borrowers shall indemnify the Holder, within fifteen (15) days after written demand therefor, for the full amount of any Payment Taxes paid by the Holder (including any taxes imposed or asserted on or attributable to amounts payable under this Section 4.2) and any reasonable expenses or losses arising therefrom or with respect thereto, whether or not such Payment Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Holder shall make reasonable efforts to limit the incidence of any payments under this Section 4.2, including by making reasonable efforts to claim any available deductions or credits in respect of any Payment Tax for which an indemnity is sought under this Section 4.2, and seeking recovery for the account of the Borrowers upon the Borrowers’ request and expense, provided the Holder in its reasonable determination suffers no appreciable economic, legal regulatory or other disadvantage.

4.3 Refunds

If the Holder receives a refund of any Payment Tax in respect of which it has been indemnified by the Borrowers pursuant to Section 4.2 or with respect to which the Borrowers have made a Gross-Up Payment pursuant to Section 4.1, by reason that any such Payment Tax was incorrectly or illegally imposed or asserted by the relevant Governmental Authority, the Holder shall pay to

the Borrowers an amount equal to such refund (but only to the extent of indemnity payments made, or Gross-up Payment made by the Borrowers with respect to Payment Taxes giving rise to such refund), without interest (other than any net after-Payment Tax interest paid to the Holder with respect to such refund) and less any reasonable costs, fees, expenses, damages, losses, taxes or other amounts incurred by the Holder in respect of such refund. This provision shall not be construed to require the Holder to make available any information relating to its taxes that it considers confidential to the Borrowers, to arrange its affairs in any particular manner or, except as provided in the next sentence, to claim any available refund. The Holder shall make commercially reasonable efforts, at the request and expense of the Borrowers, to contest the payment, and seek a refund, of any Payment Tax that the Borrowers reasonably consider to be incorrectly or illegally imposed or asserted, provided that contesting the payment, or seeking a refund, of such Transaction Taxes shall not relieve the Borrowers from their indemnity obligations under Section 4.2 or to make the Gross-Up Payment under Section 4.1.

ARTICLE V CONVERSION

5.1 Optional Conversion

The Holder shall have the right, at its sole discretion, at any time and from time to time until 4:00 P.M. Toronto time on the Maturity Date, to convert, subject to the terms and provisions of this Article V, any or all of the Principal Amount and/or accrued Interest into such number of fully paid and non-assessable Common Shares or, at the election of the Holder, CDI's or any combination of Common Shares and CDI's, as is equal to (x) the portion of the Principal Amount and/or accrued Interest (in each case converted to Canadian dollars in accordance with Section 5.2(d)) that the Holder elects to convert divided by (y) the Conversion Price then in effect.

5.2 Mechanics and Effect of Conversion

- (a) If the Holder desires to convert the entire Principal Amount of this Debenture at any time, it shall duly endorse and surrender this Debenture to the Corporation during usual business hours at the Corporation's registered office in Canada (3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario, Canada M5X 1A4) with written notice to the Corporation, duly executed by the Holder or its duly appointed attorney, stating that the Holder elects to convert the Principal Amount into Common Shares, CDI's or a combination thereof, as applicable, and specifying the name or names (with addresses) in which a certificate, certificates or a valid holding statement for Common Shares or CDI's are to be issued. This Debenture shall thereafter be cancelled by the Corporation and of no further effect. Upon surrender of the Debenture and effective as of that date, the Corporation shall issue or cause to be issued the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion and the Holder shall be entitled to be entered as a shareholder on the books and records of the Corporation, and the Holder agrees to accept the Common Shares or CDI's, as applicable and to be bound by the By Laws of the Corporation. The Corporation shall credit to the stated capital of its Common Shares an aggregate amount equal to the Principal Amount of this Debenture. Immediately after the surrender of the Debenture (but in any case no later than five (5) Business Days from the date of surrender), the Corporation shall, at its

own expense, deliver or cause to be delivered to the Holder (or its duly appointed attorney) a certificate, certificates or a valid holding statement, with appropriate legends, representing the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion.

- (b) If the Holder desires to convert only a portion of the Principal Amount of this Debenture of any time, it shall duly endorse and surrender this Debenture to the Corporation and comply with the other procedures described in (a) above, with written notice indicating what portion of the Principal Amount is to be converted into Common Shares or CDI's, as applicable. Upon surrender of the Debenture and effective as of that date, the Corporation shall issue or caused to be issued the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion and the Holder shall be entitled to be entered as a shareholder on the books and records of the Corporation, and the Holder agrees to accept the Common Shares or CDI's, as applicable and to be bound by the By Laws of the Corporation. The Corporation shall credit to the stated capital of its Common Shares an aggregate amount equal to the portion of the Principal Amount converted into Common Shares or CDI's, as applicable. Immediately after the surrender of the Debenture (but in any case no later than five (5) Business Days from the date of surrender), the Corporation shall, at its own expense, deliver or cause to be delivered to the Holder (or its duly appointed attorney) a certificate, certificates or a valid holding statement, with appropriate legends, representing the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion, and the Borrowers shall issue to the Holder a replacement convertible debenture representing the same continuing indebtedness as the Debenture it replaced and having identical terms to this Debenture, except that the principal amount thereof shall equal the difference between (x) the Principal Amount outstanding immediately prior to such conversion less (y) the portion of such Principal Amount so converted into Common Shares or CDI's, as applicable. Partial conversion of the Principal Amount shall occur in multiples of one thousand U.S. dollars (US\$1,000).
- (c) If the Holder desires to convert any portion of accrued Interest at any time, it shall provide written notice to the Corporation, in compliance with the procedures described in (a) above, indicating what portion of the accrued Interest is to be converted by the Corporation into Common Shares or CDI's, as applicable. The Corporation shall issue or cause to be issued the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion of the applicable portion of accrued Interest. The Corporation shall credit to the stated capital of its Common Shares an aggregate amount equal to the portion of the accrued Interest converted into Common Shares or CDI's, as applicable. The Holder shall be entitled to be entered as a shareholder on the books and records of the Corporation as at the date such notice is validly delivered in accordance with the introductory paragraph of Article XIV hereof, and the Holder agrees to accept the Common Shares or CDI's, as applicable and to be bound by the By Laws of the Corporation. Immediately after delivery of such notice (but in any case no later than five (5) Business Days from the date of such delivery), the Corporation shall, at its own expense, deliver or cause to be delivered to the Holder (or its duly appointed attorney) a certificate, certificates

or a valid holding statement, with appropriate legends, representing the number of fully paid and non-assessable Common Shares or CDI's, as applicable, resulting from the conversion.

- (d) No fractional Common Shares or CDI's shall be issued upon conversion of this Debenture (or any portion thereof). In lieu of the Corporation issuing a fractional Common Share or CDI, the Corporation shall round such fractional Common Share or CDI down to the next whole share or CDI, as applicable.
- (e) Immediately prior to the conversion of the Principal Amount or accrued Interest of this Debenture (in whole or in part) in accordance with this Article V, the amount being converted shall be deemed to first be converted to Canadian dollars at the Bank of Canada noon rate on May 27, 2013.

5.3 Reservation of Common Shares and CDI's Issuable Upon Conversion

The Corporation shall at all times while this Debenture remains outstanding reserve and keep available out of its authorized but unissued Common Shares and CDI's, solely for the purpose of effecting the conversion of this Debenture and any Interest Debentures issuable hereunder (and any Debenture issued in cancellation thereof) such number of its Common Shares and CDI's as would from time to time be sufficient to effect the conversion of this Debenture into either Common Shares or CDI's, and if at any time the number of authorized but unissued Common Shares or CDI's shall not be sufficient to effect the conversion of this Debenture and/or any Interest Debenture(s), the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares and CDI's to such number of securities as shall be sufficient for such purpose. All Common Shares which shall be issuable hereunder shall be duly and validly issued as fully paid and non-assessable and listed on the TSX and all CDI's which shall be issuable hereunder shall be duly and validly issued as fully paid and non-assessable and listed on the ASX.

5.4 Quotation of CDI's and Secondary Trading

If any CDI's are issued on conversion of Debentures or Interest Debentures, the Corporation will apply as soon as practicable for quotation of the CDI's on ASX and, if required to ensure the CDI's are freely tradeable:

- (a) release to ASX a notice pursuant to sub-section 708A(5) of the Corporations Act in relation to the CDI's, such notice to comply with sub-section 708A(6) of the Corporations Act; or
- (b) lodge with the Australian Securities and Investments Commission a disclosure document in respect of the CDI's which complies with the Corporations Act.

ARTICLE VI CONVERSION PRICE ADJUSTMENTS

6.1 Anti-Dilution Adjustments

The Conversion Price and the number and type of securities to be received upon conversion of the Principal Amount and/or any portion of accrued Interest shall be subject to adjustment from time to time as follows:

(a) Dividend, Subdivision, Combination or Re-Classification of Common Shares

In the event that the Corporation shall at any time or from time to time, prior to the complete conversion or repayment of this Debenture:

- (i) pay a dividend or make a distribution on the outstanding Common Shares payable in shares of the Corporation;
- (ii) subdivide or split the outstanding Common Shares;
- (iii) consolidate or combine the outstanding Common Shares; or
- (iv) reclassify its Common Shares,

then, and in each such case, the Conversion Price in effect three (3) Business Days prior to the record date for such event shall be adjusted (and any other appropriate actions shall be taken by the Corporation, including in the case of (i),(ii) or (iii), a corresponding change in the number of Common Shares) so that the Holder shall be entitled to receive the number of Common Shares or other securities of the Corporation that the Holder would have been entitled to receive upon or by reason of any of the events described above, had the entire Principal Amount and/or any portion of accrued Interest been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 6.1(a) shall become effective retroactively:

- (i) in the case of any such dividend or distribution, to a date immediately following the close of business on the record date for the determination of holders of Common Shares entitled to receive such dividend or distribution; or
- (ii) in the case of any such subdivision, split, consolidation, combination or re-classification, to the close of business on the Business Day upon which such corporate action becomes effective. Such adjustments shall be made successively whenever any event listed in this Section 6.1(a) shall occur.

(b) Issuance of Common Shares or Common Share Equivalents below Conversion Price

- (i) Subject to any required regulatory approval, if the Corporation shall, at any time or from time to time prior to conversion of the entire Principal

Amount into Common Shares, other than pursuant to an Excluded Transaction, issue any Common Shares or Common Share Equivalents at a price per Common Share (the “**New Issue Price**”) that is less than the Conversion Price (treating the price per Common Share, in the case of the issuance of any Common Share Equivalent, as equal to (A) the sum of the price for such Common Share Equivalent plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such Common Share Equivalent divided by (B) the number of Common Shares initially underlying such Common Share Equivalent), other than any issuance for which an adjustment is made pursuant to another clause of this Article VI, then, and in each such case, the Conversion Price then in effect shall be adjusted to equal the New Issue Price.

- (ii) Subject to any required regulatory approval, such adjustment shall be made whenever such Common Shares or Common Share Equivalents are issued, and shall become effective retroactively (A) in the case of an issuance to the holders of Common Shares, as such, to a date immediately following the close of business on the record date for the determination of shareholders entitled to receive such Common Shares or Common Share Equivalents and (B) in all other cases, on the date of such issuance.

(c) Certain Distributions

In case the Corporation shall at any time or from time to time, prior to conversion of the entire Principal Amount, distribute to holders of Common Shares (including any such distribution made in connection with a merger, amalgamation, reorganization, arrangement or consolidation in which the Corporation is the resulting or surviving Person) any (i) cash, (ii) evidence of indebtedness of the Corporation or another issuer, (iii) securities of the Corporation or another issuer or (iv) other assets (excluding dividends payable in Common Shares for which adjustment is made under Section 6.1(a) and any distribution in connection with an Excluded Transaction) or rights or warrants to subscribe for or purchase any of the foregoing, then, and in each such case, the Conversion Price then in effect shall be adjusted (and any other appropriate actions shall be taken by the Corporation) by multiplying the Conversion Price in effect three (3) Business Days prior to the date of such distribution by a fraction:

- (i) the numerator of which shall be the Current Market Price for the period starting two (2) Business Days prior to the record date for such distribution; and
- (ii) the denominator of which shall be the Current Market Price for the period ending three (3) Business Days prior to the record date for the distribution (but such fraction shall not be greater than one).

(d) Capital Reorganizations

If at any time or from time to time after the Issue Date there is a capital reorganization of the Common Shares (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Article VI), then, as a part of such capital reorganization, provision shall be made so that the Holder shall thereafter be entitled to receive, upon conversion of this Debenture, the number of shares or other securities or property of the Corporation to which a holder of the number of Common Shares deliverable upon such conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Article VI with respect to the rights of the Holders after such capital reorganization to the end that the provisions of this Article VI (including adjustment of the Conversion Price then in effect and the number of Common Shares issuable upon conversion of this Debenture) shall be applicable after that event and be as nearly equivalent as practicable.

(e) Further Assurance

In the event that the Corporation, after the date of issue of this Debenture, shall take any action affecting the Common Shares, other than any action described in this Article VI, which in the opinion of the directors of the Corporation, acting reasonably, would materially adversely affect the rights of the Holder, the Conversion Price, the number of Common Shares issuable upon the conversion of this Debenture or the terms of this Debenture shall be adjusted in such manner, if any, and at such time, by action of the directors, acting reasonably, as they may determine to be equitable in the circumstances, but subject in all cases to any necessary regulatory approvals.

6.2 Certificate of Adjustment

In each case of an adjustment or re-adjustment of any Conversion Price for the number of Common Shares or other securities issuable upon conversion of this Debenture, the Corporation, at its own expense, shall cause its Chief Financial Officer to compute such adjustment or re-adjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or re-adjustment, and shall mail such certificate, by first class mail, to the Holder at the Holder's address as shown in the Corporation's books within ten (10) Business Days. The certificate shall set forth such adjustment or re-adjustment, showing in detail the facts upon which such adjustment or re-adjustment is based.

6.3 No Impairment

The Corporation shall not amend its articles of incorporation or participate in any reorganization, amalgamation, arrangement, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of the Holder of this Debenture against dilution or other impairment as provided herein.

ARTICLE VII CHANGE OF CONTROL

7.1 Change of Control; Conversion or Repayment Right

In the event of a Change of Control transaction, the Borrowers must offer the following alternatives to the Holder: either (i) to convert all or a portion of the outstanding Principal Amount (including all Interest that would have accrued thereon to the Maturity Date) into Common Shares or CDI's, at the option of the Holder, at the Conversion Price so that the Holder can participate in the Change of Control transaction along with the other holders of Common Shares or CDI's, as applicable, and/or (ii) to repay all or a portion of the outstanding Principal Amount, together with all Interest on such Principal Amount that would have accrued thereon to the Maturity Date (the **"Change of Control Offer"**).

7.2 Procedures

Not less than fifteen (15) Business Days prior to the scheduled closing of the Change of Control, the Corporation shall notify the Holder of the Change of Control transaction by providing the Holder with notice (the **"Change of Control Notice"**) by registered mail or electronic transmission containing, among other things, a Change of Control Offer and the scheduled closing date of the Change of Control transaction. If the Holder wishes to accept such Change of Control Offer, it may do so by notice to the Corporation, at any time prior to the close of business on the day that is five (5) Business Days prior to the scheduled Change of Control closing date, which notice shall indicate whether the Holder elects to have the Corporation convert or the Borrowers redeem the Debenture (including all Interest that would have accrued thereon to the Maturity Date). The Holder shall also be permitted to elect to take up both alternatives described in Section 7.1 on a proportionate basis. If the Holder elects to have the Borrowers redeem the Debenture (including all Interest that would have accrued thereon to the Maturity Date), the Borrowers shall jointly and severally pay the redemption amount (being the entire amount of the outstanding Principal Amount, together with all Interest on such Principal Amount that would have accrued thereon to the Maturity Date) no later than the closing date of the Change of Control transaction. If the Holder elects to have the Corporation convert the Debenture (including all Interest that would have accrued thereon to the Maturity Date), the provisions of Article V shall apply, mutatis mutandis, so that the Holder can participate in the Change of Control transaction along with the other holders of Common Shares or CDI's, as applicable. Notwithstanding the foregoing, if the Holder accepts the Change of Control Offer and pursuant thereto elects to have the Corporation redeem the Debenture (including all Interest that would have accrued thereon to the Maturity Date) but the required redemption payment has not yet been made, the Holder shall have the right to revoke its election and, in such case, the Holder shall be deemed not to have accepted the Change of Control Offer. The provisions of the immediately preceding sentence of this Section 7.2 are not intended to limit the right of the Holder to declare an Event of Default pursuant to the provisions of Section 9.1(c).

ARTICLE VIII SUBSEQUENT OFFERINGS

8.1 Adjustment or Replacement

In the event that any of the Borrowers incurs any indebtedness or issues any preferred securities or any securities convertible into or exchangeable for Common Shares (other than pursuant to an

Excluded Transaction) on terms that are materially preferential for such lenders or subscribers to the terms of this Debenture, that do not cause an adjustment under Article VI which would eliminate any such material preference, subject to any required regulatory approvals, the terms of the Debentures (including the rate of Interest and the amount of the Establishment Fee) will be adjusted or replaced to match such preferential terms or otherwise provide equivalent compensation to the Holder.

ARTICLE IX EVENTS OF DEFAULT

9.1 Events of Default

The occurrence of any one or more of the following events or circumstances shall constitute an “**Event of Default**” under this Debenture:

- (a) **Default under Debenture.** The Borrowers default in the payment of the Principal Amount or any Interest, as and when it becomes due and payable, whether at the Maturity Date or otherwise, or any other amount due under this Debenture, and any such default with respect to the nonpayment of Interest under this Debenture continues for five (5) Business Days thereafter;
- (b) **Cross-Default.** The Corporation or any of its Subsidiaries defaults under any other agreement, bond, hypothec, debenture, note or other evidence of indebtedness for money borrowed, under any guarantee, hypothec, mortgage or indenture pursuant to which there shall be issued or by which there shall be secured or evidenced any indebtedness for money borrowed by the Corporation or any Subsidiary, whether such indebtedness now exists or shall hereafter be created, which default causes the acceleration, or permits the acceleration, of indebtedness in an aggregate principal amount of at least CDN\$300,000;
- (c) **Change of Control.** The Corporation fails to issue a Change of Control Notice or to make a Change of Control Offer in connection with a Change of Control or, if a Change of Control Notice is provided to the Holder and a Change of Control Offer is made and the Borrowers fail to redeem and pay the Debenture in full or the Corporation fails to convert the Debenture in full as contemplated in Section 7.1 by the closing date of the related Change of Control transaction pursuant to the election made by the Holder;
- (d) **Breaches of Representations and Warranties.** Any representation or warranty made or deemed to be made in the Debenture Purchase Agreement by any of the Borrowers proves to have been incorrect or misleading in any material respect when made or deemed to be made hereunder and not cured within five (5) Business Days after notice in writing thereof is delivered to the Corporation;
- (e) **Breaches of Other Covenants.** The Borrowers fail to observe or perform any other covenant, obligation, condition or agreement in any material respect contained in this Debenture or any other Transaction Document, and such failure continues for five (5) Business Days after notice in writing thereof is delivered to the Corporation;

- (f) **Undischarged Judgment.** One or more final non-appealable judgments for the payment of money in an amount in excess of CDN\$300,000 in the aggregate, or for seizure or foreclosure on any substantial part of the property shall be rendered against the Corporation and/or any of its Subsidiaries and shall remain undischarged for a period of ten (10) consecutive Business Days during which execution shall not be effectively stayed, or any action is legally taken by a judgment creditor to levy upon any such judgment;
- (g) **Voluntary Bankruptcy or Insolvency Proceedings.** Any of the Borrowers:
 - (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property;
 - (ii) is unable, or admits in writing its inability, to pay its debts generally as they mature;
 - (iii) makes a general assignment for the benefit of its creditors;
 - (iv) is wound-up, dissolved or liquidated;
 - (v) becomes insolvent (as such term may be defined or interpreted under any applicable bankruptcy, insolvency or related statute);
 - (vi) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it; or
 - (vii) takes any action for the purpose of effecting any of the foregoing;
- (h) **Involuntary Bankruptcy or Insolvency Proceedings.** Proceedings for the appointment of a receiver, trustee, liquidator or custodian of any of the Borrowers or of all or a substantial part of the property thereof, or an involuntary case or other proceeding seeking liquidation, reorganization or other relief with respect to any of the Borrowers or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered, or such case or proceeding shall not be dismissed or discharged within sixty (60) days of commencement;
- (i) **Continuing Listing Requirements.** The Corporation fails to maintain the continuing TSX and ASX listing standards at any time or the listing standards of such other exchange on which the Common Shares are traded; and
- (j) **Failure to obtain Regulatory Approval.** Any event contemplated in Section 6.1 or Section 8.1 occurs, without the Corporation having obtained all required regulatory approvals in connection therewith in order to permit the Holder to

benefit fully from the provisions of Section 6.1 or Section 8.1, as applicable, as relates to such event.

9.2 Rights of Holder upon Default

Upon the occurrence or existence of any Event of Default (other than the Event of Default referred to in Sections 9.1(f), 9.1(g) or 9.1(h) hereof) and at any time thereafter during the continuance of such Event of Default, the Holder may declare all outstanding obligations payable by the Borrowers hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind (save for notices that are required to trigger an Event of Default as set out in Section 9.1(d) and 9.1(e) hereof), all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. Upon the occurrence or existence of any Event of Default described in Sections 9.1(f), 9.1(g) or 9.1(h) hereof, immediately and without notice, all outstanding obligations payable by the Borrowers hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy granted to it by the Transaction Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

ARTICLE X COVENANTS

10.1 Affirmative Covenants

The Borrowers covenant that the Borrowers shall, and shall cause their Material Subsidiaries, as applicable, to:

- (a) **Performance Under the Debenture.** Pay, observe or perform any other covenant, obligation, condition or agreement contained in this Debenture;
- (b) **Preservation of Corporate Existence.** Preserve and maintain their and their Material Subsidiaries' corporate existence, rights and privileges in their respective jurisdictions, and qualify and remain qualified as a foreign corporation in good standing in each jurisdiction in which such qualification is required;
- (c) **Compliance with Applicable Laws.** Comply with all Applicable Laws of any Governmental Authority, non-compliance with which could materially adversely affect the business or condition of the Borrowers, financial or otherwise, on a consolidated basis, except non-compliance being contested in good faith through appropriate proceedings so long as the Borrowers shall have set up and funded sufficient reserves, if any, required under IFRS with respect to such items;
- (d) **Yandera Progress Reports.** Deliver to the Holder, not later than 10 days following the end of each month, progress reports regarding the development of the Yandera Project in accordance with Section 6.10 of the Debenture Purchase Agreement; and

- (e) **Additional Reporting Requirements.** Deliver to the Holder, not later than 45 days following the end of each fiscal quarter and the Corporation's fiscal year end, a certificate of an officer of the Corporation acceptable to the Holder setting forth the aggregate amount of the Borrowers' outstanding indebtedness and certifying that no default or Event of Default has occurred and is continuing with respect to any indebtedness.

10.2 Negative Covenants

The Borrowers covenant that so long as the Principal Amount (or any portion thereof) under this Debenture remains outstanding, neither the Borrowers nor any Material Subsidiary shall, as applicable, directly or indirectly take any of the following actions without the prior written consent of the Holder:

- (a) sell, assign, transfer or dispose of any of its mining assets that form part of the Yandera Project;
- (b) declare or pay any dividends on any of its securities prior to the commencement of commercial mining operations;
- (c) make any repurchase or redemption of its own shares, bonus issues or options;
- (d) incur any secured debt for general working capital purposes or to finance projects other than the construction of the Yandera Project;
- (e) create a new class of securities (including convertible notes), or issue any debt instruments, having rights or preferences senior to this Debenture, other than secured debt incurred to finance the construction of the Yandera Project;
- (f) merge, amalgamate, reorganize, consolidate, liquidate, make any material changes to its business or structure, create or sell any Material Subsidiaries other than any such event that is in compliance with the provisions contained herein; and
- (g) amend the Corporation's articles of incorporation or its authorized or issued share capital.

ARTICLE XI WAIVER AND AMENDMENT

11.1 Waiver and Amendment

Any provision of this Debenture may be amended, waived or modified upon the written consent of the Borrowers and the Holder of this Debenture. No waiver of any provisions of this Debenture shall be deemed to constitute a waiver of any other provisions hereof (whether or not similar).

ARTICLE XII TRANSFER AND ASSIGNMENT

12.1 Transfer and Assignment

- (a) Neither this Debenture nor any of the rights, interests or obligations hereunder may be transferred or assigned, by operation of law or otherwise, as a whole or in part by any of the Borrowers without the prior written consent of the Holder and in compliance with all Applicable Law.
- (b) This Debenture or any of the rights, interests or obligations hereunder may be transferred or assigned, by operation of law or otherwise, as a whole or in part by the Holder and in compliance with all Applicable Law without the consent of the Borrowers, so long as the Holder provides prompt written notice to the Borrowers of such assignment.
- (c) Notwithstanding the foregoing, until the Borrowers receive notice in accordance with this Section 12.1 the Borrowers shall treat the registered holder hereof as the owner and holder of this Debenture for the purpose of paying all payments of principal and Interest hereon and for all other purposes whatsoever. No transfer or assignment contemplated by this Section 12.1 shall be or shall be deemed to be a discharge, rescission, extinguishment, novation or substitution of this Debenture and this Debenture shall continue to be the same obligation and not a new obligation.

ARTICLE XIII ACCOUNTING TREATMENT

13.1 Accounting Treatment of Debenture

The Borrowers will treat, account and report the Debenture in accordance with IFRS.

ARTICLE XIV NOTICES

14.1 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by facsimile or other means of electronic communication or by delivery as hereafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or, if delivered by hand, shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this section. Notices and other communications shall be addressed as follows:

- (a) If to the Corporation or the Borrowers:

c/o Marengo Mining Limited
Level 1, 9 Havelock Street
West Perth, Western Australia 6005
Australia

Attention: President and Chief Executive Officer
Facsimile: +61 8 9429 0099
Email: lese@marengomining.com

and with a copy to (which shall not constitute notice):

Bennett Jones LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, Ontario
M5X 1A4 Canada

Attention: Sander Grieve
Facsimile: (416) 863-1716
Email: grieves@bennettjones.com

(b) If to the Holder:

c/o Sentient Executive GP IV, Limited
Landmark Square, First Floor
64 Earth Close
West Bay Beach South, P.O. Box 10795
Grand Cayman KY1-1007
Cayman Islands, B.W.I.

Attention: Greg Link
Facsimile: +1 (345) 769-9351
Email: Greg.Link@Avalon.ky

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

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montréal, Québec
H3A 3N9 Canada

Attention: Olivier Désilets
Facsimile: (514) 841-6499
Email: odesilets@dwpv.com

**ARTICLE XV
EXPENSES AND WAIVERS**

15.1 Expenses; Waivers

If any action is instituted to collect this Debenture, the Borrowers shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred in connection with such action. The Borrowers hereby waives notice of default (except such notices specifically contemplated by Sections 9.1(d) and 9.1(e) hereof), presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument.

**ARTICLE XVI
LEGENDS**

16.1 Legending of Common Shares

Certificates representing Common Shares issued upon the conversion of this Debenture before October 1, 2013 shall be impressed with legends in the following form:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [THE DATE THAT IS 4-MONTHS AND 1 DAY FROM THE APPLICABLE CLOSING DATE]”

“THE SECURITIES LISTED ON THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE (“TSX”); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF THE TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT “GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON TSX.”

provided that at any time on or subsequent to October 1, 2013, any certificate representing such Common Shares may be exchanged for a certificate bearing no legend whatsoever.

**ARTICLE XVII
SUCCESSORS AND ASSIGNS**

17.1 Successors and Assigns

The rights and obligations of the Borrowers and the Holder of this Debenture shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

**ARTICLE XVIII
GOVERNING LAW**

18.1 Governing Law

This Debenture and all actions arising out of or in connection with this Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties hereby attorn exclusively to the jurisdiction of the Province of Ontario.

**ARTICLE XIX
COMPLIANCE WITH INTEREST ACT**

19.1 Compliance With Interest Act

For the purposes of this Debenture, whenever Interest is to be calculated on the basis of a period of time other than a calendar year, the annual rate of Interest to which each rate of Interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

(Remainder of page left intentionally blank – signature page follows)

IN WITNESS WHEREOF, the Borrowers have caused this Debenture to be signed by their authorized signatories as of the ● day of ●, 2013.

MARENGO MINING LIMITED

Per: _____
Name:
Title:

YANDERA MINING COMPANY LIMITED

Per: _____
Name:
Title:

MARENGO MINING (PNG) LIMITED

Per: _____
Name:
Title: