LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Power Sector Development Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

ASIAN DEVELOPMENT BANK

DATED 23 September 2022
LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 23 September 2022 between INDEPENDENT STATE OF PAPUA NEW GUINEA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to provide a loan to the Borrower in an amount of one hundred eighty-eight million six hundred thousand Dollars ($188,600,000) ("Ordinary Operations Loan") for the purposes of the Project described in Schedule 1 to the Ordinary Operations Loan Agreement;

(B) the Borrower has also applied to ADB for a concessional loan from ADB's ordinary capital resources for the purposes of the Project;

(C) the Project will be carried out by Borrower’s Department of Treasury ("DOT") acting through PNG Power Limited ("PPL"), and for this purpose the Borrower will make available to PPL the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a concessional loan to the Borrower from ADB’s ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and PPL;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I
Loan Regulations; Definitions

Section 1.01. All the provisions of ADB’s Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject; however, to the following modifications:

(a) Section 2.01(w) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and PPL, as such agreement may be amended from time to time; and such Project Agreement includes all schedules to the project agreement;

(b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "PPL".
Section 1.02. Wherever used in this Loan Agreement, the several terms
defined in the Loan Regulations and in the Ordinary Operations Loan Agreement have the
respective meanings therein set forth unless modified herein or the context otherwise requires.
The additional term used in this Loan Agreement has the following meaning: "Subsidiary Loan
Agreement" means the agreement between the Borrower and PPL, satisfactory to ADB, referred
to in Section 3.01 of this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's
ordinary capital resources an amount of twenty million Dollars ($20,000,000).

(b) The Loan has a principal repayment period of 20 years, and a grace period
as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinafter means the
period prior to the first Principal Payment Date in accordance with the amortization schedule set
forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate
of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn
from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall
be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan
withdrawn from the Loan Account in accordance with the amortization schedule set forth in
Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the
Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and
4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall reblend the proceeds of the Loan
together with other funds required for the Project to PPL under a Subsidiary Loan Agreement
upon terms and conditions as the Loan, in a form satisfactory to ADB. The foreign exchange risk
will be borne by the Borrower.
(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Ordinary Operations Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2027 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the Ordinary Operations Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable PPL to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.
ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower or PPL shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Ordinary Operations Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with their terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Treasury of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:
For the Borrower

Secretary, Department of Treasury
The Treasury Building, Waigani Drive
P.O. Box 542
Waigani 131, National Capital District
Papua New Guinea

Facsimile Number:
(675) 313 3761.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:
(632) 8636-2444
(632) 8636-2338.
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

INDEPENDENT STATE OF
PAPUA NEW GUINEA

By

IAN STICKLEY, CMG, MP
Minister for Treasury

ASIAN DEVELOPMENT BANK

By

DAVID HILL
Country Director
Papua New Guinea Resident Mission
### SCHEDULE 1

**Amortization Schedule**

<table>
<thead>
<tr>
<th>Payment Due</th>
<th>Payment of Principal (expressed in USD)*</th>
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<td>500,000</td>
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<tr>
<td>15 April 2028</td>
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<td><strong>Total</strong></td>
<td><strong>20,000,000</strong></td>
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</table>

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.*
SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

   (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

   (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized and ratified by, and executed and delivered on behalf of, the Borrower and PPL.
# TABLE

## ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS

<table>
<thead>
<tr>
<th>Number</th>
<th>Item</th>
<th>Total Amount Allocated for ADB Financing ($)</th>
<th>Basis for Withdrawal from the Loan Account</th>
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<tbody>
<tr>
<td>1</td>
<td>Consulting Services *</td>
<td>5,000,000</td>
<td>100% of total expenditure claimed**</td>
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<tr>
<td>2</td>
<td>Interest Charge</td>
<td>800,000</td>
<td>100% of amounts due</td>
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<tr>
<td>3</td>
<td>Unallocated</td>
<td>14,200,000</td>
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</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>20,000,000</td>
<td></td>
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* Subject to the condition for withdrawal described in paragraph 7 of Schedule 2.

** Exclusive of taxes and duties imposed within the territory of the Borrower.