



DEMOCRATIC STATE OF PAPUA NEW GUINEA

COMPANIES ACT 2014

(No. 16 of companies (amendment) act 2014. Certified on 05 SEP 2014)

**COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

MEMORANDUM

AND

ATICLES OF ASSOCIATION

OF

LOCAL ECONOMIC DEVELOPMENT LIMITED

OUR MOTO IS "WE ARE **EQUAL**, WE ALL **BUILD** AND WE ALL **SHARE**".

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MEMORANDUM OF ASSOCIATION

Name 1. The Company's name is **LOCAL ECONOMIC DEVELOPMENT LIMITED**

2. The Registered office of the company will be situated in WEWAK, EAST SEPIK PROVINCE, PAPUA NEW GUINEA

Objects 3. The objects for which the Company is established are: -

(a). To promote development that meets the needs of the present generation and paves the way for continued progress to benefit future generations within, and advance the general welfare of the people of Papua New Guinea, through mobilizing and partnering with smallholder capital project working group who do not have governance and management capacity to manage their local resources in a sustainable way, through initiating, supporting, govern and manage smallholder capital project working group resources for the benefit of those people.

(a). To conduct stakeholder's analysis, develop and implement strategic communication, advocacy, and negotiation plans, establish strategic partnerships with respective stakeholders (actors) who can facilitate better industry communication and demonstrate an ability to better coordinate industry wide activities and promote and sell our product on an international scale and help us better understand the global market in which they operate.

(b). To mobilize and form smallholder capital project working group (smallholder capital project clusters who do not have governance and management capacity), signed MoA and MoU, and establish a strategic and cooperative partnership with the Smallholder Capital Project Working Group.

(c). To be the lead partner in setting and providing corporate governance and management principals, manage and govern the day to day operation of the smallholder capital project working group.

(d). To represent the smallholder capital project working group establish dialog and lobby for market opportunities, market needs, information on production, processing and export capacity based on the current market activity and determine the nature, size and requirements of potential overseas markets such as EU, US, Australia and NZ for the commodity production and comply with the licensing requirements set by the regulating authority.

(e). To conduct horticulture, agriculture & livestock, fisheries, forestry and other commodities capital project economic analysis, cost benefit analysis, marketing system studies Including demand and supply analysis, production studies, economic studies covering agricultural and allied inputs, conducting analysis on horticulture, agriculture & livestock, fisheries, forestry and other commodities development policies and strategies, conduct impact assessment studies on economic and socially acceptable technologies, develop and facilitate horticulture, agriculture & livestock, fisheries, forestry and other commodities capital project, explore models for public private partnerships and make recommendations for any socio-economic project proposed by the smallholder capital project working group.

(f). To create wealth, generate jobs, increase incomes and, ultimately, reduce poverty and improve the quality of life for both women and men in the locality, and foster and support productive relationships and effective partnerships in an environment of limited time and resources.

(g). To transformed local economic resources into marketable goods for the current population but it must be continuously regenerated so as not to deprive the future generation of the same resources and provide opportunities to wealth creation; are open to both men and women of working-age, to the rich and poor, to urban and rural dwellers, and to all ethnic and religious groups in the locality.

(h). To efficiently and effectively govern, manage and share equally any sales revenue generated by the capital project Introduced and implemented by the LEDL and smallholder capital project working group based on the memorandum of understanding signed between the smallholder capital project working group (cluster) and the LEDL.

(i). To Provide leadership through broad community involvement; Promote economic well-being in the context of a community that is socially healthy and environmentally sustainable; Provide technical expertise and analysis to ensure that all economic

development and strategic plans are integrated with existing community, regional and national goals; Support (or in some cases – guide) visioning and goal setting for the community; Market and Promote development opportunities and general community attributes to applicable target markets; Communicate effectively in order to build strategic partnerships and to engage community & political leaders; Provide advocacy and support to new business proponents, industry, community services and community organizations; Leverage resources through funding applications and strategic partnerships; and Facilitate community engagement and consensus-building; and Monitor, evaluate and report on the impact of projects and activities.

(j). To analyze and take calculated risk, and venture into long term and short term investment (offshore and onshore investment) activities purposely to increase the revenue and therefore, increase the benefit specified under the MOA and MoU signed between LEDL and the Smallholder Capital Project Working Group.

(k). To carry out the Local Economic Development Limited program in accordance with the “Rules for the Local Economic Development Limited” scheduled to and form part of the Articles of Association of the company as amended from time to time (the “Rules”), and to perform all the functions and duties of the company under the company rules.

4. In furtherance of the objects of the Company, the Company shall have the following powers: -

1. To enter into any arrangement with any person or company and to pay out of the funds of the company the cost of any indemnity from and against all such risks and liabilities incurred by such person or company in carrying out such arrangement.
2. To guarantee and to give security for the performance of contracts or obligations by, any person or company as may be necessary for the work of the company.
3. Subject to such consents as are required by law, to borrow or raise money for the objects of the company on such terms and conditions and on such security as may be thought fit.
4. To employ all such officers, staff and servants as may be required for the purposes of furthering the objects of the company.
5. To act as trustee’s governors or managers of any immovable or movable property given or held upon trust by the company.
6. To take such steps by personal or written appeals to invite, issue, appeal for and solicit subscriptions, benefactions, donations, and bequests to or in any other way raise funds for the company as may from time to time be deemed expedient for the purpose of procuring contributions to the funds of the company.
7. To accept donations (whether of immovable or movable property), devises and bequests for the general purposes of the company or for any particular purpose thereof.
8. To amalgamate, affiliate, associate, co-operate or form confederations with and subscribe to any association, society or corporation whose objects shall be charitable, educational or otherwise similar to the objects of the company, and to purchase or otherwise acquire and undertake all or any part of the property, assets, liabilities and engagements of any such association, society or corporation provided that no grant or assistance shall be given which shall be in aid of any political organization or for any political purpose or for personal gain of any members of the company.
9. To purchase, take on lease, or otherwise acquire any estates, lands, buildings, easements or other interests in real property, and any personal property or interest in personal property, and to sell, let on lease or otherwise dispose of or grant rights over any real or personal property belonging to the company.
10. To establish and maintain such banking account or accounts as it thinks fit into such of which as may be appropriate shall be paid forthwith all moneys for the time being belonging to the company.

11. To insure and arrange insurance cover for, and to indemnify its officers, servants and voluntary workers and those of its members in such roles from and against, all such risks incurred in the course of the performance of their duties as may be thought fit.
12. To pay out of the funds of the company the costs, charges and expenses of and incidental of the formation and registration of the company.
13. To provide an indemnity to any person or entity.
14. To pay out of the funds of the company amounts to reimburse or subsidize the costs or expenses (incurred by any person or entity.
15. To enter into, or to assume the rights and obligations under, any contract.
16. To mobilize and form smallholder capital project working group (smallholder capital project clusters who do not have governance and management capacity), and establish a strategic and cooperative partnership with the Smallholder Capital Project Working Group.
17. To recommend and approve capital project for the smallholder capital project working group.
18. To promote sustainable investment within, and advance the general welfare of the people of, Papua New Guinea, through initiating and implementing capital projects in the areas of horticulture, agriculture & livestock, fisheries, forestry and other commodities activities, and other investment activities for the benefit of those people.
19. To efficiently and effectively manage and share equally any sales revenue generated by the capital project Introduced and implemented by the LEDL based on the memorandum of understanding and memorandum of agreement signed between the smallholder capital project working groups (clusters) and the LEDL.
20. To carry on any other business which in the opinion of the Directors of the Company may seem capable of being conveniently carried out in connection with or as ancillary to any of the above businesses or to be calculated directly or indirectly to enhance the value of or render profitable any of the property of the Company or to further any of its objects.
21. To build, construct, maintain, alter enlarge, pull down, remove or replace any buildings, works, plant, and machinery necessary or convenient for the business of the Company or to join with any person, firm or company in doing any of the things aforesaid.
22. The liability of the Members is limited.
23. To borrow or raise money on such terms and on such security as the Company shall think fit.
24. To establish, undertake and execute any trusts which may lawfully be undertaken by the Company and are directly ancillary to its objects.
25. To subscribe and make contributions to or otherwise support any charitable institutions or associations formed for any of the purposes included in the objects.
26. To do all such other lawful things as may be conducive or incidental to the attainment of the above objects. Provided that: in case the Company shall take or hold any property which may be subject to any trusts, the Company shall only deal with or invest the same in such manner as is allowed by law having regard to such trusts; and the Company's

objects shall not extend to the regulation of relations between workers and employers or organizations of workers and organizations of employers.

27. The income and property of the Company shall be applied solely towards the promotion of the objects of the Company as set forth in this Memorandum of Association. The directors undertake to ensure profit from the company is paid or transferred directly or indirectly, by way of dividend, bonus or otherwise to the board members of the company. Provided that: nothing herein shall prevent the payment, in good faith, of reasonable and proper remuneration to any officer or servant of the Company or to any Member of the Company, in return for any services actually rendered to the Company, nor prevent the payment of interest at a reasonable commercial rate on money lent by any Member to the Company, or reasonable and proper rent for premises let by any Member to the Company, but so that no director shall be appointed to any salaried office of the Company or any office of the Company paid by fees, and that no remuneration or other benefit in money or money's worth shall be given by the Company to any director except repayment of out-of-pocket expenses and interest at the rate aforesaid on money lent, or reasonable and proper rent for premises let to the Company: Provided that the provision last aforesaid shall not apply to any payment to any Company in which a director holds not more than one one-hundredth part of the capital, and such Member shall not be held to account for any share of profits he may receive in respect of any such payment.
28. Every Member of the Company undertakes to contribute to the assets of the Company, in the event of the same being wound up, during the time that he or she is a Member, or within one year afterwards, for payment of the debts and liabilities of the Company contracted before the time at which he or she ceases to be a Member, and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves, such amount as may be not required.
29. Oversee, coordinate and make recommendations as to the overall capital project working group planning, including budget priorities.
30. To sell, let, mortgage, dispose of or turn to account all or any of the property or assets of the company as may be thought expedient with a view to the promotion of its objects.
31. To invest the money of the company not immediately required for its purposes in or upon such investments, securities, property or financial institutions, as may be thought fit, subject nevertheless to such conditions, if any, as may for the time being be imposed or required by laws And subject also as hereinafter provided.
32. Determine and control the budget allocation priorities for the smallholder capital project working group.
33. Analyzed, recommend and approve the budget for smallholder capital project working group concerning them.
34. Engage consultant and other persons to perform works or services for the company.
35. Form or participate in the formations of the companies.
36. Enter into partnerships and participate in joint ventures.
37. Subject to this Memorandum, the income and property of the company shall be applied solely towards the promotion of the objects of the company as set forth in this Memorandum, and portion thereof shall be paid or transferred directly or indirectly, by way of member's benefit distribution, bonus or otherwise howsoever to the members of the company.
38. Nothing in this Memorandum shall prevent:
 - I. the payment, in good faith, of reasonable and proper remuneration to any officer or servant for any professional services actually rendered to the company; or

II. the payment of interest at the prevailing market rate on any loan advanced by members of the company to promote the objects thereof, or reasonable and proper rent for premises demised or let by any member to the company.

III. The funds generated from the commodity sales and other investment activities shall distributed following the company's approved funds distribution procedure as follows:

1) The Operation Fund

10% of Commodity Sales and other investment activities should be utilized as the Operation Fund for operation activities. The Operation Fund Account should be managed by the company.

2) The Replacement Fund

5% of Commodity Sales and other investment activities should be pooled as the Replacement Fund for replacement of the project equipment in future. However, the Replacement Fund shall be used to assist the Project operation in times of urgent need with the company approval. The Replacement Fund Account should be managed by company.

3) The Community Fund

20% of Commodity Sales and other investment activities should be pooled as the Community Fund for community development. The Community Fund Account should be managed by the Company.

4) Members Distribution Fund

50% of the commodity Sales and other investment activities should be pooled as the member's distribution fund for the members and it should be managed by the company.

5) Investment Fund

15% of the Commodity sales and other investment activities should be pooled as the investment fund. The investment fund should be managed by the company.

ATICLES OF ASSOCIATION

INTERPRETATION

1. In these Articles, unless the context otherwise requires: -

"Act" means the Companies Act 2014 (No. 16 of companies (amendment) act 2014. Certified on 05 SEP 2014) and all statutory modifications or amendments thereto for the time being;

"Alternate Director" means an alternative for a Director appointed under Article 27;

"Local Economic Development Limited" means a company incorporated in PNG, or its successor;

"Company" means Local Economic Development Limited;

"Directors" means the Directors for the time being of the Company;

"Month" means calendar month;

"Seal" means the Common Seal of the Company;

"State" means the Independent State of Papua New Guinea;

"Rules" means the Rules of the Local Economic Development Limited in the Schedule to, and forming part of, these Articles;

"Special Resolution" has the meaning assigned thereto by Section 184 of the Act;

"in writing" means written, printed or lithographed, or partly one and partly another, and other modes of representing or reproducing words in a visible form;

Words importing the masculine gender only shall include the feminine gender;

Words importing the singular number only shall include the plural number and vice versa; and

Words importing persons shall include corporations.

OBJECTS

2. The Company is established for the purposes expressed in the Memorandum of Association.

MEMBERS

3. The subscribers to the Memorandum of Association, and such other persons as the Directors in their absolute discretion (as evidenced by a resolution of the Directors) may approve for and admit to membership in accordance with the following provisions, shall be members of the Company. The number of members with which the Company proposes to be registered shall be two (2).

4. Where any person desires to be admitted to membership of the Company he must first sign and deliver to the Company an application for admission in such form as the Directors shall require accompanied by the sum of not less than Singapore Dollars Ten (S\$10.00) which sum shall be returned to the applicant in the event of an application not being approved. Every member of the Company shall either sign a written consent or the Register of Members on becoming a member.

5. Any member of the Company who desires to retire shall signify such desire in writing to the Directors, and thereupon his name shall be removed from the Register of Members and he shall then be deemed to have retired.

6. No rights or privileges of any member shall be in any way transferable or transmissible but shall cease upon the member ceasing to be such, whether by death or retirement.

GENERAL MEETINGS

7. The Company shall hold a General Meeting in every calendar year as its Annual General Meeting at such times and place as may be determined by the Directors and shall specify the meeting as such in the notices calling it. The first Annual General Meeting of the Company shall be held within eighteen (18) months of its incorporation. Every Annual General Meeting thereafter shall be held not more than fifteen (15) months after the holding of the last preceding Annual General Meeting.

8. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

8(A). Meetings of Members may be held either in person or by telephone conference, video conference or any other form of audio or audio-visual instantaneous communication by which all persons participating in the meeting are able to hear and be heard for the dispatch of business. The members participating in any such General Meeting shall be counted in the quorum for such General Meeting and subject to there being a requisite quorum under these Articles, all resolutions agreed by the

members in such General Meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Members duly convened and held. A General Meeting conducted by means of a telephone conference, or video conference or any other form of audio or audio-visual instantaneous communication as aforesaid is deemed to be held at the place agreed upon by the members attending the General Meeting, provided that at least one of the members attending the General Meeting was at that place for the duration of the General Meeting.

9. The Directors may whenever they think fit convene an Extraordinary General Meeting, and an Extraordinary General Meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as is provided for by Section 176 of the Act.

10. Where it is proposed to pass a special resolution not less than twenty-one (21) days' notice and in other cases not later than fourteen (14) days' notice of every General Meeting (exclusive in every case both of the day on which it is served or deemed to be served and of the day for which it is given), specifying the place, the day and the hour of the meeting, and the agenda for the meeting, and in the case of special business the general nature of that business, shall be given in the manner hereinafter mentioned to such persons as are under these Articles or under the Act entitled to receive such notices from the Company; but with the consent of all the members entitled to receive notices thereof, in the case of meetings other than Annual General Meetings, a meeting may be convened by such notice as those members may think fit.

11. The accidental omission to give notice of a meeting to, or the non-receipt of such notice by, any person entitled to receive notice thereof shall not invalidate any resolution passed, or proceeding had, at any meeting.

PROCEEDING AT GENERAL MEETING

12. All business shall be deemed special that is transacted at an Extraordinary General Meeting and all that is transacted at an Annual General Meeting shall be deemed special with the exception of the consideration of the income and expenditure accounts, balance sheets and the reports of the Directors and Auditors, and the appointment and fixing of the remuneration of the Auditors.

13. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Unless otherwise determined, two (2) members personally present shall be a quorum. For the purposes of this article "member" includes a person attending as a proxy or as representing a corporation which is a member.

14. If within half an hour from the time appointed for the holding of a General Meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other place and at such other time and place as the Directors may determine.

15. The Chairman (if any) of the Directors shall preside as Chairman at every General Meeting, or if there is no such Chairman, or if he is not present within thirty minutes after the time appointed for the holding of the meeting, or is unwilling to act, the members present shall elect one of the Directors, or if no Director is present, or if all the Directors present decline to act, they shall elect one of their number present to be the Chairman of the meeting.

16. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. Whenever a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as of an original meeting. Save as aforesaid, the members shall not be entitled to any notice of an adjournment, or of the business to be transacted at an adjourned meeting.

17. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands. A declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against that resolution.

VOTE OF MEMBERS

18. Except as hereinafter provided, every member shall have one (1) vote.

19. No member other than a member duly registered, who shall have paid every sum (if any) which shall be due and payable to the Company in respect of his membership, shall be entitled to vote on any question at any General Meeting. Each member entitled to vote may vote in person or by proxy or by attorney.

20. The instrument appointing a proxy shall be in writing in such form as the Directors shall require under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under the hand of an officer or attorney duly authorized. A proxy may but need not be a member of the Company, a qualified legal practitioner or any approved company auditor.

21. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, or at such other place within Singapore as is specified for that purpose in the notice convening the meeting not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

22. A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or of the authority under which the instrument was executed, if no intimation in writing of such death, unsoundness of mind, or revocation as aforesaid has been received by the Company at the registered office before the commencement of the meeting or adjourned meeting at which the instrument is used.

THE DIRECTORS

28. Unless otherwise determined by ordinary resolution, the numbers of directors (other than alternate directors) shall not be subject to any maximum, but shall be not less than one.

29. The first Directors of the Company shall be those persons notified to Companies House as the first Directors of the Company.

30. The board may from time to time appoint any Member of the Company as a Director, either to fill a casual vacancy or by way of addition to the board members, provided that the prescribed maximum is not thereby exceeded. Any Member so appointed shall retain his office only until the next Annual General Meeting, but he shall then be eligible for re-election.

31. At every Annual General Meeting one-third of the Directors shall retire from office, the persons to retire at the first Annual General Meeting being determined by agreement between the Directors and in default of agreement determined by lot. If their number is not a multiple of three, the number nearest to one-third of them shall retire from office and thereafter at subsequent Annual General Meetings those to retire from office shall be those who have been longest in office since their last election to office. As between members of equal seniority, the members to retire shall in default of agreement be determined by lot. A retiring Director shall be eligible for re-election.

32. The Company may in General Meeting:

- (A) increase or decrease the number of members of the director; and
- (B) determine what rotation such increased or decreased number shall retire and may make the appointments necessary for effecting such increase.

33. No person other than a Director retiring by rotation may be appointed a Director at any Annual General Meeting unless:

- (A) he or she is recommended for re-election by the Board; or
- (B) not less than 14 nor more than 28 days before the date of the meeting, the Company is given a notice that:

- (i) is signed by a member entitled to vote at the meeting;
- (ii) states the Member's intention to propose the appointment of a person as a Director;
- (iii) contains the details that, if the person were to be appointed, the Company would have to file at Companies House; and
- (iv) is signed by the person who is to be proposed to show his or her willingness to be appointed.

34. All Members who are entitled to receive notice of an Annual General Meeting must be given not less than seven nor more than 28 clear days' notice of any resolution to be put to the meeting to appoint a Director other than a Director who is to retire by rotation.

DISQUALIFICATION OF DIRECTORS

31. The office of a Director shall become vacant if the Director: -

- (a) becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (b) becomes prohibited from being a Director by reason of any order made under the Act or otherwise ceases to be a Director by virtue of the Act;
- (c) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- (d) resigns his office by notice in writing to the Company;
- (e) fails to attend three (3) consecutive meetings of the Directors (either personally or by an Alternate Director).

POWERS AND DUTIES OF THE DIRECTORS

32. The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not, by the Act or by these Articles, required to be exercised by the Company in General Meeting, subject, nevertheless, to any of these Articles, to the provisions of the Act, and to the Program Rules.

33. In addition to all the powers hereby expressly conferred upon it, and without detracting from the generality of its powers under any other article but subject to the Program Rules, the Directors shall have the following powers, namely: -

- I. to expend the funds of the Company in such manner as it shall consider most beneficial for the purposes of the Company;
- II. to acquire in the name of the Company, build upon, pull down, rebuild, add to, alter, repair, improve, sell or dispose of, or otherwise deal with any land, buildings or premises for the use of the Company;
- III. to enter into contracts on behalf of the Company for the purpose of attaining or in furtherance of the objects of the Company;
- IV. to borrow money for the purpose of the Company and to mortgage or charge the whole or any part of its undertaking and property, and to issue debentures, debenture stock or other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party;
- V. to delegate all or any of its powers to any committee consisting of such Directors and/or any other person or persons it thinks fit for the purpose of carrying out the functions and objects of the Company; any committee so formed shall in the execution of the powers so delegated conform to any regulations imposed on it by the Directors. The meetings and proceedings of any such committee shall be governed by the provisions of these Articles for regulating the

meetings and proceedings of the Directors so far as applicable and so far as the same shall not be superseded by any regulations made by the Directors as aforesaid;

- VI. to make, add to, alter and revoke regulations or bye-laws as to the management of the Company and the affairs thereof, and as to the duties of any officers or servants of the Company, and as to any of the matters or things within the powers or under the control of the Directors, provided that the same shall not be inconsistent with the Memorandum or Articles of Association (including the Program Rules) of the Company;
- VII. to receive on behalf of the Company, subscriptions, benefactions, donations, devises and bequests for the general and any special purposes of the Company; and
- VIII. generally, to do all things necessary or expedient for the affairs of the Company not herein otherwise provided for.

34. All cheques and other negotiable instruments, and all receipts for money paid to the Company, shall be signed, drawn, accepted, indorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time determine.

35. The Directors shall cause proper minutes to be made of all appointments of officers and servants of all proceedings at all meetings of the Company and of the Directors and of committees of the Directors and of all business transacted at such meetings and any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be sufficient evidence without any further proof of the facts therein stated.

36. Every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Director which might create duties or interests in conflict with his duties or interests as a Director. Subject to such disclosure, a Director shall be entitled to vote in respect of any contract or arrangement in which he is interested and he shall be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.

PROCEEDINGS OF THE DIRECTORS

38. Meetings of the board shall be held at such times and such places as the board may from time to time direct. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote.

39. A Director may, and on the request of a Director the Secretary shall at any time, convene a meeting of the Council by notice served upon the Directors. A Director who is not at the material time in the Papua New Guinea shall not be entitled to receive notice of a meeting of the board.

40. The board shall from time to time elect a Chairman who shall be entitled to preside at all meetings of the board at which he shall be present, and may determine for what period he is to hold office, but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the meeting and willing to preside, the Directors present shall choose one of their number to be Chairman of the meeting.

41. The board of directors shall have full power to appoint committees and may delegate to such committees all such duties, powers and privileges as they may think fit, and any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the board. No resolution of a meeting of a committee shall be binding on the Company until confirmed by the board at a subsequent meeting.

42. All acts bona fide done by the Directors or by any committee, or by any person or persons acting as a member or members thereof, shall, notwithstanding that it may afterwards be discovered that there was any defect in the appointment or continuance in office of any such member or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified to be a Director or a member of the committee.

43. A resolution in writing signed by all the Directors for the time being in the Papua New Guinea, shall be as valid and effectual as if it had been passed at a meeting of the board duly convened and held.

SECRETARY

46. The Secretary shall be appointed by the Directors for such term at such remuneration and upon such conditions as it thinks fit; and any Secretary so appointed may be removed by the Directors. The Directors may from time to time by resolution appoint an assistant or deputy Secretary, and any person so appointed may act in the place of the Secretary if there be no Secretary or no Secretary capable of acting.

THE SEAL

47. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of a resolution of the Directors or of a committee of the Directors authorized by the Directors in that behalf, and every instrument to which the seal is affixed shall be signed by a Director and shall be countersigned by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose, and in favor of any person bona fide dealing with the Company such signatures shall be conclusive evidence of the fact that the seal has been properly affixed.

47A. The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

ACCOUNTS

48. All income and profits of the Company shall as soon as received be paid into a separate account in the name of the Company and such account shall be operated in the same manner as provided in Article 34 hereof.

49. The income and profits of the Company shall be applied by the Directors in furtherance of the objects of the Company and in accordance with the Program Rules.

50. The Directors shall cause proper books of account to be kept in respect of all sums of money received and expended by the Company and the matters in respect of which receipts and expenditure take place; the assets and liabilities of the Company; and all sales and purchases of movable and immovable properties by the Company.

51. The books of account shall be kept at the registered office of the Company or at such other place or places as the Directors shall think fit, and shall always be open to the inspection of the Directors.

52. The Directors shall from time to time determine at what times and places and under what conditions or regulations the books of account and other records of the Company shall be open to the inspection of members (not being Directors) and by authorized representatives of the State. No member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorized by the Directors or by the members in General Meeting.

53. Every year the Board shall lay before the Company a proper income and expenditure account for the period since the last preceding account (or in the case of the first account since the incorporation of the Company) made up to a date not more than six (6) months before such meeting, together with a proper balance sheet made up as at the same date. Every such balance sheet shall be accompanied by proper reports of the Directors and the Auditors and copies of such account, balance sheet and reports (all of which shall be framed in accordance with any statutory requirements for the time being in force) and of any other documents required by law to be annexed or attached thereto or to accompany the same shall not be less than seven (7) clear days before the date of the meeting be sent to the Auditors and to all other persons entitled to receive notices of General Meetings in the manner in which notices are hereinafter directed to be served.

AUDITORS

54. Once at least in every year the accounts of the Company shall be examined and the correctness of the income and expenditure account and balance sheet ascertained by one or more properly qualified Auditor or Auditors.

NOTICES

55. A notice or any other document may be served by the Company upon any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register of

members. In the case of a member having a registered address outside of Singapore or Malaysia service shall be effected by prepaid air mail post.

56. Any notice or other document, if served or sent by post, shall be deemed to have been served or delivered at the time when the letter containing the same is put into the post, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a prepaid letter. In the case of air mail post the notice shall be deemed to have been served three (3) days after the same is put into the post.

WINDING-UP

55. The provisions of Clause 12 of the Memorandum of Association relating to the winding up or dissolution of the Company shall have effect as if the provisions thereof were repeated in these Articles.

RULES OF THE LOCAL ECONOMIC DEVELOPMENT LIMITED WHICH FORMS PART OF THE ARTICLES OF ASSOCIATION

1. ESTABLISHMENT OF THE COMPANY

The name of the company is the “**Local Economic Development Limited**”

2. OBJECTS OF THE COMPANY

The company activity must be administered in accordance with the Objects.

3. Role of the Board

3.1. The Board responsibility is to independently oversee the operations and capital expenditure projects of the company in accordance with these Rules. The Board’s responsibilities include:

- a. Overseeing and reviewing the overall strategy of the company to ensure it is consistent with the objects and ensuring adequate risk management procedures are in place;
- b. Periodically reviewing the structures, mechanisms and operations of the company and making changes to ensure the company is conducted in accordance with these Rules;
- c. Appointing and reviewing the performance of the Company’s Managing Director and reviewing periodically the functions and performance of the other management team of the company providing legal, financial, administrative and operational services;
- d. Determine which project are going to be funded by the company;
- e. Review periodically the development outcomes and achievements of the company’s operations in terms of its objects;
- f. Meeting at least annually with the board committee;
- g. Providing public accountability at list annually on the performance and operations of the company through published documents and an annual report meeting in accordance with clause 19.3.

4. MANAGING DIRECTOR

4.1. Appointment of the Managing Director

The Board must approve selection criteria and terms of reference for the Managing Director of the Company. The Board must appoint a person and arrange for the Company to employ that person as the Managing Director and the board may remove any person so appointed.

4.2. Role of the Managing Director

The Managing Director is responsible for the day to day management of Local Economic Development Limited with all powers, discretions and delegations authorized, from time to time, by the Board; the efficient and effective operation of the Group. Ensuring the Board is provided with accurate and clear information in a timely manner to

promote effective decision-making by the Board. Ensuring all material matters that may affect the Group are brought to the Board's attention. The function of the Managing Director will include but not limited to:

- a. Establishment and conduct of a secretariat for the company having regard to the cap on administrative costs (clause 14.3);
- b. Maintaining effective relationships with Capital Project Partners and Stakeholders including effective communication relating to procedures for seeking funding by the Capital Project;
- c. Coordinating preparation of reports and convening of Annual Report Meetings in accordance with these Rules;
- d. Recommending to the Board persons for appointment to the Board Committee and managing the activities of the Board;
- e. Making recommendations to the Board in relation to Project funding;
- f. Designing standardised framework for, and overseeing procedures for, project assessment and monitoring;
- g. Arranging for the annual preparation of financial statements of the company by an reputable firm of accountants; and
- h. Arranging Annual Report Meetings;

4.3. Fees

The Board must determine the remuneration to be paid by the Company to the Managing Director.

5. COMPANY MANAGEMENT

5.1. Role

The Management will be responsible for the management of the company consistent with the overall strategy and objects. The functions of the Management in relation to company management will include:

- a. developing appropriate processes for the submission and assessment of proposals put to the Company for funding, including publication of appropriate documentation for use in the processes;
- b. the design, implementation and monitoring of activities to strengthen the capacity of local smallholder farmers capital project working group and leader and potential Project Partners to participate effectively with the Company;
- c. reviewing (and obtaining appropriate stakeholder input in relation to) proposals for Projects;
- d. negotiating and managing Funding Agreements with Project Partners for implementation of proposals for Projects which are approved by the Board;
- e. developing and advising the Board on an appropriate investment strategy and investment management system for the Company (consistent with these Rules);
- f. overseeing the implementation of the investment strategy and the management of the funds and investments of the Company;
- g. maintaining accounting records of the Company;
- h. preparing the reports required by these Rules for approval by the Board;
- i. procuring such legal, financial and other advice as is necessary for the operation of the Company.

6. ADVISORY COUNCIL

6.1. Appointment

The Board must, after consultation with the Managing Director and the heads of those departments of the PNG Government responsible from time to time for rural development, national planning and for agriculture and livestock, cocoa board, fisheries and forestry matters, arrange for the company to appoint not less than 5 and not more than 7 individuals to constitute the Advisory Council. The members of the Advisory Council:

- (a) Must be eminent and appropriately skilled PNG citizens who are able to provide impartial advice and comment to the Board and Managing Director;
- (b) Must be acceptable to the heads of the departments referred to above; and
- (c) Must each be appointed to serve for 2 year renewable terms.

One of the members of the Advisory Council must, subject to satisfying the other requirements of this clause, be a representative of the Phama Pus.

6.2. Chairperson

6.3. Role

The purpose of the Advisory Council is to report to and advise the Managing Director in relation to the company's socioeconomic programs. The Advisory Council's functions will include:

- a. Strategic advice on the development and implementation of the company projects or programs including advice on the integration of the projects or program's initiatives within overall development objectives for PNG;
- b. Sharing and disseminating information about the company to partners and stakeholders;
- c. Providing feedback to the Managing Director in relation to company proposals put to the company for funding; and
- d. Assisting the Managing Director to monitor and review projects or programs funded by the company.

6.4. Meetings

The Advisory Council must meet at least quarterly and, to the extent that decisions are necessary, make them by consensus. If any member of the Advisory Council dissents in relation to advice to be given to the Managing Director, both the majority and the dissenting views must be put to the Managing Director as appropriate.

6.5. Remuneration

The Company will pay each member of the Advisory Council reasonable remuneration on a per diem basis. The level of that remuneration must be approved by the Board.

6.6. Annual Meeting with the Board

The board will meet with the advisory council at least annually.

6.7. Secretariat

The Company must provide secretarial services and administrative support to the Advisory Council.

7. RESTRICTIONS ON POWERS OF THE COMPANY

7.1. Exercise on voting rights

The Company must not exercise its Voting rights in respect of the capital generated from the commodity sales and other investment activities in favour of a resolution which, if passed, would have the effect of changing the arrangements for the payment of Distributions to his member smallholder farmers capital project working group by the Company in such a way as would reduce the Distributions paid by the Company to his members smallholder farmers capital project working group; or the Company must not exercise its Voting rights in respect of the capital generated from the commodity sales and other investment activities in favour of a resolution which, if passed, would have the effect of changing the funds distribution arrangements for the Company as follows:

a. The Operation Fund

- 10% of Commodity Sales and other investment activities should be utilized as the Operation Fund for operation activities;

b. The Replacement Fund

- 5% of Commodity Sales and other investment activities should be pooled as the Replacement Fund for replacement of the project equipment in future. However, the Replacement Fund shall be used to assist the Project operation in times of urgent need with the company approval;

c. The Community Development Fund

- 20% of Commodity Sales and other investment activities should be pooled as the Community Development Fund for community development;

d. Members Distribution Fund

- 50% of the commodity Sales and other investment activities should be pooled as the member's distribution fund for the members;

e. Investment Fund

- 15% of the Commodity sales and other investment activities should be pooled as the investment fund.

7.2. Non disposal of shares

The Company must not sell, transfer or otherwise dispose of, mortgage, charge or otherwise encumber any interest it has in the shares. The Company does not breach this clause by any disposition or encumbrance of the Shares, or of an interest in the Shares, under or pursuant to:

- a. a security Deed between the Company, shareholder and a nominated security trustee under which the Shares are charged and the Company's right to receive Distributions in relation to the Shares is mortgaged in favour of the nominated security trustee; or
- b. an Equitable Mortgage of Shares between the Company and a nominated security trustee under which the Company grants a mortgage of the Shares to the nominated security trustee,

for the benefit of Libert Ganja as lender and the founder to the Company, Libert Ganja and other parties indemnified by the Company as the recipient of an interest rate and fee subsidy from the Company.

8. DISTRIBUTION BY PROJECT OR PROGRAM

8.1. Distribution Limited

No distributions or payments must be made by the Company, and no person having control over funds of the Company will permit any funds of the Company to be applied, except in accordance with clause 8.2 (a), (b), (c), (d),

and (e), 9, 10 and 12. Borrowed funds may be applied only as permitted by the terms of the relevant loan agreement and for any of the purposes contemplated in clauses 9, 10 and 12.

8.2. Method of applications of moneys

The funds generated from the commodity sales and other investment activities shall be distributed following the company's approved funds distribution procedure as follows:

- a). By direct distribution as Operation Fund, either with or without conditions;
- b). By direct distribution as company equipment Replacement Fund, either with or without conditions;
- c). By direct distribution as member community development Fund, either with or without conditions;
- d). By direct distribution as members distribution Fund, either with or without conditions;
- e) By direct distribution as Investment Fund, either with or without conditions;

for the benefit of Board Chairman and Managing Director as the key person in the company, they are allowed to use 5% of the operation funds as their Discretionary Fund for the purpose of achieving company vision. These forms of distribution may be provided on an annual basis. The provision of money for each operation activities must be on an instalment basis, each instalment being dependent upon the operation meeting appropriate thresholds, which must be set out in the Funding Agreement. In addition to the provision of funds, the Company may give guarantee to enable beneficiaries to access funding within the company to conduct their operation activities at the community level. But before receiving that money they must present their quarterly, monthly and annual operation expenditure budget to qualify for the funds.

9. APPLICATIONS OF INCOME RECEIVED

9.1. Definitions

In this clause, in respect of any distribution:

- a. "Long Term Fund Allocation" means any positive difference between:
 - I. 1/3 of the balance of the Distribution after amounts have been applied under clause 9.2(a), 9.2 (b) (but excluding for this purpose any amount applied to the repayment of advances provided by shareholders under the Funding Facility Deed other than Indemnity and Subsidy Advances as defined in that Deed) and clause 9.2(c); and
 - II. any amount applied out of that Distribution pursuant to clause 9.2(b) to the repayment of advances provided by shareholders under the Funding Facility Deed other than Indemnity and Subsidy Advances as defined in that Deed.
- b. "Current Purposes Allocation" means the balance of the Distribution after amounts have been applied under clauses 9.2 (a), 9.2 (b), and 9.2 (c).

9.2 Application of Distributions received before its shareholders Operation Closure Date

Distributions received by the Company before its shareholders' Operation Closure Date must be applied as follows, in the following order of priority:

- a) to the Operating Expenses for the next 6 months in accordance with the budget approved by the Board from time to time;
 - b) to meet Contractual Obligations to the extent that they are due and payable when a Distribution is received;
 - c) if determined by the Board, to meet a call by its shareholders in accordance with clause 12;
 - d) the LTF Allocation to be immediately contributed to the Long Term Fund; and
 - e) to the Current Purposes Allocation as follows:
- IX. 10% should be utilized as the Operation Fund for operation activities in accordance with the objects at the discretions of the Board for the benefit of the company
- (ii) 5% should be pooled as the Replacement Fund for replacement of the project equipment in future and the Replacement Fund shall also be used to assist the Project operation in accordance with the objects at the discretions of the Board for the benefit of the company; and
 - (iii) 20% should be pooled as the Community Fund for community development in future in accordance with the objects at the discretions of the Board for the benefit of the community smallholder farmers capital expenditure project working group; and
 - (iv) 50% should be pooled as the member's distribution fund for the members in accordance with the objects at the discretions of the Board; and
 - (v) 15% should be pooled as the investment fund in accordance with the objects at the discretions of the Board

9.3. Application of Investment Income before its shareholders' Operation Closure Date

If and to the extent that the Distributions applied under clause 9.2(e) and that part of the Commitment which is undrawn are insufficient, investment income received by the company on the Long Term Fund before the Mine Closure Date must be applied as follows, in the following order of priority:

- a. to the Operating Expenses for the next 6 months in accordance with the budget approved by the Board from time to time;

- b. to meet Contractual Obligations (excluding payments under the Funding Facility Deed) to the extent that they are due and payable when the income is received; and
- c. if determined by the Board, to met a call by its sharholders, in accordance with clause 12, with the balance to be added to and form part of the Long Term Fund. Any income from investment of the money applied to the current purposes Allocation will be added to the Current Purposes Allocvation.

9.4. Application of Distributions Received affter its sharholders Operation Closure Date.

Distributions received by the Company after its sharholders Operation Closure Date must be applied as follows, in the following order of priority:

- a) to the Operating Expenses for the next 6 months in accordance with the budget approved by the Board from time to time;
- b) to meet Contractual Obligations to the extent that they are due and payable when the Distribution is received; and
- c) if determined by the Board, to meet a call by its sharholders, in accordance with clause 12,

with the balance to be added to and form part of the Long Term Fund.

9.5. Application of investment income received after its sharholders Operation Closure Date

If and to the extent that Distributions applied under clause 9.4 and that part of the Commitment which is undrawn are insufficient, investment income received by the Company on the Long Term Fund after its sharholders Operation Closure Date must be applied as follows, in the following order of priority:

- a) to the Operating Expenses for the next 6 months in accordance with the budget approved by the Board from time to time; and
- b) to meet Contractual Obligations (excluding payments under the Funding Facility Deed) to the extent that they are due and payable when the income is received;

with the balance to be added to and form part of the Long Term Fund.

10. THE LONG TERM FUND

10.1 Establishment of Long Term Fund

The Company must invest and account separately for the Long Term Fund.

10.2 Application of Long Term Fund before its sharholders Operation Closure Date

Before its sharholders Operation Closure Date, the capital (including previously reinvested income) of the Long Term Fund must only be applied in the following ways, in the following order of priority:

- (a) to the extent the amounts under clause 9.2 (b) and 9.3 (b) and that part of the Commitment which is undrawn are insufficient, to meet Contractual Obligations; or
- (b) to the extent the amount under clause 9.2 (c) is insufficient, if determined by the Board, to meet a call by its shareholders in accordance with clause 12.

10.3 Application of Long Term Fund after its shareholders Operation Closure Date

After its shareholders Operation Closure Date the capital (including previously reinvested income) of the Long Term Fund must be applied in the following ways; in the following order of priority:

- a) to the extent that amounts under clause 9.4 (b) and 9.5(b) are insufficient, to meet Operating Expenses;
- b) to the extent that amounts under clause 9.4 (b and 9.5 (a) are insufficient, to meet Contractual Obligations as they fall due for payment;
- c) if determined by the Board, to meet a call by its shareholders in accordance with clause 12; and
- d) to Benefit Distribution Purposes in accordance with clause 10.4.

10.4 Rate of application of Long Term Fund to Benefit Distribution Purposes

Under clause 10.3 (d), in each Accounting Year after its shareholders Operation Closure Date:

- a) the income received by the Company from investment of the Long Term Fund less amounts applied under clauses 9.5 (a) and (b); and
- b) until the capital (including previously reinvested income) of the Long Term Fund is reduced to any amount, all the capital (including previously reinvested income) of the Long Term Fund (calculated at the beginning of the Accounting Year), and thereafter all the capital (including previously reinvested income) of the Long Term Fund,

must be applied to its Benefit Distribution Purposes for the benefit of its smallholder commodity capital expenditure project working group to be determined by the Board at the time of, its shareholders Operation Closure Date.

10.5 Investment of Long Term Fund

Pending the application of monies of the Long Term Fund to the purposes described in clause 10.2 and 10.3, the Long Term Fund must be invested in Low risk investments as determined by the Board.

11. DETERMINATION OF CONTRACTUAL OBLIGATIONS

11.1 Outstanding Obligation Notices

For the purposes of clause 9 and 10, before any amount is distributed by the Company for purposes other than meeting Operating Expenses, the Company will first determine any amounts due and payable in respect of Contractual Obligations as follows:

- a) the Company will issue to each person who holds the benefit of Contractual Obligations which are due and payable (an “Outstanding Obligation”) within a specified time;
- b) any person who receives a notice under clause 11(a) may deliver to the Company, before the expiry of the time specified in the notice under clause 11(a), a notice of an amount to which that person claims to be entitled in respect of an Outstanding Obligation (an “Outstanding Obligation Notice”); and
- c) an Outstanding Obligation Notice must include the following information:
 - I. copy of a judgement or settlement agreement evidencing the Outstanding Obligation; or
 - II. other evidence evidencing that the Outstanding Obligation is due and payable,
- d) and all relevant source documents relating to the Outstanding Obligation, unless previously provided to the Company.

11.2 Outstanding Obligation by Company’s Lender

Notwithstanding clause 11.1, when company’s lender receives notice from the Company calling for claims in respect of any Outstanding Obligation under clause 11.1 (a), it must give to the Company a notice specifying:

- a) the total amount (if any) outstanding under the Funding Facility Deed; and
- b) the breakdown of that amount between Indemnity and Subsidy Advances and Other Advances (as defined in the Funding Facility Deed),

so that the Company can determine the amount repayable out of the next Distribution, and that notice will constitute a sufficient Outstanding Obligation Notice by its lender in respect to the amount which will be due and payable on the date of the next Distribution.

11.3 Ratable Payment

If the aggregate amount of Outstanding Obligations notified under clause 11.1 (b) and evidenced by information under clause 11.1(c), including the amount determined to be due to its Lender under clause 11.2 if the next distribution has occurred, exceeds the amounts available to meet Contractual Obligations under clauses 9 and 10, then the Company must pay those Outstanding Obligations ratably in proportion to the amounts of each of them. Such payment is not to be taken as satisfaction of those Outstanding Obligations and will be received by the claimants without prejudice to their rights under other documents or in law to receive payment in full. Nothing in this clause prevents an agreement

between the Company and one or more persons entitled to the benefit of Contractual Obligations under which those persons agree to a deferment of those Contractual Obligations so that ratable payment of other Contractual Obligations is not required.

12. ITS SHAREHOLDERS CALLS

If Company Corporate Shareholder makes a call for its Shareholders to subscribe for further capital, the board must, in its discretion, decide whether or not the Company (in its capacity as a holder of the Shares) will meet that call. The Board must make this decision having regard to the Objects and how best they might be achieved. The Company may only meet a call by its Corporate Shareholder if:

- a) the call is a call for subscription for share capital in its shareholder pro rata from its shareholders; and
- b) If either:
 - (i) there are Advances (as defined in the Funding Facility Deed). Outstanding under the Funding Facility Deed; or
 - (ii) the Commitment has not reduced to zero or been cancelled,

the other shareholders of the shareholder Company shared by the company have (in aggregate) subscribed or agreed to subscribe for not less than 40% of the total amount called.

13. INVESTMENT POLICY AND GUIDELINES

13.1 Investment Policy and Investment Guidelines

The Managing Director must prepare a draft investment policy and investment guidelines for investment of the company investment funds. The policy must be consistent with these Rules and include targets and benchmarks for investment performance. The guidelines must set out the way in which the Company is to give effect to the investment policy.

13.2 Approval of investment policy and guidelines

The Managing Director must submit the investment policy and guidelines to the Board for approval. The Board must approve an investment policy and guidelines (which may be the draft submitted, amended as the Board determines).

13.3 Review

The Board must review the investment policy and guidelines at least once every Accounting Year (other than the first Accounting Year).

13.4 Investments to be consistent with policy and guidelines

Investments made by the Program must be consistent with the investment policy and the investment guidelines in force at the time the investment is made.

14. PLANS AND BUDGETING

14.1 Plans and Budgets

The Managing Director must prepare a draft plan and budget for each Accounting Year (other than the first Accounting Year). These must be set out:

- a) the nature of the Projects to be supported during the Accounting Year;
- b) the Managing Director estimates of the income and expenditure of the Program for the Accounting Year;
- c) an allocation of the proposed expenditure for each kind of Project (including size and scales) proposed to be supported; and
- d) any other matter the Managing Director or the Board determines to include in the plan or budget.

14.2 Approval of Plan and Budget

The Managing Director must finalise the draft plan and budget for each Accounting Year (other than the first Accounting Year), who must submit it to the Board for approval. The Board must approve a plan and budget for each Accounting Year (other than the first Accounting Year) (which may be the drafts submitted with such amendments as the Board determines).

14.3 Cap on Administration costs after third Accounting Year

The budget prepared by the Managing Director for each Accounting Year after the third Accounting Year of the Company must reflect that the portion of the Operating Expenses attributable to the operation of the Company (but not to the running of the Company) should not exceed average annual Income of the Company during the immediately preceding 3 Accounting Years.

14.4 Plans and budgets to be adhered to

The Managing Director must adhere to the plan and the budget approved by the Board for an Accounting Year unless the Board otherwise directs. The Board may vary a plan or budget during an Accounting Year.

15. OPERATIONS MANUAL

15.1 Operations Manual

The Managing Director must prepare a draft Operations Manual for the Company and submit it to the Board for approval. The Board must approve an Operations Manual (which may be the draft submitted with such amendments as the Board determines). The Board must arrange for publication of the Operations Manual. The Board may amend the Operations Manual at any time.

15.2 Contents of Manual

The Manual must include at least the following:

- a) the company management and corporate governance structure;
- b) the general guidelines to be used by the Board in assessing job performance of the Company employees including capital expenditure project working groups as well as its approach to expenditure, investment and reporting conditions attached to the application of moneys;
- c) the way in which the Board is to make decisions about whether the Company will implement a particular Project, and the conditions to be imposed on the implementation of the Project;
- d) application procedures for Smallholder Capital Expenditure Project Working Group and individual smallholder farmers at the community level;
- e) the way in which the project to be implemented are to be identified and assessed;
- f) the procedures the Board is to follow for the preparation and publication of accounts of the Company;
- g) other information such as project design standardised in respect of community development under the Community Development Fund for the Company;
- h) the PROCESSES OF THE Company in relation to regular reviews and annual report meetings; and
- i) the Board's procedures for reviewing and improving the Company and monitoring and evaluating Projects being implemented or supported by the Company.

15.3 Board to follow procedures set out in Manual

The Managing Director and Board must, so far as practicable, comply with the procedures set out in the Manual.

16. SELECTION OF PROJECTS FOR COMMUNITY DEVELOPMENT UNDER THE COMMUNITY DEVELOPMENT FUND

16.1 Scope of Projects eligible for Community Development

The scope of Projects eligible for support by the Company for community development specified under clause 9.2 (e), (iii):

- a. Includes:

- (i) Infrastructure which contributes to human development (such as housing, road, bridge, rural electricity, internet services, etc);
- (ii) General capacity building services that contribute to human capital formation;
- (iii) Eco-tourism and other projects that protect or enhance the environment;
- (iv) Health, education and other social and cultural services;

b. Excludes:

- (i) Projects which primarily benefit one individual, family or narrow interest group within a community;
- (ii) Infrastructure which is primarily private sector or commercial in nature (that is, creates capital assets for individual commercial enterprises) which cannot demonstrate community benefits; and
- (iii) Initiatives which are primarily religious or party political in nature.

16.2 Selection Criteria

The Managing Director must prepare, and must submit to the Board, draft selection criteria for the selection of Projects to be supported by the Company. The Board must approve selection criteria (which may be the draft submitted, amended as the Board determines). These must include:

- (a) Community participation throughout the project cycle;
- (b) Capital Expenditure Project Working Group Community Development Fund must meet the project expenditure costs.
- (c) appropriate mechanisms for review of the project, including assessment against the objects and learning; and
- (d) sustainability of the project financially, institutionally, socially, technically, and environmentally.

16.3 Directors decisions on community development projects under the community development fund

The Directors will seek to make all decisions regarding Project support by consensus. Where this is not possible, decisions will require a majority vote. The Directors must make such determinations taking into account:

- a) the Objects;
- b) the selection criteria;
- c) the recommendations of the Advisory Council and the Managing Director;
- d) the Projects previously funded by the Company and benefits which have been distributed by the company; and
- e) the outcomes for the company projected in the plan and budget for the current Accounting Year.

17. IMPLEMENTATION OF PROJECT FUNDERED UNDER THE COMMUNITY DEVELOPMENT FUNDS

17.1 Funding Guidelines

The Managing Director, must prepare draft funding guidelines for the implementation of support for Projects by the Company. The Board must approve funding guidelines (which may be the draft submitted, amended as the Board determines). These must include:

- a) the process for the Company making payments;
- b) requirements for funding agreements with project partners;
- c) accountability and reporting requirements (including audits and other checks); and
- d) timetable requirements

17.2 Project Partners

Unless the Board determines otherwise, projects funded by the Company must be implemented by Project Partners. Project Partners must report to the Managing Director.

17.3 Funding Agreements

The funding by the Company of any Project must be conditional on the execution of a Funding Agreement on Agreement between the Company and the Project Partner. The Managing Director is authorised to execute a Funding Agreement on behalf of the Company, provided that the Board has approved the project for company support.

18. MONITORING AND EVALUATING COMPANY OPERATIONS

18.1 Review and evaluation of Company's Capital Expenditure Projects and activities

Where the Company implements his capital expenditure funding with the smallholder capital expenditure project working group, the Managing Director must ensure that appropriate monitoring and review arrangements in relation to that Project are provided for in the relevant, Project Agreement.

18.2 Regular evaluation of the Company

A formal review of the Company must be conducted every third year by a person who is independent of the Company, and selected by the Board through an open, transparent and competitive tender. For the purposes of this clause a person is not to be considered not independent merely because:

- a. it is or has been engaged by the Company to audit the financial accounts of the Company as required by law; or
- b. it is or has been engaged by the Company or a person involved in a project supported by the Company to audit a Project or part of a project.

The Board must cooperate with the reviewer in the conduct of the review.

18.3 Purpose of review

The purpose of a review is to ensure that:

- a. the Company's operations continue to conform to the Objects and these Rules;
- b. the Company is managed efficiently and effectively; and
- c. the impact of the Company is documented and taken into account in the future development of the Company.

18.4 Reports

The Company must ensure that the reviewer selected in accordance with clause 18.2 reports the results of the review to the Board. The Company must make reviewers reports publicly available but:

- a. it may withhold a report, or part of a report, if to disclose it:
 - (i) would breach an obligation of confidentiality to which the Company is subject; or
 - (ii) would prejudice an investigation into a suspected criminal offence, or the enforcement of a right of the Company; or
 - (iii) would unreasonably disclose personal information about an individual; and
- b. the Company may impose a reasonable charge for providing copies of reports.

19. STAKEHOLDER INVOLVEMENT

19.1 Stakeholder engagement

The Managing Director will:

- a. identify, and maintain a database of, key stakeholders taking into account advice from the Advisory Council; and
- b. ensure key stakeholders are regularly updated by Company staff regarding the progress of the Company Operation.

19.2 Annual Reports

As soon as practicable after the end of each Accounting Year, but no later than 6 months after the end of each Accounting Year, the Company must make publicly available a written report on the operations of the Company Capital Expenditure Projects or Activities during the Accounting Year. The report must include:

- a. the financial report on the Company for the Accounting Year, and the auditor's opinion on it; and
- b. a report of the review of the Company's operations for the Accounting Year; and
- c. a report on the results of monitoring and review of Company's implemented Capital Expenditure Projects during the Accounting Year.

The Annual Report must be prepared by the Managing Director and submitted to the Board. The Board must approve an Annual Report (which may be the draft submitted, amended as the Board determines).

19.3 Annual Report Meeting

The Company must, at least once every 12 months, convene and hold an Annual Report Meeting in any places approved by board chairman. The primary function of an Annual Report Meeting is to provide a forum for the Company to publicly present key elements of the Annual Report and for those elements to be discussed. The following provisions apply in relation to Annual Report Meetings:

- a) the Board must set an agenda and establish procedures for the conduct of Annual Report Meetings;
- b) the Company must convene Annual Report Meetings by publishing, in a newspaper circulating generally in Papua New Guinea (and in any other way it determines), at least one month's notice of the meeting;
- c) at least one month before an Annual Report Meeting, the Company must publicly release the most recent Annual Report; and

- d) the Advisory Council must be invited to attend Annual Report Meetings.

20. REPORT TO COMPANY SHAREHOLDERS, AND THE STAKEHOLDERS

The Company must give annually:

- a) a copy of the annual audited accounts of the Company;
- b) a report of the Company Operation Activities describing:
 - (i) the financial status of the Company (including details of payments made under Contractual Obligations, the balance of the Long Term Fund and its investments);
 - (ii) the projects funded by the Company and amounts committed for or spent on each Project; and
 - (iii) the amount spent by the Company on Operating Expenses and the proportion of that expenditure to amounts spent on Projects; and
 - (iv) details of any shares subscribed by the Company,

to Company Shareholders, and the Stakeholders.

21. INTERPRETATION

21.1 Definitions

The following definitions apply in these Rules unless the context requires otherwise.

“Accounting Year” means each of:

- a) for the first year, the period from the date of establishment of the Company to 31 December 2021;
- b) for subsequent years, the period from 1 January to 31 December in any year; and
- c) the period from 1 January in the last year of the Company operation until the Company operation comes to an end.

“Advisory Council” means a group of individuals appointed under clause 6.

“Annual Report” means a report prepared under clause 19.2.

“Annual Report Meeting” means a meeting as contemplated in clause 19.3.

“Board” means the board of directors of the Company.

“Managing Director” means an individual appointed under clause 4

“Commitment” has the meaning given to it in Funding Facility Deed.

“Contractual Obligations” means the obligations of the Company:

- a) to indemnify third parties under:
 - I. the Deed of Indemnity to be entered into between the Company and its shareholders;
 - II. the Deed of Indemnity to be entered into between the Company and the state;
 - III. any deed of Indemnity between the Company and a director of Company’s Lender
- b) to make payments under the Subsidy Deed to be entered into between the Company and its shareholder; and
- c) to make payments under the Funding Facility Deed.

“Distributions” means:

- a) any dividend declared by its shareholders and to which the Company is entitled from time to time in respect of the Shares; and
- b) any other money to which the Company becomes entitled from its shareholders from time to time in respect of the shares,

in each case net of any withholding tax imposed by the state.

“Funding Agreement” means an agreement between the Company and a Project Partner for the funding of a Project by the Company under the Community Development Funds.

“Funding Facility Deed” means the document of that name to be entered into between the shareholder and the Company.

“Income” means Distribution or Commodity Sales revenue received by the Company and net income received from investments made by the Company, whether out of the Long Term Fund or out of funds available for a short term only.

“Long Term Fund” means the Long Term Fund established under clause 10.1 to which will be credited:

- a) all amounts contributed under clause 9; and
- b) investment income arising from those amounts net of payments made under clauses 9.3 and 9.5.

“Manual” means the Company Operations Manual prepared under clause 15.

“Company Closure” means the permanent cessation of all capital expenditure project activities at or association with the global market crisis.

“Capital Expenditure Project Closure Date” means the date on which Company Capital Expenditure Project Closure occurs.

“Objects” means the objects of the Company set out in clause 3 of the Memorandum of Association.

“Operating Expenses” means the operating expenses of the Company and of the Capital Expenditure Project, including (without limitation) establishment costs, directors’ fees, the cost of directors’ and officers’ liability insurance (if available), and any tax payable by the Company.

“Its Shareholder” means shares issued by Company.

“Shareholder” means person issued money to the Company.

“PNG” MEANS Papua New Guinea

“PNG Government” means the National Government of PNG.

“Local Economic Development Limited” means the Company Registered under the Investment Promotion Authority and was established by these Rules.

“Capital Expenditure Project Working Group” means smallholder farmers group agree to become part of the company.

“Capital Expenditure Project” means a program, project or activity approved by the Company under these Rules.

“Project Partner” means an entity, firm, government, government agency, aid agency or charitable entity, which is engaged by the Company to implement or support a Project funded by the Company.

“Shares” means shares transferred or to be transferred to the Company and any additional or other shares in company shareholder acquired by the Company (whether through a bonus issue, a rights issue, a share split or consolidation or otherwise) as a result of the Company holding the first-mentioned shares.

“Stakeholders” means the key stakeholders identified under clause 19.1.

“State” means the Independent State of Papua New Guinea.

“Sustainable Development Purposes” means projects and other applications which, in the discretion of the Company (acting in accordance with the Objects), are for long term social, economic and/or

environmental benefits of the people of Papua New Guinea, especially participating smallholder capital expenditure project working group.

“Tax” means a tax, levy, duty, charge, deduction or withholding, however it is described, that is imposed by a government agency, together with any related interest, penalty, fine or other charge.

21.2 Interpreting these Rules

Headings are for convenience only, and do not affect interpretation. The following clauses also apply in interpreting these Rules, except where the context makes it clear that a clause is not intended to apply.

- a)** A reference to:
 - (i) a clause is to a clause of these Rules or to the specified subclause, paragraph or sub-paragraph;
 - (ii) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (iii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iv) a party to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (v) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (vi) anything (including a right, obligation or concept) includes each part of it.
- b)** A singular word includes the plural, and vice versa.
- c)** If a word is defined, another part of speech has a corresponding meaning.
- d)** A reference to “agreement” includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- e)** A reference to dollars or “\$” is to US dollars.

**APPROVAL OF FOUNDER AND MAJOR SHAREHOLDER
TO AMENDMENT TO LOCAL ECONOMIC DEVELOPMENT LIMITED RULES**

To: Local Economic Development Limited
(The Company)
Allotment 4, Section 74, 7 Street,
Nuigo,
Wewak,
East Sepik Province,
Papua New Guinea

In accordance with clause 8 of the Memorandum of Association of the Company, Libert Ganja, a major shareholder and Founder of the Company; approves the amendment of the Rules of the Local Economic Development Limited by deleting the definition of “Low Risk Investments” under clause 21.1, thereby enabling the Board to define “Low Risk Investments” within the context of the Company’s Investment Policy and Guidelines to be determined by the Board from time to time in accordance with the Company Rule 13 of the Articles of Association of the company;

Dated this 6th day of February, 2021

SIGNED BY
FOUNDER AND MAJOR SHAREHOLDER

Signature of Founder And Major Shareholder

Name of Founder And Major Shareholder

**APPROVAL OF LOCAL ECONOMIC DEVELOPMENT LIMITED SHAREHOLDERS
TO AMENDMENT TO THE COMPANY RULES**

In accordance with clause 8 of the Memorandum of Association of the Company, Libert Ganja, a major shareholder and Founder of the Company, on beharfe of the Company shareholders; aproves the amendment version of the Rules of the Local Economic Development Limited as attached.

Dated this 12th Jenuary, 2021

SIGNED BY
BOARD CHAIRMAN AND FOUNDER

Signuture of Founder And Major Shareholder

Name of Founder And Major Shareholder