

**Press review:  
Mining in the South Pacific**

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Compilation:

Dr. Roland Seib, Hobrechtstr. 28, 64285 Darmstadt, Germany

<http://www.roland-seib.de/mining.html>

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**Abbreviations in common use:**

BCL: Bougainville Copper Limited

LNG: Liquid Natural Gas

PIR: Pacific Islands Report

PNG: Papua New Guinea

**Websites:**

Pacific Islands Report: <http://pidp.eastwestcenter.org/pireport/graphics.shtml>

PNG Post-Courier: <http://www.postcourier.com.pg>

PNG The National. <http://www.thenational.com.pg>

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**Australian Company Granted Iron Sands Mining Lease In Fiji**

21-year lease permits Amex Resources to dredge Ba River

MELBOURNE, Australia (Radio Australia, June 28, 2012) – Australian mining company Amex Resources has been granted a 21-year mining lease to extract iron sands from 120 square kilometers of shallow water in and around the Ba River delta. Managing director Matthew Collard says the project will employ around 300 people. He says Amex has not asked for tax concessions and will pay the standard royalties and corporate taxes to the Fiji Government. "There is a 3 percent export royalty that the company must pay once we are exporting the product and then, at this moment in time, we are obligated to the 20 percent corporate tax, as every other entity," he said. "We haven't proceeded into any incentives, or tax incentives at this stage. We've just been focused on getting all our approvals through so that we can get into the construction phase." Mr. Collard says extracting the iron sand will be a very simple operation. "We are a dredging operation, so very similar to previous exercises around Fiji when they have used it for flood mitigation in the river systems," he said. "We'll be dredging up the sand and the only difference is that we will have a floating concentrator behind our dredge."

"That dredge will be extracting the iron minerals and once we've extracted the iron minerals, we'll be depositing the remaining sand back into the sea floor and then transporting the iron in a transport barge 30 kilometers to the Lautoka Port, where it will be stockpiled and loaded onto a handimax vessel, more likely to be destined for China." Mr. Collard says Amex will follow the New Zealand model for iron sand mining. "I think the benchmark for iron sands production is definitely New Zealand. They have been doing it for many decades now and have set the standard," he said. "They are a high quality iron sands producer. Ba delta, once we have the project up and running, the scheduled production rates are not too dissimilar to New Zealand's operation at the moment so it will place the Fijian operation up there as one of the larger iron sands producers." Mr. Collard says it has obtained environmental approval for the mining project to start. "The river system and managing it, and making sure we do not cause any further damage to the reef is important to us. "We have engaged a local environmental consultant who is highly regarded in Fiji and he will be responsible for the continued monitoring of the mining operation."

### **Tolokuma mine resumes operation**

Post-Courier 28.6.2012

By PATRICK TALU

TOLUKUMA Gold Mine (TGM), the 100 percent nationally owned mine has resumed operation on Wednesday afternoon after aggrieved landowners lifted the taboo placed on the mine ten days ago. After two days of negotiation between Patromin PNG Holding Ltd (Petroimin) as the owner of TGM, Mineral Resources Authority (MRA) as a stakeholder and the Yulai Landowners Association (YLA), the landowners removed the plant through their own Goilala customary procession, a way of reversing the taboo placed to stop the mine's operations. The lifting of the taboo was after Petroimin and YLA entered into a special agreement to address the landowners' grievances mutually. Among the requests Petroimin made commitment to; give 5 per cent equity in the mine consistent with government's mining policy and also to look at setting up a business development office subject to establishing a mechanism as to how the landowners can have 50 per cent interest of all contracts in TGM.

Petroimin through its managing director and chief executive officer Joshua Kalinoe also agreed to pay all outstanding payments including a K600,000 for YLA; set a desk for YLA at TGM office in Port Moresby and pay other outstanding financial obligations for the exploration activities incurred. The MD also agreed to have direct communication with YAL and look at building capacity and training for mine area workforce while making commitment to review working condition for general Papua New Guinean workforces as part of Petroimin's human resources policy review. He also committed to work with the State to look at the Tolokuma Access Road to Port Moresby. As a party to the special agreement YLA chairman George Gusi and his chiefs representing three major clans agreed to acknowledge Petroimin as the 100 per cent owner of TGM and also agreed to work closely with Petroimin and TGM management team to protect the commercial interest of the mine. Mr Gusi also apologised to Mr Kalinoe, his senior Petroimin management team and MRA's mining coordinator Pelis Watnabar for the mine closure and all the loss incurred. Mr Kalinoe said,"

Petroimin learned a valuable lesson. What happened is history. Don't lean too much on history and live the past because the past will destroy the future. Let's find a way forward to develop the mine," Mr Kalinoe said. Mr Kalinoe who is also a director on the TGM Board expressed confidence in the current TGM management team headed by acting general manager David Laulau and his senior team at Petroimin with the likes of Lyndah Brown-Kola (Acting General Manager Minerals) and Sam Inguba (General Manager Corporate Services) to lift TGM to a next level. The reopening mining proceeded with a pig killing and exchange of betel nuts between Petroimin and YLA chiefs before removing the taboo marking the resumption of mine's operation. Mr Kalinoe will fly into

Tolukuma today and personally deliver the K600, 000 and a K50,000, part of the K100,000 cash gift as part of the customary peace ceremony while the next K50,000 will be paid next month.

## **Ok Tedi Development Fund celebrates successful 2011**

The National, June 27th, 2012

OK Tedi Development Foundation (OTDF) has enjoyed a successful 2011 despite the many challenges that were faced, according to chairman Musje Werror. Werror said in OTDF's 2011 annual report that these challenges included building trust among mine-impacted communities while at the same time establishing itself as a stand-alone entity operating at arm's length from Ok Tedi Mining Ltd (OTML). "I am proud to say that the efforts and commitment by the OTDF team, with support from OTML and PNG Sustainable Development Program (PNGSDP) are starting to build a genuine partnership through a shared purpose with the mine-affected communities and the Fly River provincial government (FRPG)," he said. "Through the partnership of the CEO, Ian Middleton and his executive team, we are now beginning to realise the true meaning of sustainable development, and how it makes a tangible difference to the lives of the people impacted by the Ok Tedi mine, fulfilling their hopes and dreams for the future." Middleton said a restructure in 2009 enabled OTDF to operate independently of OTML. "The company established an ambitious portfolio of community-orientated programmes and projects for delivery to the Community Mine Continuation Agreement (CMCA) people, whose lives have been impacted by mining operations," he said.

## **Tolukuma mine to resume operation**

Post-Courier 27.6.2012

By PATRICK TALU at Tolukuma

THE Tolukuma Gold Mine (TGM) in the Central province is expected to be reopened this morning (Wed) after its operation has been closed down for 9 days due to outstanding mine related landowner issues. George Gusi, Chairman of Yulai Landowners Association (YLA), the umbrella association representing three major clans from the Tolukuma mine area assured Petromin Managing Director Joshua Kalinoe and his management team and representative from the Mineral Resources Authority (MRA) yesterday at the mine site that the mine will resume operations after the taboo placed at the entrance of the mine is removed this morning in a traditional ceremony. Mr Gusi's assurance came after Mr Kalinoe's appeal to YLA to lift the taboo placed last early week; a Goilala custom in which traditional trees are planted at the gate or entrance of building premises to disallow trespassing.

After a successful two days negotiations with the landowners, Petromin and MRA team, the landowners have finally agreed to remove the taboo for the mine to commence operation immediately on the condition that Petromin adhere to their demands. Mr Gusi with the clan chiefs presented the demands to Mr Kalinoe at the mine site witnessed by local landowners, local workers, and the delegates from Port Moresby and other hired workers. YLA demanded among others that: Petromin and the State honor the Memorandum of Agreement (MOA) obligation as well as other socially responsible impact projects outside of the MOA. These includes immediate payment of outstanding K600, 000 to YLA, access road from TGM to Port Moresby as well as improving working condition of both local and other Papua New Guinea employees. Whatever issues that need immediate response, they must be responded immediately so as not to delay the resumption of mine operation.

Issues that are need to be included in the memorandum of agreement (MOA) review, let them be accommodated in the MOA. However, it must be honoured as we will remove the taboo in good faith believing that any commitment made will be honored as promised," Mr Gusi said. Mr Kalinoe commenting on the landowner chiefs through YLA said it was his great and humble honor to listen

to their grievances and address where he and his board can. He said Petromin has agreed to immediately pay the outstanding K600, 000 for the landowner association as well as positively addressing other issues. "Nothing in the demand is too difficult. We accept the demands and will respond to them in the right channel. Whatever that needs to be included in the MOA review could be done. Other immediate demands where Petromin can be able to respond, we will do so," Mr Kalinoe assured the aggrieved landowners. The Managing Director stated that the TGM Access Road to Port Moresby is the Government's commitment as part of the MOA which a K10 million funding has already been committed in this year's budget.

The Chief Executive Officer also made commitments to the landowners that Petromin as 100% sole owner of Tolukuma will look at skills development local workforce and build capacity beginning next year. He further made commitments to look at other socially responsible benefits to the local communities given that they allow the mine to commence operation. Pelis Watnabar, MRA's coordinator for mines also assured the landowners that some of the demands made are to be accommodated in the MOA review expected in September this year. Mr Gusi that assured that if Petromin can live with its commitment, there won't be any disturbances as long as they are bound by their mutual agreement. The removing of the taboo will take place around 8am today with exchanging of betel nuts, a pig killing ceremony as the Goilala customs before dispersing workers to resume mine operation.

### **Xstrata Mining Exit From PNG Allegedly No Cause For Concern**

Suggestions of political instability 'untrue'

WELLINGTON, New Zealand (Radio New Zealand International, June 26, 2012) – The executive director of Papua New Guinea's Chamber of Mines and Petroleum says the departure of the Swiss mining giant Xstrata from the Frieda River copper project isn't an indication of wider concerns among investors. Greg Anderson says while it is disappointing that Xstrata plans to sell its 80 percent stake in the West Sepik project, its 200 million U.S. dollar investment has moved the project significantly up the pre-development scale. He says it's not the first time the project has changed hands and suggestions that PNG's political situation is making investors jittery are untrue. "As I say you've got to look at the record. The record is at the moment we're got an enormous exploration sector going, and it's at record levels, we've also brought on two major projects in mining in recent years and the other Nautilus project and we've got the LNG project. So it's a pretty impressive record." However Greg Anderson says everyone, not only those in mining, wants the elections to restore political stability.

### **Namosi Landowners To Have Fiji Mining Project Halted**

Provincial council apparently not representing landowners' views

WELLINGTON, New Zealand (Radio New Zealand International, June 26, 2012) – The spokesperson of the committee that represents landowners from a district earmarked for a proposed mine in Fiji says they are concerned about comments from the Provincial Council in support of the project. The Namosi Joint Venture, a partnership between the Australian mining company Newcrest and Japanese interests, is proposing to mine copper and gold near Suva. The chair of the Namosi Provincial Council, Ratu Romanu Matanitobua, says they are supporting the multi-million dollar project because of what the company has done so far for the people. But the Namosi Tikina Landowners' Committee spokesperson, Sipiriano Nariva, says the council is not representing the landowners. "It's enough, they didn't want any other exploration done to their land, what the paramount chief say it is not what the landowners view, it is his view. I have the mandate I have the concern of the

landowners, that we will not support this mining company." Sipiriano Nariva says they are planning to meet the interim prime minister Commodore Frank Bainimarama to ask him to stop the project.

### **Australia: NSW farmers get compensation**

Post-Courier 26.6.2012

SYDNEY: Mining giant Santos has offered to pay generous compensation to northern NSW farmers who allow coal seam gas exploration on their land. The Adelaide-based resources company has announced it would pay landowners \$150 million over 20 years, which would see individual farmers paid \$30,000 a year for the upkeep of their properties. During CSG exploration, they would receive a first-year payment equal to 120 per cent of the value of land used by the mining company.

### **PNG Development Program buys 13% of Highlands Pacific**

The National, June 26th, 2012

By MALUM NALU

THE PNG Sustainable Development Program, majority shareholder of the giant Ok Tedi mine, has subscribed 13.04% private share placement in Highlands Pacific for US\$15 million, chief executive officer David Sode announced yesterday. Highlands Pacific also announced yesterday that it had entered into a share placement agreement with PNGSDP, which invested US\$15 million into Highlands. The placement allows PNGSDP a seat on the Highlands Pacific board. "The assets of Highlands Pacific represent good value at the agreed price," Sode said. "Two of the Highlands Pacific assets -- the Star Mountains exploration assets and the share of the Frieda River development property -- have potentially large synergies with the company's interests in the future of Ok Tedi Mining Ltd, and in North Fly development. "The synergies include the use of the North Fly power resources being developed by PNG Energy Developments Ltd (PNGSDP's joint venture with Origin Energy Ltd), the use of the education and training facilities of the Star Mountains Institute of Technology in Tabubil, and the use of town facilities in Tabubil.

"The effective use of these synergies will materially assist the Star Mountains and Frieda River mining developments, and enhance PNGSDP's development interests in the North Fly. "PNGSDP looks forward to working with Highlands Pacific to advance the shared interests of the two companies." Managing director of Highlands Pacific John Gooding said yesterday: "As stated the other day the relationship with PNGSDP has the potential to deliver significant benefits to Highlands, giving it the financial and technical backing of a very large investment company that has strong ties in Papua New Guinea and is the majority shareholder of Ok Tedi Mining Ltd." Highlands Pacific said under the agreement, PNGSDP would subscribe for 102,930,373 fully paid ordinary shares to raise US\$15 million (A\$14.9 million equivalent), which results in an issue price of approximately A\$0.145 per share.

Upon completion of the placement, Highlands Pacific will have approximately US\$23 million in cash reserves and will be well placed to continue its exploration programme at Star Mountains for the next 18-24 months. As part of the agreement, Highlands will appoint a PNGSDP nominee to the Highlands' board of directors. The placement will be undertaken by Highlands under its 15% limit and at the completion of the placement PNGSDP will hold a 13.04% interest in the company. The placement will be conditional on Highlands obtaining a waiver from ASX Listing Rule 6.18 to grant PNGSDP a right to participate on a pro-rata basis in any future capital raisings. It is anticipated that this waiver will be granted shortly and following the receipt of this Highlands will receive the placement funding from PNGSDP. The rights attaching to this fall away should PNGSDP's shareholding in Highlands drop below 10%.

## **Frieda River project worth K10.9 billion**

Post-Courier 26.6.2012

FRIEDA River copper project in Sepik basin is potentially worth more than US\$5.3 (K10.9 billion). This value was the last estimate and it's still unknown the actual value of the project until the time of the transaction of the proposed sale of the project. Xstrata spokesperson Melissa Bowerman also said, "the mine has the potential to produce 246,000 tonnes of copper a year based on its estimated copper resources of 12 million tonnes and 18.5 million ounces of gold. Reuters reported that the project owned 81.8% owned Xstrata Plc has put up for sale a stake in the Frieda River copper project potentially worth more than USD 2.15 billion as part of a review of its development projects worldwide. It was already speculated by analysts that some major Chinese companies one of them has already project operating in PNG has shown interest to buy the project. According to Reuters, analysts at broker Euroz have said that Chinese companies, possibly including Metallurgical Corporation of China could be interested in Xstrata's stake. MCC is Highlands Pacific's partner on the Ramu nickel project.

Reuters also reported that three analysts on average value Highlands Pacific's 18.2% stake in Frieda River at AUD 477 million, more than K1 billion which would imply Xstrata's 81.8% stake may be worth about USD 2.15 billion (K4.44 billion). Like other major miners under pressure to conserve capital amid uncertainty over global growth, rising costs and falling commodity prices world no 4 copper producer Xstrata has flagged it may slow down project spending. An Xstrata spokeswoman reportedly told Reuters news that Xstrata has not yet decided whether to sell all or part of its 81.8% stake in Frieda River. "As part of this process we are assessing the interest of other investors in the Frieda River Project in Papua New Guinea." A critical concern for any buyer would be the cost of the Frieda River project, last estimated at USD 5.3 billion (K10.9 billion). That cost could fall if it secures natural gas for its power supply, a key factor in a delayed feasibility study that Xstrata has committed to deliver to its partner, Australian listed Highlands Pacific in December.

Xstrata has said that it wants to become the world's top copper producer, unseating Chile's Codelco, BHP Billiton and Rio Tinto over the next three years. Charlie Sartain Xstrata's copper division head said that last month USD 7 billion (K14.4 billion) capital expenditure program was under way to beef up copper mining, mainly in South America and Australia. Since then, a decline in copper prices that began in January has accelerated with the London 3 month contract fetching USD 7,545 per tonne or USD 3.42 per pound down from levels above USD 8,650 per tonne at the start of the year. Xstrata already has projects under construction designed to boost its copper output by more than 60% to 1.5 million tonnes a year over the next 3 years including its Antapaccay project in Peru due to start producing in the second half of this year.

The company's attempt to sell the Frieda River stake suggests it may prefer to back the Tampakan copper and gold project in the Philippines, which it is looking to develop with Indophil Resources. Frieda River has an estimated resource of 12 million tonnes of copper and 18.5 million ounces of gold and could produce 246,000 tonnes of copper a year. Highlands Pacific said that it hoped to seal an agreement in the next two days to sell a cornerstone stake in the company to PNG Sustainable Development Program Limited a large investment company with strong ties in Papua New Guinea which could assist in future development. Meanwhile, Xstrata and its biggest shareholder Glencore saw their joint value slump by £4.2 billion last week as shareholder anger at huge payouts for directors threatened the merger of the two groups.

### **'Frieda River perfect for Ok Tedi Mining'**

The National, June 25th, 2012

PAPUA New Guinea mining and resource analyst Brian Gomez believes Xstrata's plan to sell out of Frieda River and Highlands Pacific making an approach to PNG Sustainable Development Pro-

gram (PNGSDP) are interlinked. “The two developments I believe are interlinked,” he said when asked to comment on the issue. “Highlands Pacific made an approach to PNGSDP probably after they became aware that Xstrata were wanting to sell out of Frieda River. “I feel the writing was on the wall last January when Xstrata got approval to delay completion of the feasibility study and I told people at the time I thought they were buying time to decide on their options. “They already have significant expansion of copper production underway in South America with further expansion or greenfields projects in Philippines, PNG and South America. “It seemed unlikely they would proceed at the same time with both Tampakan in the Philippines and Frieda River because of the huge cost of development of each of these.

“Now with the uncertainty in the global climate they are becoming a bit more cautious. “Frieda River is a perfect fit for Ok Tedi. “Both are similar type of deposits. “So if PNGSDP/Ok Tedi can do a deal, Ok Tedi could take over the running of that project.” Ok Tedi Mining Ltd (OTML) is now 100% owned by the people of PNG through PNGSDP (63.4%) and PNG government (36.6%). This month, it announced a net profit of K1.2 billion in 2011 from total sales revenue of K4.5 billion. This was a drop from the 2010 profit of K2 billion from sales revenue of K5 billion, according to managing director and chief executive officer Nigel Parker. PNGSDP was established in 2002, when BHP Billiton divested its 52% shareholding in OTML. PNGSDP has the task to support and promote sustainable development through projects and initiatives to benefit the people of PNG, especially the people of Western province. PNGSDP is also a substantial financial institution with the function of investment of its Long Term Fund and Development Fund so that it can support a high level of development expenditure in Western Province and PNG in general.

### **Xstrata: PNG suffers new blow**

Post-Courier 25.6.2012

PAPUA New Guinea on Thursday suffered the latest in a series of setbacks as the impoverished nation tries to re-establish itself as a world class supplier of copper after a major producer said it might sell out of a big mining project, Reuters news reports. Swiss-based Xstrata said it was considering a whole or partial sale of its 81.8 percent interest in the Frieda River copper project in western Sandaun Province after investing \$200 million (over K413 million) in pre-development work. According to Reuters, Xstrata said it was considering exiting PNG as part of a wider review of its worldwide PNG on Thursday suffered the latest in a series of setbacks as the impoverished nation tries to re-establish itself as a world class supplier of copper after a major producer said it might sell out of a big mining project copper assets. The move comes just three weeks after Canada-based Nautilus Minerals warned that its plans to mine copper in territorial waters off Bismarck Sea might be scrapped unless an ownership dispute with the government can be resolved. Once PNG’s top export revenue earner, copper mining has been reduced to a small number of lodes, the biggest of which is nearly depleted.

Reuters reported that political rivals seeking ways to sustain economic growth for the South Pacific nation and ease concerns of political instability are making foreign investment in new copper mining projects lynchpins of campaigns ahead of the national election that started on Saturday to decide the next prime minister. Still, targets to boost annual copper output by around a half-million tonnes within several years and by even more in later years now appear stretched. “The issue of country risk for Papua New Guinea has become a significant talking point,” Ken MacDonald Chairman of Highlands Pacific, which owns a minority stake in the Frieda River project, said recently. “The lack of constitutional and political certainty, threats to judicial independence and conflicting policy statements, some of which would be seriously detrimental to investment in this country, are issues which need to be resolved,” he said. To date, other than the now-jeopardised deal with Nautilus, there has been little headway in starting new mines, with copper production set to decline for the tenth year running in 2012. “There is a lot of copper in Papua New Guinea that is not getting

mined,” said Greg Anderson, head of the country’s Chamber of Mines and Petroleum.

China’s largest importer of copper concentrate, Tongling, agreed to buy over a million tonnes of copper ore a year from Nautilus before the dispute with the government erupted. Copper mining in PNG under the control of sector behemoths BHP Billiton and Rio Tinto supplied millions of tonnes to smelters in Asia and Europe in the 1980s and 1990s. Neither company has mined in Papua New Guinea for years. The first blow came in 1990 when Rio was run off the restive Bougainville Island by residents who wanted to reintroduce an agrarian society and secede to neighbouring Solomon Islands, forcing Rio to abandon its giant Panguna copper mine there. A decade later BHP relinquished ownership in the Ok Tedi mine to a government trust following claims by landowners over toxic mine waste disposal into local tributaries. The Panguna mine still holds the potential to annually produce 200,000 tonnes of copper, which would provide a higher yield than BHP Billiton’s Olympic Dam mine in Australia, the world’s fourth-largest known copper deposit. But considerable deterioration has occurred in the intervening period, due to a lack of maintenance along with vandalism and militant action, making it near-impossible at this stage to venture a restart date.

### **K4.3 billion spent by LNG project for long-term benefits**

Post-Courier 25.6.2012

By PATRICK TALU

AS the PNG LNG Project enters its third year of construction, its work with communities is focused on enabling them to develop their local capacity and skills that will drive long-term economic and social benefits for Papua New Guinea, says Decie Autin, Project Executive, Esso Highlands Limited (EHL). In her executive summary report on the First Quarter Environment and Social Report (ESR), Ms Autin said key principle of the PNG LNG Project’s National Content Plan is delivering long-term social and economic sustainability for the people of Papua New Guinea. Ms Autin said in the past two years, the Project has worked to build relationships with many community, government and non-government stakeholders and has provided support to communities in the Project impact area through implementation of the Project Community Development Support Plan. She said EHL continues to demonstrate how, as operator of the \$US15.7 billion Project, it is delivering on the Project’s social, environmental, health and safety commitments.

“As part of its commitment to promoting the long-term economic and social sustainability of communities in the Project impact area, the Project is identifying local institutions and individuals able to drive and lead the development of their respective communities. For example, the Project continues to support the Delta Green Field Marketing Limited women’s group with the development of their vegetable farming business,” she said. Ms Autin also said the Project’s construction is progressing well and in line with the schedule. “Numerous milestones were achieved during this quarter including: reached 50 percent of the Komo Airfield’s bulk earthworks; completion and delivery of the second drilling rig; completion of the second of four horizontal directional drilling operations; finalization of the offshore pipeline detailed design; and a record 453 truckloads of equipment moved from Lae to Hides in one month. During this quarter, the Upstream Infrastructure contractor, who achieved over 10 million work hours Lost Time Incident free, was recognized by the Project for excellence in worker involvement in safety, effective subcontractor management and collaboration and teamwork.

In addition, the EHL ground transport workers achieved an outstanding safety record of over 7.5 million kilometres driven by a fleet of more than 125 passenger vehicles with no lost time incidents. Meanwhile, the report stated that to date, more than K880 million (\$US424 million) has been spent with Landowner Companies (Lancos) for all project-related activities. This quarter, K195 (\$US94 million) was spent with Lancos representing an increase of 30 percent from the previous quarter.

The total in-country Project-related spend to date is now over K4.3 billion (almost \$US2.1 billion). In its two and half years of operation, the Enterprise Centre has supported more than 1300 local businesses with training and business development programs. EHL, a subsidiary of Exxon Mobil Corporation, is responsible for the project's construction and operation and is developing the Project with co-venturers: Oil Search Limited, National Petroleum Company PNG Limited, Santos Limited, JX Nippon Oil and Gas Exploration Corporation, Mineral Resources Development Company Limited and Petromin PNG Holdings Limited, and their affiliates.

### **Tolukuma mine closed pending negotiations**

Post-Courier 25.6.2012

THE Tolukuma Gold Mine in Goilala district, Central Province, remains closed due to impacted landowner concerns that outstanding issues are still not being addressed by its 100% owner company, Petromin PNG Holdings Ltd (Petromin). Petromin Managing Director and Chief Executive Officer Joshua Kalinoe and his senior management team met with the aggrieved Yulai Landowners Association (YLA) at the weekend to remove the taboo (tanget plant) so that the mine operation could proceed. However, the mine is still closed after the impacted landowners and the Petromin team deferred negotiations to lift the taboo to tomorrow.

YLA Chairman George Gusi said they will not remove the taboo until this week when both parties come to a roundtable discussion to address the grievances. Mr Gusi told Mr Kalinoe and his senior management team that there nothing has been done for the mine impacted villagers since the mine began operation 16 years ago. "We want to know what is there for us as landowners of Tolukuma. We have no basic services as we supposed to have at the impacted villages. Our living standard is very poor despite coming from a mine impacted area. We will not remove the taboo. Our position stands until our grievances are addressed" Mr Gusi said.

Mr Kalinoe said he respects their customs and would return on Tuesday to reciprocate their custom ceremony with a view to re-open the mine. Mr Kalinoe appealed to the YLA comprising Ame, Yangam and Yaulo clans to give Petromin one more chance to look into their grievances so they can respond accordingly. Mr Kalinoe added that Tokuma Mine is like a first born child to Petromin and it cannot turn its back on its child. Mr Kalinoe added that he was confident of the usual kind of understanding and support of landowners towards advancing the collective interests of the mine operations, the employees and the local community. When asked to comment on the impact of the temporary closure of the mine, the Managing Director said that Petromin is currently assessing the financial impact of the mine closure since the June 19.

### **Tolukuma: It's tough in Goilala**

Post-Courier 25.6.2012

DESPITE having come from a mining area, there is little government services to be seen or felt by the people of Goilala in Central Province. And that is one of the reasons for many reports of criminal activities often associated with Goilala's livening in Port Moresby. A government officer told the Post Courier that during a recent visit to the Tolukuma mine area that since independence there is nothing to be seen or felt as basic government services. "We don't have any government services like aid post, health centre, schools, and most importantly road links that connects the remote district of Central province to the city or outside. We are like a lost tribes in the jungles here. Our only means of getting into Port Moresby is either by walking days to get to the Hiritano Highway or by chopper," the government officer said. He added that even the K10 million district services improvement fund and other electoral development funds have not being seen used in the district.

## **PDL 2 landowners query payments**

The National, June 25th, 2012

LANDOWNERS from the petroleum development licence 2 in the Southern Highlands province are still waiting to be paid their infrastructure development grants that were promised to them three weeks ago by the Southern Highlands deputy administrator. A PDL 2 Southeast Manada spokesman Michael Ben last Friday said deputy administrator Dr Bravy Koensong told the landowners of PDL 2, 3, 4, querying their IDG payments of K21.3 million released by the Department of Treasury and Finance, would be paid to them soon. He said Koensong told them the payment for Southeast Manada, Moran, Kutubu, pipeline and Gobe landowners had gone through the final process of being endorsed by Chief Secretary Manasupe Zurenuoc and Prime Minister Peter O’Neill and should be paid to them shortly. However, Ben said the PDL 2 had not received any payments as yet but PDL 3 and 4 had received theirs. “We were assured that we will all be paid at the same time before polling in our province,” he said. Attempts made to get comments from the Southern Highlands provincial government were unsuccessful.

## **SOPAC tries to undermine the precautionary principal**

PNG Mine Watch 22.6.2012

Pacific Island Countries have been told they should effectively abandon the protection afforded by the precautionary principle to allow the development of experimental seabed mining in the region. Dr Russell Howarth, director of SOPAC Division of the Secretariat of the Pacific Community (SPC) has said in Rio De Janeiro, the precautionary principle needs to be re-interpreted so that rather than stopping any industrial activity where the negative environmental and social impacts are not known until further research is completed we should instead “...in any development where there are threats of serious harm to the marine environment, the lack of full scientific data shall not be used as a reason for postponing that development...” Maureen Penjueli, coordinator of the Pacific Network on Globalization, says: “Dr. Howarth’s statement is a complete bastardization of the Precautionary Principal which is supposed to protect the public from exposure to harm, when scientific investigation has found a plausible risk by stopping any development until further scientific findings emerge that provide sound evidence that no harm will result.

Effrey Dademo, Program Manager of Act Now!, an advocacy group in Papua New Guinea says: “Experimental Seabed mining involves two major uncertainties. First, there are significant questions and unknowns about the mining technology, its efficacy, safety, and the impacts that may arise from the process. Second, the seabed environment is a unique and diverse realm that has not been extensively researched and is not well understood. Both of these uncertainties warrant unprecedented caution and attention before proceeding with full-scale development of experiment on seabed mining”. SOPAC is being funded by the European Union to draft a Legislative Framework to facilitate experimental seabed mining that does not incorporate the precautionary approach, and instead advocates the use of adaptive management, or “learning by doing.” “Dr Howarth is trying to overturn the principles agreed by the international community in the original Rio Treaty 20 years ago”, says Chantelle Khan from the Social Empowerment and Education Program. “He is doing this to benefit the mining industry at the expense of Pacific people and our livelihoods”.

## **Highlands Pacific eyes Development Program**

The National, 22nd June 2012

By MALUM NALU

HIGHLANDS Pacific said yesterday it hoped to seal an agreement in the next two days to sell a

stake in the company to PNG Sustainable Development Program Ltd (PNGSDP), a large investment company with strong ties in Papua New Guinea, which could assist in future development. PNGSDP is the majority shareholder in Ok Tedi Mining Ltd (OTML), operator of the Ok Tedi copper mine, once owned by BHP Billiton. Highlands Pacific shares were on a trading halt pending the outcome of talks with its potential PNG backer. Managing director of Highlands Pacific John Gooding said yesterday: "While there are still some points to be finalised a relationship with PNGSDP, a company with net assets of over US\$1.43 billion, has the potential to deliver significant benefits to Highlands, giving it the financial and technical backing of a very large investment company that has strong ties in Papua New Guinea and is the majority shareholder of Ok Tedi Mining Ltd in Western province, PNG. "These connections could be crucial for Highlands as it proceeds with any development at the Star Mountains exploration project and also for the future development of the Frieda River project."

### **Nautilus on notice of arbitration**

Post-Courier 22.6.2012

By PATRICK TALU

NAUTILUS Minerals Inc. announces that the National Government has issued a Notice of Arbitration in relation to the dispute which has arisen under the Agreement between the parties dated 29 March 2011. Following the initiation of the dispute resolution process by the Company on June 1, 2012 and subsequent meetings between the parties, the Company had understood the State wanted to resolve the dispute, particularly in light of a letter to the Company from Prime Minister Peter O'Neill dated June 6, 2012. Nautilus said in that letter, Mr O'Neill outlined a number of key principles to be reflected in relation to the joint venture for the Solwara 1 Project. "Nautilus considered this to be a suitable basis for continuation of the discussions in an attempt to resolve the dispute. The State has now issued a Notice of Arbitration to the Company which asserts that Nautilus has not met certain obligations on which completion of the transactions contemplated by the Agreement is dependent, that Nautilus has breached the Agreement and that the State is entitled to terminate the Agreement.

Nautilus has and continues to refute these assertions and maintains that it is the State who has breached the Agreement, not Nautilus. As previously disclosed, under the Agreement the State's nominee (a subsidiary of Petromin PNG Holdings Limited) must pay (among other amounts) its share of costs incurred in the development of the Project up to completion to acquire its Project interest. Unless and until the dispute is resolved, completion will be delayed or may not occur and Nautilus must continue to carry these costs. This may lead to Nautilus needing to slow or defer the build program for Project equipment, which would have consequential impacts on the scheduled commencement of operations and overall Project costs. Nautilus will continue to attempt to resolve the dispute with the State in an effort to avoid a costly arbitration process. On completion of its review of the Notice and further meetings in PNG, Nautilus will provide further details of its plans by Friday, June 29, 2012," Nautilus said in a statement. When Petromin was asked to comment on the dispute last week, a senior executive of Petromin said it has got nothing to do with the company.

### **Xstrata puts PNG copper stake on the block**

By James Regan and Sonali Paul, Jun 21, 2012

SYDNEY/MELBOURNE (Reuters) - Global miner Xstrata Plc has put up for sale a stake in the Frieda River copper project in Papua New Guinea, potentially worth more than \$2 billion, as part of a review of its development projects worldwide. Like other major miners under pressure to conserve capital amid uncertainty over global growth, rising costs and falling commodity prices, world no.4 copper producer Xstrata has flagged it may slow down project spending. Xstrata has not yet

decided whether to sell all or part of its 81.8 percent stake in Frieda River, an Xstrata spokeswoman said. "As part of this process we are assessing the interest of other investors in the Frieda River Project in Papua New Guinea," the spokeswoman told Reuters in an email. Merrill Lynch is advising Xstrata on the potential sale. A critical concern for any buyer would be the cost of the Frieda River project, last estimated at \$5.3 billion.

That cost could fall if it secures natural gas for its power supply, a key factor in a delayed feasibility study that Xstrata has committed to deliver to its partner, Australian-listed Highlands Pacific, in December. Chinese companies, possibly including Metallurgical Corp of China (MCC), could be interested in Xstrata's stake, analysts at broker Euroz have said. MCC is Highlands Pacific's partner on the Ramu nickel project in PNG. Three analysts on average value Highlands Pacific's 18.2 percent stake in Frieda River at A\$477 million (\$486 million), which would imply Xstrata's 81.8 percent stake may be worth about \$2.15 billion. Xstrata has said it wants to become the world's top copper producer, unseating Chile's Codelco, BHP Billiton and Rio Tinto over the next three years.

Charlie Sartain, Xstrata's copper division head, said last month a \$7 billion capital expenditure program was under way to beef up copper mining, mainly in South America and Australia. Since then, a decline in copper prices that began in January has accelerated, with the London 3-month contract fetching \$7,545 a tonne, or \$3.42 a pound, down from levels above \$8,650 a tonne at the start of the year. Xstrata already has projects under construction designed to boost its copper output by more than 60 percent to 1.5 million tonnes a year over the next three years, including its Antapaccay project in Peru, due to start producing in the second half of this year. The company's attempt to sell the Frieda River stake suggests it may prefer to back the Tampakan copper and gold project in the Philippines, which it is looking to develop with Indophil Resources.

Frieda River has an estimated resource of 12 million tonnes of copper and 18.5 million ounces of gold, and could produce 246,000 tonnes of copper a year, according to a pre-feasibility study in 2010. Highlands Pacific said on Thursday it hoped to seal an agreement in the next two days to sell a cornerstone stake in the company to PNG Sustainable Development Program Ltd (PNGSDP), a large investment company with strong ties in Papua New Guinea, which could assist in future development. PNGSDP is the majority shareholder in Ok Tedi Mining Ltd, operator of the Ok Tedi copper mine, once owned by BHP Billiton. Highlands Pacific shares were on a trading halt pending the outcome of talks with its potential PNG backer. Indophil's shares rose 4.5 percent to A\$0.35, bucking a 1.5 percent slide in the metals and mining index .AXMM. (\$1=0.9815 Australian dollars) (Reporting by James Regan and Sonali Paul; Editing by Clarence Fernandez)

### **Nautilus seabed mining experiment falters**

Dispute with PNG government, opposition by Pacific and Canadian citizens, financing woes

PNG Mine Watch, 21.6.2012

Today Canadians are standing in solidarity with civil society in the Pacific against experimental seabed mining. Canadian company, Nautilus Inc, is leading the rush to mine the sea floor in the Pacific. If it goes ahead, its Solwara 1 project in the Bismark Sea of Papua New Guinea will be the world's first commercial seabed mine. However, a growing call from Pacific communities to stop seabed mining, the PNG Government's refusal to contribute to development costs and the breakdown of a financing agreement with an European ship builder questions the viability of an already uncertain venture. Not a good look as Nautilus faces its AGM in Toronto today. Nautilus stocks have already dropped dramatically over the past couple of weeks. Dr. Catherine Coumans, Mining Watch Canada said: "*Canadian mining companies operate around the world and dominate the sector in number. But Canada does not regulate their activities to prevent them profiting from weak protection for the environment, workers, and human rights in some host countries.*" "Now, in spite

*of very serious concerns that have been raised by scientists and local citizens, we have Nautilus proposing to mine environmentally, socially and culturally significant seabeds in the Pacific, an activity that would not be allowed in Canadian waters.”*

Wences Magun, national coordinator for Mas Kagin Tapani in Papua New Guinea said: *“At this point local communities have NOT sanctioned this project. We can't rely on our governments or companies like Nautilus to tell us that seabed mining is good, is safe.” “No one knows what the impacts of this form of mining will be. We are being used as guinea pigs in a sea bed mining experiment.”* Sharon Diave-Nerius from the East New Britain Social Action Committee said: *“The recent blows to Nautilus are welcome news for communities in Papua New Guinea. But there are plenty of other companies and governments pushing for this experimental industry in the Pacific to get started.” “The speed with which the PNG Government approved the EIS and granted the licence to Nautilus did not pay respect to the customary norms and cultural heritage of the indigenous people of the Bismarck Archipelago. “Experimental mining of our seabeds is not going to provide any direct services or benefits for local communities.”*

Dr. Helen Rosenbaum, campaign coordinator for the Deep Sea Mining campaign in Australia and author of [\*Out of Our Depth: Mining the Ocean Floor in Papua New Guinea\*](#) said: *“The Nautilus EIS is deeply flawed. Even the company admits to moderate environmental risk. Independent analysis of the EIS indicates far higher risks.” “Investors should be aware that contiguous nature of the ocean means that impacts will not be isolated to the 11 ha area of the Solwara 1 site. They will spread far and wide with liabilities to match. For example, stocks of tuna and other migratory species are likely to be contaminated by heavy metals and health of communities and ecosystems across the Pacific could be affected.”* Groups across the Pacific have a petition calling for Pacific governments to stop experimental seabed mining. Pacific women are currently promoting the 'stop experimental seabed mining' message at the international Rio+20 conference in Brazil. In New Zealand community have come together to campaign against seabed mining of their black sands. Meanwhile local groups and fishing industries opposing marine phosphate mining off the coast of Namibia have started to make links with people in the Pacific region.

## **Investors eye PNG gas prospects**

The National, June 21st, 2012

INVESTORS have put concerns about political uncertainty in Papua New Guinea to one side, encouraged by the keen interest buyers are showing in the country's natural gas blocks and major new finds. PNG's gas resources are earmarked to play a crucial part in its development, with reserves estimated at around 22.6 trillion cubic feet (tcf), and much of the country has yet to be explored due to its challenging terrain. Last month, the Australian company Oil Search confirmed that it had received offers from both new and existing players to participate in its exploration acreage in the Gulf of Papua. The news followed an announcement made some weeks earlier by Oil Search, together with its US-based partner ExxonMobil, that the gas zone at the P'nyang South-1 well had been found, through a “sidetrack well”, to run some 200m deeper than originally estimated. The well forms part of an exploration campaign in the PNG highlands which supports the expansion of a US\$15.7 billion PNG Liquefied Natural Gas (LNG) project, which is scheduled to come on-stream in 2014. The new find increases the total gas column to about 380m and doubles the field's estimated reserve to around 3tcf.

Two LNG production units are currently under construction as part of the project. But the P'nyang find and the confidence it is generating have prompted speculation that a third LNG train, which would boost annual export capacity from 6.6 million tonnes to around 10 million tonnes, may well follow. “This outcome has virtually been assured with the better-than-anticipated result at the

P'nyang South-1 and sidetrack that is presently being completed,” an industry source told The Australian. Such confidence is likely to be generating much of the widespread interest in Oil Search's untested Gulf of Papua assets. Chief executive Peter Botten told the media last month that drilling at its Trapia-1 mine would start this month, followed by work at the Hides prospect, which, with 3 tcf in proven reserves, is the mainstay of the LNG venture. The new wave of investor interest follows a US\$280 million deal struck last February by Japan's Mitsubishi to buy stakes in several natural gas discoveries and prospects in the forelands area of western Papua New Guinea from Canada's Talisman Energy.

In a separate move, the Anglo-Dutch hydrocarbons giant Shell opened a representative office in the capital in the same month. Gordon Ramsay, an analyst for UBS, told Radio New Zealand in February that PNG's potential was generating widespread interest despite the challenges associated with its difficult terrain. “In the Southern Highlands region, the terrain has made it very difficult to explore in the area so there's not a high level of maturity of exploration,” he said, “so there's potential to find more gas.” However, while interest in PNG's gas resources is running high, concerns are also mounting that elections starting on Saturday could raise political tensions, sending ripple effects through the country's energy projects. PNG will be keen to avoid turbulence, with its plans to tap growing demand for LNG, especially in China, well under way. Forecasts from the International Energy Agency (IEA) recently show that LNG trade looks set to expand by 35% from 2015 onwards.

China is expected to become PNG's leading customer, with figures estimating that its consumption of LNG will double in the next five years. In a bid to ensure it is in a strong position to meet the anticipated rise in demand, the government has moved to encourage larger energy companies to invest in PNG by setting a 180-day trigger date for terminating its 2009 project agreement with InterOil. It has also asked the Australia-based company to sell a minimum 50.5% stake in the Elk/Antelope reserves to a company experienced in operating a large-sized plant. An affiliate of InterOil has described the government's notice of intent as invalid. However, Port Moresby appears to be standing firm. “InterOil has for too long insisted on a development structure, which is designed to only meet its objectives of controlling the asset and the pace of developing it,” Minister for Petroleum and Energy, William Duma said. “This has led to a proposal calling for a piecemeal, incremental and fractured development implementation operated by InterOil and its affiliates, rather than by large-scale international operators with experience and capital.” While the move is not without controversy, it is an indicator of the high confidence levels that PNG's energy sector is generating, both within the country and internationally. Figures released by the International Monetary Fund in June forecast that LNG production should boost real GDP by about 20% when it reaches full capacity in 2015.

### **Misima closed with little development**

The National, June 21st, 2012

By AGNES FIFI UKI

THE Special Mining Lease for the Misima mine, in Milne Bay province, which expired in December 2010 left out many aspects of the closure process, EGUMA Special Mining Lease Business Group Inc of Misima chairman, Tauleia Mosibe says. Mosibe said the mine had closed down with little improvement to the local people's lives. He said that while welcoming the support given by Prime Minister Peter O'Neill's government to fund a comprehensive feasibility study on Misima and the neighbouring islands. He said a feasibility study should have been funded years ago and some tangible project should have been assigned for development using funds set aside for the mining closure process. “The minister for mining and member for Namatanai open Byron Chan had recognised the need to provide local people with sustainable economic activities that will ensure life

after a mining closure is not an anti-climax,” he said. “Misima, being the first modern mine closure in Papua New Guinea, is important for other mining centres in the country to learn lessons from.

“The funding for the study and associated activities is around K8.8 million and the five-year development proposal budget plan is K101 million from 2012 to 2017.” Mosibe urged the Milne Bay provincial government, the governor and parliamentary members to recognise the urgency of carrying out the study and asked for their cooperation in ensuring the study and the process of establishing projects in the Misima area went smoothly. A technical team from the National Department of Agriculture and Livestock will soon be led by a senior agricultural professional to conduct a feasibility study and evaluate the potential for a number of economic activities including prawn fishing, aqua-culture, eco-tourism and bio-fuel using coconut oil and timber. “Social and economic infrastructure and sustainable agriculture are central pillars of Misima projects,” he said. Mosibe thanked the secretary for DAL, Dr Vele Ila’ava for his support his request since 2009 and Chan for recognising the serious need for a study to pave the way for funding.

### **O’Neill-Duma LNG row**

The National, June 21st, 2012

By MALUM NALU

PRIME Minister Peter O’Neill and his Petroleum and Energy Minister William Duma – who has openly campaigned that he wants to be next prime minister – appear to be on opposite sides of the controversial issue regarding InterOil’s Gulf LNG project. InterOil, the meat in the sandwich, has jumped into the fray by supporting O’Neill just days before voting in the 2012 elections begin. The continuing drama and intrigue over InterOil’s Gulf LNG project continued yesterday with Duma calling on the company to deliver the project, just days after O’Neill said he supported InterOil. Duma, in a statement released from the office of state-owned Petromin but in his name, reaffirmed the state’s position that InterOil must comply with the project agreement it signed with the state in December 2009 to commercialise the Elk/Antelope gas discovery.

This somewhat contradicts O’Neill’s statement last Friday, reiterating strong support for InterOil’s Gulf LNG project and expressing hope that the company would progress its development quickly.

“Under the agreement, InterOil committed to build a 7.6 million tonne per annum to 10.6 million tonne per annum LNG processing facility,” Duma said. “The facility is to be operated by an internationally-recognised LNG operator.” Duma said InterOil had deviated from this contract and was “instead proposing a staged small-scale LNG project, which they indicated will be operated by companies not internationally recognised LNG operators in the so-called ‘Gulf LNG Project’”.

“The staged development proposal by InterOil has been rejected by the state,” he said. “Furthermore, the state through the Department of Petroleum and Energy has given InterOil Corporation 180 days notice to show cause why the project agreement should not be terminated if they did not deliver the project in the project agreement.”

Duma said as minister responsible for the Oil and Gas Act, he supported the development of a second large-scale LNG project. He therefore called on InterOil to cooperate with the state and deliver the project as called for in the project agreement. Duma said the onus was on InterOil to commit to developing the project in the agreement and the facility could be located in the Gulf province. InterOil said on Tuesday it was pleased to have the support of O’Neill. “The company looks forward to bringing the next world class LNG project to Papua New Guinea in complete satisfaction of the 2009 LNG Project Agreement,” it said. “Additionally, recent exploration activities have yielded several drill ready prospects which appear to be promising for future resource additions. “We plan to put our second drilling rig to work in the next few weeks to drill two delineation wells in Petroleum

Retention License 15, followed by two exploration wells in Petroleum Prospecting Licenses 236 and 238.”

### **InterOil must fulfil agreement: O’Neill**

Post-Courier 21.6.2012

By PATRICK TALU

DESPITE Prime Minister Peter O’Neill’s reiterated support for the second PNG LNG project led by InterOil Corporation, his minister responsible for the project has reaffirmed that InterOil must comply with the provision in the project agreement. The Minister for Petroleum and Energy William Duma in response to Prime Minister Peter O’Neill’s strong support statement this week yesterday reaffirmed the State’s position that InterOil Corporation must comply with the Project Agreement it signed with the State in December, 2009 to commercialise the Elk/Antelope Gas Discovery. Under the Agreement, InterOil committed to build a 7.6 million tonne per annum to 10.6 million tonne per annum LNG processing facility. The facility is to be operated by an internationally recognised LNG Operator. “InterOil has deviated from this Contract and was instead proposing a staged small scale LNG project which they indicated will be operated by companies which are not internationally recognised LNG operators in the so-called “Gulf LNG Project,” Minister Duma said.

He said the staged development proposal by InterOil has been rejected by the State. Furthermore, the State through the Department of Petroleum & Energy has given InterOil Corporation 180 days notice to show cause why the Project Agreement should not be terminated if they did not deliver the project in the Project Agreement. The Mt Hagen Open MP stressed that as Minister responsible for the Oil and Gas Act, he supports the development of a Second large-scale LNG project. He therefore called on InterOil Corporation to cooperate with the State and deliver the project in the Project Agreement which they said they would deliver. “The onus is on InterOil to commit to developing the project in the Project Agreement and the facility could be located in the Gulf Province,” he added. When the Post-Courier asked Mr Duma whether his prime minister’s media statement supporting the project was in collaboration with him or not was not answered. Similar queries sent to the PM’s office was not responded either.

However, InterOil said it was pleased to have the support of the prime minister. InterOil Corporate Communication Officer Damaris Minikula when asked for comment on the PM’s support contrary to the Petroleum minister and the Sate position, said “the company looks forward to bringing the next world class LNG project to Papua New Guinea in complete satisfaction of the 2009 LNG Project Agreement. Additionally, recent exploration activities have yielded several drill ready prospects which appear to be promising for future resource additions. We plan to put our second drilling rig to work in the next few weeks to drill two delineation wells in Petroleum Retention License 15, followed by two exploration wells in Petroleum Prospecting Licenses 236 and 238,” she added.

### **Pacific Women Activist bear witness in global protest in Rio De Janerio**

Women activists from around the world took to the streets of Rio De Janerio to bear witness to the growing inequality within and between nations, ecological and economic injustices and gender injustice across the globe.

Islands Business, 20 Jun 2012

Rio De Janerio, BRAZIL --- Women activists from around the world took to the streets of Rio De Janerio to bear witness to the growing inequality within and between nations, ecological and economic injustices and gender injustice across the globe. Activists took to the street to bring the human face to negotiations and remind our negotiators that the world is watching. There is a major disconnect between the text of the Rio negotiations and the reality faced by the majority of people

across the world. “We are not here to ask! We are here to demand for ecological justice, for economic justice, for gender justice. We are here to demand justice for all”, said Noelene Nabulivou of the Development Alternatives with Women for a New Era.

For the Pacific delegation the mining text is significantly weak thanks to pro-mining nations such as Australia and Canada, supported by the G77 who called for the deletion of any reference to mining industries being managed, regulated and taxed and on improving revenue and contract transparency. The current text does great injustice for its failure to capture the destructive, and exploitative nature of mining to communities, their livelihoods, environment and health by simply downplaying these impacts. It also fails to capture the ongoing human rights abuses perpetuated by the state and private security firms of mining companies against communities who exercise their right to reject mining as a ‘sustainable development’ option.

Governments simply imply in the text of technological fixes such as effective legal and regulatory frameworks to minimize the negative effect. The operative word here being “effective”, as communities in PNG, the Solomon Islands can attest to the continued failure of legal and regulatory frameworks to address the growing injustices, and human rights violation around mining. There are no reference to any of the Rio Principles such as the Precautionary Principle, Do No Harm Principle, the Polluter Pays Principle, and Prior and Informed Consent nor does it make any reference to Indigenous Peoples rights for compliance with. The Brazillian government have attempted to improve the text by adding new language around clean up but this offers little comfort to many of the communities where the companies have left communities to bear the cost of contamination, destruction of environment and livelihoods.

Whilst we grapple with how to deal with land-based mining the Pacific is at the forefront of an experimental mining on the seabed a new frontier in mining. Our message to our governments remain strong – we the people reject experimental seabed mining in the Pacific. Instead the text focuses very heavily on the growing importance and benefits of mining to the economy and its role in reducing poverty. It goes on further to link the role that mining has to reduce poverty and assist countries in meeting internationally agreed development goals including the Millennium Development Goals. “We have a moral duty to loudly speak truth to the ongoing human and ecological disaster that mining and extractive industries to our people, communities and environment, said Maureen Penjueli, of the Pacific Network on Globalisation”.

### **Environmental Impact Report Delays Namosi Mine Project In Fiji**

Exploratory work paused after local communities voiced concerns

WELLINGTON, New Zealand (Radio New Zealand International, June 20, 2012) – The company wanting to mine copper and gold near Suva in Fiji has told the provincial council that it will need to finish an Environment Impact Assessment report before a mine can be built at Waisoi. The Namosi Joint Venture, a partnership between the Australian mining company Newcrest and Japanese interests, has drawn some strong opposition from Namosi and Naitisiri landowners. As a result the interim prime minister Commodore Frank Bainimarama put exploratory work on hold earlier this year but that resumed last month under his directive. According to Fiji Village, the general manager of the venture, Greg Morris, told the Namosi Provincial Council meeting that the company will have to complete its exploration studies and Environment Impact Assessment report for the government and community for approval before a final decision on the mine. Mr. Morris also told the meeting that 2,000 jobs will be created if the mine goes ahead.

## **Solwara 1 project talks continuing**

Post-Courier 20.6.2012

NAUTILUS Minerals Inc, the operator of the Solwara1 project said it has met with the Government of Papua New Guinea over the last two weeks in a bid to resolve a dispute relating to the company's seabed exploration project and discussions will continue until a conclusion is reached. Nautilus is the first company to explore the ocean floor for polymetallic seafloor massive sulphide deposits and is developing its first project at Solwara 1, in the territorial waters of PNG, where it is aiming to produce copper, gold and silver. On June 1, 2012 Nautilus initiated the dispute resolution process under an agreement between Nautilus and the State signed in March 2011. A press release on March 29, 2011 stated that the government of PNG signed an agreement and exercised its option to take up a 30% stake in Nautilus Minerals' Solwara 1 project in the Bismarck Sea. Currently, the State asserts that Nautilus has not met certain obligations on which completion is dependent, and that Nautilus has breached the Agreement. Nautilus refutes these assertions. Nautilus will provide updates following any further developments. On Monday Nautilus was trading at \$1.47. Their market cap is \$294.7 million based on \$196.4 million shares outstanding. The 52-week high and low was \$3.40 and \$0.92 respectively.

## **LNG project leaders guarantee security**

Post-Courier 20.6.2012

By PATRICK TALU

THE security of the K50 million PNG LNG Project has been guaranteed by the leaders of especially the upstream project areas. Chairman of the third tier government Hides Special Purpose Authority (HSPA) Lemson Mapiria on behalf of the project area leaders made the assurance yesterday after the project operator Esso Highlands Ltd (EHL) reportedly raised security concerns with the landowner leaders. "I want to assure EHL, its mother company ExxonMobil, the project partners, its international financiers, other stakeholders and Papua New Guineans that the project is safeguarded by the project area leaders and landowners from the entire project footprint. The project will not be disturbed. We as landowner stakeholders want to see the project run through to the production stage without any disturbances. "I want all of us to support the project so that its construction deadline is met as scheduled to deliver the project on time for the first LNG export in 2014," Mr Mapiria told the Post-Courier. The Chairman also appealed to the people of Komo-Magarima, the host districts of the major Hides gas fields, Nipa-Kutubu, Korobe-Kopiago and Erave-Kagua electorates to be mindful of the project in their electorates.

"People from these electorates must conduct a peaceful election so as not to disrupt the project which affects them and the entire country. Mr Mapiria who contested the Komo/Magarima open seat for the last three general elections said he gave way for other leaders to contest the seat for the sake of the project and he would not want to see the project being jeopardised by few selfish individuals. The Chairman also commended all candidates and their supporters from these project area electorates for their peaceful election campaign. Meanwhile EHL through Rebecca Arnold, media and communications adviser, said the project has done significant planning over the past 12 months in preparation for the election period. "Following extensive review and planning based on past elections in PNG we have developed and tested contingency plans for a variety of potential incidents or interruptions to the project, to ensure business continuity. "Above all, the safety and security of our workforce during the election period is our priority," she said.

## **PM O'Neill in swift turnaround on Gulf LNG**

Post-Courier 19.6.2012

By PATRICK TALU

PRIME Minister Peter O'Neill last week reiterated strong support for InterOil's Gulf LNG project

and expressed hope that the company would progress its development quickly. This is in direct contrast to his National Executive Council's decision in which he himself as the Chairman signed to decision to reject the Gulf LNG Project. "Our government fully supports this second LNG project for the country, and we hope InterOil will develop it as quickly as possible," the Prime Minister said. Mr O'Neill said InterOil's Gulf LNG project is recognized as the second LNG project for PNG and an agreement for its development with the State has been in place since December 2009. "I am fully aware that InterOil is committed to developing the project and they have our government's full support," Mr O'Neill said. "I am also fully aware that the company has been deliberate in their desire to secure a recognised LNG development major as a partner for the project in compliance with internationally recognized corporate ethics and protocols."

He said he was confident the company would stick to the agreement with the State as they proceed ahead. The Prime Minister was concerned that a number of public statements made recently in the media had the potential to create insecurity and cast aspersions on the corporate standing of genuine long term foreign investors that are committed to investing and doing business in PNG as development partners. "InterOil has shown that it is one of those genuine long term foreign investors who have stood by PNG during the hard economic times of the 1990s when others decided to pack up and leave. "They have our full support in this project," he said, and urged officials in the department of Petroleum and Energy to assist InterOil proceed as quickly as they can. "I want to reassure InterOil and the investment community that our government fully supports foreign investment and we are committed to making sure that necessary assistance and facilitation is provided to secure business licences, registration and other go-forward prerequisites required to conduct investment and business in Papua New Guinea," the PM said.

In recent times, the Government through the Minister for Petroleum and Energy William Duma was not in good terms with InterOil for not complying with the 2009 project agreement. When the Post-Courier tried to contact Mr Duma on the issue he was not available for comments. Also when the Post Courier asked Mr O'Neill why he had to change his mind after he signed the NEC decision was unsuccessful. A copy of the NEC decision No NG37/2011 in which Mr O'Neill himself signed as the NEC Chairman stated, "on the 21st of September 2011, National Executive Council, rejected the Gulf Project as proposed by LNGL/InterOil as it would be an inefficient use of the State's gas resources and is inconsistent with the Project Agreement."

### **Pacific countries told to adopt 'precautionary approach' to seabed mineral mining**

By Makereta Komai, PACNEWS Editor in Rio de Janeiro, 18/06/2012

It's been suggested that Pacific Island Countries and territories wishing to make use of resources on the deep seafloor for economic returns need to adopt a 'precautionary approach. This can simply be interpreted as "in any development where there are threats of serious harm to the marine environment, the lack of full scientific data shall not be used as a reason for postponing that development, said Dr Russell Howorth, director of SOPAC Division of the Secretariat of the Pacific Community (SPC). But, that particular development, he added should use cost-effective measures to prevent environmental degradation. The 'precautionary approach' has been in existence in Rio principle 15 for 20 years but hardly used in the context of bringing the economic benefits of the resources of Pacific islanders to improve their livelihoods, said Dr Howorth while addressing Oceans Day at the Rio +20 conference here in Rio de Janeiro.

Under Principle 15 of the Rio Declaration on Environment and Development (1992), the application of the Precautionary Approach is defined as "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for post-

poning cost-effective measures to prevent environmental degradation.” Dr Howorth also revealed a ground breaking advisory opinion by the International Tribunal of the Law of the Sea Seabed Disputes Chamber which ruled that the precautionary approach is a legal requirement for States sponsoring deep sea mining activities. “The same advisory opinion also gave a significant indication that the ‘precautionary approach is on its way to becoming a binding legal principle of international customary law more generally.

Scientific research and exploration of deep sea minerals have been ongoing in the Pacific Islands region in the last 40 years. Since its inception in 1972, the then Pacific Islands Applied Geoscience Commission (SOPAC) was instrumental in the evaluation of seafloor minerals that occur within the Exclusive Economic Zones (EEZ) of Pacific Island Countries and Territories, in collaboration with developed countries including the USA, Australia, France, Korea, Japan and Germany. These early efforts have led to the discovery of some potential seafloor mineral deposits within the EEZs of Cook Islands, Papua New Guinea, Tonga, Marshall Islands, Fiji and Kiribati, said Dr Howorth. “Beyond the region under national jurisdiction, large areas of the Clarion Clipperton Zone of the Pacific Ocean are undergoing mineral exploration – these activities are overseen by the International Seabed Authority.

The SOPAC director said recent interests in deep seafloor mineral deposits have been revived in a number of Pacific Island Countries where a number of entities have either been granted or applied for commercial exploration licenses. “This new development is largely attributed to sustained increase in global metal demand along with land resources becoming increasingly stretched. “Additionally, new discoveries of high grade precious and base metals on the seafloor in Papua New Guinea and Tonga in recent years coupled with the granting of an offshore mining lease in Papua New Guinea in early 2011 have demonstrated the increasing interest in deep seafloor mineral resources in the Pacific islands region. Also, in 2011 the International Seabed Authority (ISA) granted exploration licenses to Nauru Ocean Resources Inc (NORI – Nauru registered company) and Tonga Offshore Mining Limited (TOML – a Tonga sponsored company) to explore identified areas in the International Seabed Area (commonly known as “the Area”).

“This is indeed a significant milestone for Nauru and Tonga, and they must be congratulated for embarking on this new initiative that resulted in joint venture partnerships with exploration companies to explore ‘the Area’, providing the opportunity for this industry to help these countries meet their development goals. “This was also a significant milestone for the ISA and the international community as it was the first time developing states had been able to participate in the Area and sets an important precedent for other developing states to follow, said Dr Howorth. As the demand for minerals continues to rise, along with the environmental and social costs of land-based mining, seafloor mineral deposits will almost certainly play an increasingly important role in supplying society with an acceptable means of obtaining the metals needed to meet global development objectives.

“The lack of access to metals (for example copper and rare earths) at affordable prices is a serious hindrance to social development and must be overcome if development objectives are to be achieved, and if we are to build affordable clean energy technologies on a global scale required to create a “Green Economy.” Dr Howorth said because of the very high costs of collecting data to help build the knowledge base for Pacific Island Countries through exploration in the deep sea environment, this work must be carried out in partnership with the private sector, which is in a position to manage the financial risks.

“An EU-funded SPC Deep Sea Minerals Project is assisting Pacific Island countries to put in place law and policy to manage responsibly this relationship with private entities. The aim is to ensure the implementation of the Precautionary Approach and other international environmental law standards, and also to provide a stable regulatory environment providing comfort to private entities and their

financiers, and to concerned citizens and commentators alike,” said Dr Howorth. The total exclusive economic zone of 22 Pacific Island Countries and Territories is around 30 million square kilometers, four times the land area of Brazil’s 8.5 million square kilometers, which is the fifth largest country in the world.

**Nautilus dispute with Papua New Guinea authorities threatening underwater mining future**  
 MINING.com, Cecilia Jamasmie, June 18, 2012



Canada-based Nautilus Minerals Inc. said Monday that despite several meetings with Papua New Guinea's government representatives in the last two weeks, the company is still battling authorities in regards to its obligation to complete the agreement reached in March last year for its Nautilus Solwara 1 copper project. The company, the first to explore the ocean floor for polymetallic seafloor massive sulphide deposits, initiated the legal battle on June 1, when it warned that its Solwara 1 copper project could be delayed or cancelled because of the dispute. The country optioned to acquire 30% of the Solwara 1 project, located in its territorial waters in the Bismarck Sea, last year and, as part of the agreement, Papua New Guinea have to pay its share of development costs for the mine. Not long ago, the future looked promising for Nautilus. In late April, the company announced it had signed China's Tongling Non-ferrous Metals Group as the first customer of its pioneering Papua New Guinean sea-floor mine. The project, in the minerals-rich Manus basin of PNG's Bismarck Sea, is claimed by Nautilus as the world's first commercial sea-floor mine, and is slated to begin production in the fourth quarter of 2013. Nautilus shares fell over 11% in the Toronto Stock Exchange after the announcement, closing at 1.47.

**Bougainville government to arm police**  
 The National, 18th June, 2012

By ALOYSIUS LAUKAI

AUTONOMOUS Bougainville Government President John Momis aims arm the Bougainville police in response to increased criminal activities in the region. He revealed this during a press conference in Buka last week. He said because of the increased law and order problem throughout the region, the Autonomous Bougainville Government had no option but to improve the Bougainville police service by arming it. Momis stressed they would help strengthen the Bougainville police service by giving them the capacity to deal with such issues. He said those involved in the recent illegal activities would be hunted down and face the law. He told the people of Bougainville that if nothing was done to stop such actions being carried out by a few, “Bougainville will not have a referendum”. He called on citizens of Bougainville to condemn such actions as they were damaging

their interests. Momis condemned the recent attacks on businessmen in Bougainville. He said such actions were damaging Bougainville's path towards autonomy.

He said for Bougainville to create good governance, promote law and order, promote economic recovery, create peace and harmony for all, "these activities must stop immediately". Momis said Bougainville was eating directly from the national government and would not get anywhere if the trend continued. "When there is lawlessness the Bougainvilleans are breaking the Bougainville peace agreement, the law and the laws of God. "If lawless activities continue Bougainville will not achieve its dream of independence." Under the peace by peaceful means policy, Bougainville police are not allowed to carry guns. Momis appointed Vice-President Patrick Nisira as the new Police Minister, taking over from former minister, Leo Hannet, who will maintain his Public Service Ministry. The Deputy Australian High Commissioner will present new service uniforms to the Bougainville Police in Buka this morning.

### **Bai sees big vision for Petromin**

Post-Courier 18.6.2012

By PATRICK TALU

PAPUA New Guinea's oil, gas and mining company Petromin Holdings Ltd (Petromin) will one day become like Petronas of Malaysia. Petromin Chairman Brown Bai said: "I want Petromin become like Petronas in the next 15 to 20 years." Mr Bai when responding to Post-Courier's queries on where he wants to see Petromin in the next 15 to 20 years as a mining, oil and gas company said, "its my vision that Petromin will one day become like Petronas,". Petronas, short for Petroliam Nasional Berhad, is a Malaysian oil and gas company that was founded on August 17, 1974. Wholly owned by the government of Malaysia, the corporation is vested with the entire oil and gas resources in Malaysia and is entrusted with the responsibility of developing and adding value to these resources. Petronas is ranked among fortune global 500's largest corporations in the world. Fortune ranks Petronas as the 95th largest company in the world in 2008 and 80th largest in 2009. It also ranks Petronas as the 13th most profitable company in the world and the most profitable in Asia. "I want this company (Petromin) to be successful for the benefit of Papua New Guinea. It's a trully and nationally owned Papua New Guinea's mining and Petroleum Company.

The concept in which Petromin was set up by the then Prime minister Sir Michael was from the same concept Petronas was set up. The Chairman said the way things are done at Petromin currently is focusing on becoming Papua New Guinea's major mining and Petroleum Company. The accountable and transplanted manners in which the board and management conduct the business FOR Petromin is a path to becoming like Petronas in the next few years to come. Envisioning the future of Petromin under Mr Bai as the Chairman, significant progress was made in creating strategic alliances with world class operators in the petroleum and mineral industries. "With a strong focus on LNG developments within our Petroleum Division, Petromin was especially proud of attracting Royal Dutch Shell as a strategic partner. Under an Alliance Agreement, Shell is providing assistance for Petromin's assessment of potential oil and gas areas, yet to be thoroughly surveyed. As the world's largest LNG producer and marketer, Shell brings to Petromin cutting edge technology and skills. We hope that by working together the exploration of new prospective fields will be accelerated. Shell will also provide valuable training opportunities for Petromin staff," he said.

Mr Bai said that creating close relationships with leading world class companies also extends to Petromin's mining business. In the case of Yandera, Petromin and Marengo Mining have signed a Cooperation Agreement under which, without any financial commitment, Petromin will be able to participate in the evaluation and design of the Yandera Mine. "This will build valuable technical expertise amongst Petromin staff. With these benefits in mind, Petromin, Newcrest and Harmony commenced discussions in late 2011 for a similar arrangement whereby Petromin staff will be able

to observe and participate in the planning of the Wafi-Golpu Mine. The alliance with Shell and co-operation arrangements with leading miners mean that Petromin staff gain knowledge and skills of immeasurable value to the Company and the nation,” Mr Bai added.

### **Petromin posts K1.1 million profit**

The National, 18th June, 2012

By GYNNIE KERO

PETROMIN PNG Holding Ltd made a net profit of K1.1 million from revenues of K278 million in 2011, according to its annual financial report revealed at the Gateway Hotel, last Friday. Chairman Brown Bai said 53%, or K147 million, of the revenue was derived from Petromin’s wholly-owned subsidiary company, Eda Oil’s interest in the Moran oil project’s crude oil sales. He said the Moran project was supported by Oil Search Ltd and its joint venture partners ExxonMobil, JX Nippon Oil and Gas Exploration Company, and Mineral Resources Development Company for the successful joint venture operations in the financial year 2011, “The other 47% – K131 million – was derived from Petromin’s wholly-owned subsidiary company, Tolukuma Gold Mines’ gold and silver doré sales,” Bai said. “The bulk of the 2011 operation cost representing 74% is the cost of sales for the crude oil and gold and silver doré. “The other 18% is the administrative expense and the remaining 8% is financing costs and income balance. “Over the last five years, a total of K1.2 million was generated in revenues and a total of K826 million was generated in operations. “The 2011 cash flow position started with K100 million at the beginning of the year.

“Net cash inflow from the operating and financing activities added on K86 million to bring the cash inflow during the year to K186 million. “Thirty-eight million kina was invested in exploration and business property activities and that brought the end of the year balance to K148 million.” Bai said one of the most-difficult challenges faced by the Petromin board and management had been to recapitalise the Tolukuma gold mine. “Since Petromin acquired the mine, it has directed capital to a long-term programme of replacing essential equipment,” he said. Bai said during 2011, the board endorsed a number of significant initiatives, which would maintain the company’s momentum in accordance with its business plan. “These include Petromin’s appointment as the state nominee for the Frieda, Yandera, Wafi-Golpu and Solwara 1 mining projects, and for the nine petroleum retention licences (PRLs) in the Papua Basin.” The PRLs are Pandora (PRL 1), P’nyang (PRL 3), Stanley (PRL 4), Elevala/Ketu (PRL 21), Kimu (PRL 8), Barikewa (PRL 9), Uramu (PRL 10), Kuru (PRL 13), and Cobra/Bilip/Iehi (PRL 14).

### **Newcrest signs deal**

Post-Courier 18.6.2012

Newcrest Mining Ltd, Australian biggest gold miner and operator of Lihir gold has signed a farm-in agreement with Australian Stock Exchange-listed junior Frontier Resources on the Andewa project, in PNG. Under the terms of the transaction, Newcrest could earn a 60% share in the Andewa project by spending A\$19.25-million (K39.54 million) on exploration by the end of 2015, with a minimum spend set at A\$2.5-million (K4.1million). After earn-in, Newcrest could elect to acquire an additional 12% equity in the project, prior to a decision to mine, while Frontier could elect to be deferred carried to the completion of a feasibility study, repayable from 50% of the mine profit. During the initial \$A2.5-million (K4.1million) spend, Frontier would act as the operator for the Andewa project, after which Newcrest could elect to become the operator. Frontier said on Friday that field crews have now been mobilised to the Andewa site, and both of the company’s large track-mounted rigs were being used to enable the completion of the Phase 1 drilling programme.

## Western Province is so rich yet so poor

Post-Courier 15.6.2012

WESTERN Province, despite its enormous fiscal capacity did not adequately fund the essential basic services to its people. This is contained in the latest revelations published in the Review of All Provincial Expenditures (PER) 2010 by National Economic and Fiscal Commission. "Western Province is so rich and yet so poor in the delivery of basic services", according to the Provincial Expenditure Review 2010." The Provincial Expenditure Review 2010 analysis reveals Western Province is ranked last out of 18 Provinces in 2010. However, on average it is on 12th placing overall. Given its huge fiscal capacity, the NEFC thinks Western Province should be spending higher level of funding on these essential but critical activities such as distribution of drugs to aid posts, schooling material distribution to the rural primary schools, maintenance of rural roads, jetties and bridges, school inspections, medical and clinic patrols to the rural people.

But it only spent low level of funding in the key sectors in Health/HIV, Agriculture, and transport infrastructure maintenance and medium level of funding on education sector. This level of spending performance reflects the priority the province gives to basic service delivery. The Southern regional workshop on Intergovernmental and Service Delivery in Alotau (June 6-7) early this month heard Western Province has a big issue with prioritizing its huge revenues resulting in poor service delivery to its rural people. Issues highlighted at the workshop specific to Western Province include:

- \*Ongoing issue of late spending of grants;
- \*Trend of low spending in health;
- \*Issue with unspent health grant;
- \*Issue with how it spent health grant;
- \*Issue with unspent education grant;
- \*Trend of low spending in transport infrastructure;
- \*Issue with unspent transport infrastructure grant;
- \*Recent issue with how it spent transport infrastructure grant;
- \*Recent spending in agriculture low;
- \*Recent issue with how you spend village courts operation grant;
- \*Issue with high spending in administration
- \*Issue with unspent village court allowance grant.

The NEFC's criteria of a province's spending level performance indicates how much a province is spending on the sector relative to the NEFC's cost estimates and the calculation takes into account a province's fiscal capacity. Best performers in the region are poor funded provinces of Central and Milne Bay Provinces. Northern and Gulf Provinces are trailing behind but are capable of improving their ranking if they stay focus. Although Western Province received only 10 per cent in the recurrent Goods and Services Grants in 2010, most of its revenues is derived from royalties and dividends from Ok Tedi Mining.

## Cook Islands Explores Creation Of Sovereign Wealth Fund

*Fund will store revenue from marine mineral projects*

By Rachel Reeves

RAROTONGA, Cook Islands (Cook Islands News, June 14, 2012) – Government is looking to establish a sovereign wealth fund for storing revenue generated from the Cook Islands' mineral assets. Opposition leader Wilkie Rasmussen commended government for proposing the fund, which will encompass revenue generated from exploratory mining licenses and any other associated with mineral assets. He asked finance minister Mark Brown to explain the fund during question-and-answer time yesterday. "There's been a lot of talk about the value of our mineral assets estimated into the billions of dollars' worth," Brown said. "A lot of work has been done in particular through the

deputy prime minister's office in putting together the legal frameworks for the commencement of the harvesting or the harnessing of revenues that can be gained from these resources.

"We have passed legislation for the seabed mining program already... It is timely, Madam Speaker, that we also look at establishing a sovereign wealth fund similar to what has been established in other countries who are reaping the benefits of their natural resources," he said, making reference to the situation of Norway, whose sovereign wealth fund is fed by its North Sea oil program. Brown said that Solomon Islands, Papua New Guinea and East Timor also have sovereign wealth funds, and that the latter has accrued over NZ\$10 billion [US\$] from oil field revenues. "This sovereign wealth fund is to protect for generations to come any wealth that is generated from our resources so we do not repeat the lessons we can learn from other countries who have squandered the wealth from their natural resources, countries such as Nauru."

Brown says an independent consultant has met with government and the opposition to discuss the potential of establishing a sovereign wealth fund, and will submit his report to government "very shortly." "When the report is ready (there will be) a community consultation process to explain to people the purpose of this fund." He estimated the motion to establish the fund will be tabled within the next 12 months. Rasmussen replied that he agreed with the fund in principle, but said government must be sure to include a mechanism that prevents government from having its "hands in these funds."

### **Chinese Mining Company To Invest \$40.3 Million In Fiji Iron Project**

*Extraction project expected to employ hundreds of workers*

By Ropate Valemei

SUVA, Fiji (Fijilive, June 14, 2012) – Chinese mining company Amex Resources will spend FJ\$75 million [US\$40.3 million] in Fiji on its iron ore extraction project. The total investment on the project to extract iron ore from the Ba River delta sand will be close to FJ\$150 million [US\$80.5 million]. Fiji's Prime Minister Commodore Voreqe Bainimarama announced the investment while issuing a new mining lease to Amex Resources Limited today. Bainimarama said the project will employ an estimated 300 full-time and 50 short-term Fijian workers. "As Fiji's economy continues to expand, reviving old industries and developing new ones, it is important to ensure these operations run with the outmost transparency, accountability and an eye towards future development," he said.

Bainimarama said following the successful launch of Fiji's first bauxite mining in November 2011 and well maintained management, the decision to welcome Amex onto our shores was made after informed deliberations and tested experience. As part of the long-term sustainability plan to remove rich deposits of iron sand, Amex will dredge mineral sand from the Ba delta, extract the iron ore content, and put the tailings back into the delta. The extracted iron sand will be barged to Lautoka, where it will be uploaded, washed and stockpiled. Bainimarama said in addition to the positive economic impact, the dredging will also help avoid future flooding. Amex Resources Ltd. managing director Kenny Zhang said the issuance of leases will strengthen Fiji and China ties.

### **Porgera: Education is priority – Minape**

Post-Courier 14.6.2012

ENGA Regional Seat hopeful Mathew Minape was surprised to find that many young Porgera children are illiterate due to alluvial gold mining activities. Mr Minape blamed the past administration for taking no interest in ensuring the Porgerans have access to basic primary and secondary education. The candidate for Enga Regional seat said even though Porgera Gold mine is located in the province, Porgera people have been neglected and not getting access to basic government health

and education services. “Many young Porgera people are involved in alluvial gold mining activities and think that money is everything for them in life. But as soon as they grow up, they realise that they missed out on basic education,” he said. Mr Minape was vocal on adult education during his campaign in Porgera recently, and vowed to set up adult education for interested Porgerans who had missed out on the basic education during early age.

Porgera Gold Mine has been around a while, and there was nothing to show for among the Porgera people, he said. He queried what Porgera Joint Venture and the Enga Provincial Government had to do with the royalty money from the gold mine. More than 12,000 people attended the Porgera rally calling on Enga Provincial Administration to clarify what happened to all the money from Porgera Gold Mine as there is nothing to show for it. In company of a Porgera prominent son Dr Sam Yakopua, Mr Minape emphasised on financial assistance from Porgera Joint Venture and Enga Provincial Government to support young Porgera children to get back into the classroom after their alluvial gold mining activities. Currently, a lot of children from Porgera stay away from classes to conduct their alluvial gold mining activities. Mr Minape who hoped to bring changes if given the mandate, stated he will change the way Porgera children see money from alluvial mining as everything in life and withdraw from class.

### **Delays Expected Before Vale Nickel Plant Opens In New Caledonia**

*\$4 billion setback from acid plant incident forced Vale to cut costs*

WELLINGTON, New Zealand (Radio New Zealand International, June 13, 2012) – Reports from New Caledonia say delays in launching the Vale nickel plant is expected to last several months. Noumea’s daily newspaper says last month’s incident at the acid plant of Vale New Caledonia caused serious damage to the set-up which cost more than four billion U.S. dollars to build. The paper says the company, which reportedly employs 4,000 people, is considering its options to cut costs. Last month, Vale declared force majeure over the acid incident, saying it couldn’t meet its supply contract with Queensland Nickel. Earlier this year, Vale New Caledonia was fined 5,000 U.S. dollars over an acid spill at its Goro plant three years ago when about 2,000 liters ended up in a lagoon which is a World Heritage site.

### **Landowners: Consider aftermath of mining**

The National, 13th June, 2012

By AGNES FIFI UKI

THE impact of the closure of mining sites may be devastating if proper consideration is not given to life after a mine, EGUMA Special Mining Lists Business Group Inc chairman, Tauleia Mosebe says. He said last Friday that since the closure of the Misima mine in Milne Bay in 2004, it appeared that very little effort had been made to consider the impact of the closure on the lives of the people. He said the Canadian parent company, Placer Dome Ltd, that operated Misima Mines Ltd, had shut down in 2004. The SML landowners were now working through the process of understanding the implications of the mine closure that would have on their lives. Mosebe said Minister for Mining and Member for Namatanai open Byron Chan had recognised the impact of the mine closure Misima was facing, and the future of landowners of other mining sites would face after mining closed.

Mosebe said Chan had recognised the legal requirement to follow certain aspects of the memorandum of agreement signed between landowners and the government and the MML’s own mine closure plan to provide support for the local communities. “Chan had recently approved funds for the purpose of conducting a social impact assessment and feasibility study of the island communities

and the local level government areas,” he said. “Economic and social life after the mine should be maintained as near as possible to the level when the mine was functioning. “Anything less than this would indicate that sustainability has not been maintained,” he said. The feasibility study will be led by the Department of Agriculture and Livestock officers, including agriculture, forestry, and fisheries specialists and an environment monitoring specialist. The EGUMA landowners are awaiting the study and review of their situation and hope that a new economic plan of the area will be developed after the feasibility study.

### **InterOil into domestic politics**

Post-Courier 13.6.2012

THE stand-off between Gulf LNG project developer, InterOil Limited and the Minister for Petroleum and Energy William Duma has taken another twist. This time, the developer of the second LNG project was accused of funding a candidate in Hagen Open electorate to oust incumbent MP and Minister, William Duma. This paper was shown correspondence between a senior official of InterOil communicating about a meeting between the candidate and Chief Executive Officer of InterOil, Christian Vinson and the purported payment to the candidate. “I am aware of the story that this company is involving in domestic politics. I have been told of the meeting and I have asked InterOil to stop immediately if it is doing that,” Minister Duma told Post-Courier yesterday when he was asked if he was aware of the allegations. InterOil denied the allegations when the company was asked to comment on the report. “Sarcasm and good journalism just don’t mix. Rumours you’re hearing are not true. If you’re looking for a story, I will send you one shortly,” Damaris Minikula, the Corporate Communications Officer with InterOil replied to our email. It is public knowledge that Mr Duma and his department are pushing to have the state’s agreement with InterOil scrapped. The Minister was adamant that InterOil was not conforming to the project agreement when it went ahead to develop small gas processing plants in Gulf.

### **Australia: Gas stalemate ends**

Post-Courier 12.6.2012

PROJECT partner with Esso Highlands led PNG LNG Project Santos and ConocoPhillips have ended their stalemate over development of the big but carbon-rich Caldita-Barossa gas fields after agreeing to a \$523 million (K1.06 billion) farm-in deal with South Korean conglomerate SK Group. According to The Western Australian newspaper, the deal, announced at the weekend, provides first insights into how ConocoPhillips plans to expand the one-train Darwin LNG plant. The main thrust of the deal is that SK’s subsidiary SK E&S will fund an appraisal program to confirm the size and quality of the Caldita and Barossa fields, discovered in 2005 and 2006, respectively. Based on initial drilling, Caldita-Barossa is thought to contain 3.5 trillion cubic feet of gas, although carbon dioxide levels are as high as 16 per cent. A three-well appraisal program, that should start next year if permit operator ConocoPhillips is successful in securing a rig, should confirm Caldita-Barossa’s size and also define average CO<sub>2</sub> levels. SK will be able to earn a stake of up to 49.5 per cent in Caldita-Barossa, reducing ConocoPhillips’ ownership level from 60 to 30.3 per cent and Santos from 40 to 20.2 per cent, if it pays \$US520 million towards the fields’ development.

The Korean group will earn an initial 37.5 per cent for funding \$US260 million of appraisal work, with the remainder of the cash-for-equity subject to milestones including a final investment decision and first LNG cargoes. ConocoPhillips, which just over a year ago had tried to sell its stake to Total, said yesterday it hoped that Caldita-Barossa would be developed as an LNG project, either through a stand-alone floating operation or through Darwin. Darwin LNG’s 3.5 million tonne a year plant is fed with gas from the Bayu-Undan fields in the Timor Sea. It was always expected that ConocoPhillips would aggressively try to find additional gas supplies as backfill for Bayu-Undan or to justify a second train. Caldita-Barossa was seen as an obvious choice, as was ConocoPhillips’

Browse Basin discoveries in 2009 with Karoon Gas. However, there has been little news from ConocoPhillips since 2006 on its plans for Darwin LNG, much to the frustration of Santos, which has been trying to commercialise its undeveloped gas assets.

Last year, Santos sold its 40 per cent stake in the Evans Shoal fields, east of Caldita-Barossa, to Eni for \$US350 million. Under the SK deal announced yesterday, pre-front end engineering and design work on Caldita-Barossa should begin in 2014. If the partners decide to develop Caldita-Barossa as a FLNG project, it will become Santos' second floating operation. It and partner GDF Suez are working on the Bonaparte FLNG project, in the Timor Sea. Santos is the most diversified LNG player in Australia, with its stake in Darwin LNG as well as in the Gladstone LNG development, the ExxonMobil-led PNG LNG and now Caldita-Barossa. "We have GLNG and PNG LNG under development but when these projects are completed and delivering cash back into Santos, the question will become what Santos will do now," Santos vice-president, WA and NT, John Anderson said. "Bonaparte and Caldita-Barossa present some of that future." When these projects are completed and delivering cash back into Santos, the question will become what Santos will do now."

### **Make or break for Nautilus copper plan**

The National, 12th June, 2012

TORONTO-based Nautilus Minerals, a rising star in the industry, is staggering from a heavy blow. The company is developing the world's first seafloor copper and gold project at its Solwara 1 deposit in the Bismarck Sea, Papua New Guinea. It was expected to begin extracting mineralised material late next year, and had listed on the OTC market in late April to increase access to US capital markets. On June 1, however, the company cautioned that its Solwara project could be delayed or even canceled due to a dispute with the government of PNG over ownership of the undersea mine. Nautilus had signed a deal with PNG in March that would give the government a 30% stake in the project in return for paying its share of development costs, estimated at about US\$24 million. Until the situation is resolved, Nautilus will have to carry all costs itself. The government of PNG has argued that Nautilus has not met some of its obligations, therefore it (government) too is not meeting its obligations. Looking to the sea as a source of base metals should come as no surprise, as the ocean covers more than 70% of the planet and is an obvious source of minerals.

Offshore drilling for crude oil has been going on for over a century, and technological advancements have made it more feasible to drill deep into the sea beds to tap into natural resources. The natural hot springs at the ocean's bottom, around PNG and New Zealand in particular, have concentrated minerals; Nautilus has reported that its copper has a grade of 7%, which is high compared to the average land-based copper grade of 0.6%. Yet Nautilus is currently only one of two mining companies focused on offshore exploration for commercial underwater mining, the other being Nevada-based Neptune Minerals, which has acquired control of the UK's Neptune Minerals and its licensed tenements in New Zealand as well as Japan.

Neptune has also acquired control of Hong Kong's Dorado Ocean Resource, and continues to focus on seafloor volcanogenic massive sulfide (VMS) exploration and extraction. Some industry observers also question whether seabed extraction — which would employ robots to break up the ore and pipe the slurry to a surface barge for transport and processing on land — is worth the risk. A 2011 study published in the journal *Geology* noted that while the sea floor indeed hosts recoverable mineral deposits, they are likely insufficient to meet global demand. Yet Nautilus signed its first commercial deal with China's Tongling Nonferrous Metals Group in April, agreeing to sell about 1.1 million tonnes of copper and other minerals per annum over a three-year period. - Copper Investing News.

## **High hopes for Mt Kare project**

The National, 12th June, 2012

ASSET manager BlackRock Inc and specialist resource fund Baker Steel have increased their holdings in Indochine Mining Ltd after the gold explorer raised funds for the development of a project in Papua New Guinea. BlackRock's stake in Indochine has climbed to 8.6% from less than 5% following a share placement by the Sydney-based company, while Baker Steel's holding rose to 10.2% from 8.4%, Indochine said in a statement. "This is a great vote of confidence in Mount Kare's potential," said Stephen Promnitz, Indochine's chief executive. The company earlier this month said recent drill holes at the Mount Kare project in Enga province had obtained very high grade gold and silver assays, supporting plans for a large open-cut mine that is aiming for production of 125,000 to 150,000 ounces of gold and silver a year. A prefeasibility study for the project is expected to be completed in August, with new drill results released every three to four weeks, it said. Promnitz said he believed the price of gold, while volatile, had stabilised between US\$1,550 and US\$1,650 an ounce and would head higher to about US\$1,800/oz within 12 months. Indochine last month raised A\$8.25 million (US\$8.1 million) through the private placement of shares at A\$0.15 each, 15 Australian cents each, primarily with the company's largest institutional shareholders.

## **Daru-Port Moresby fare slashed by 70%**

The National, 12th June, 2012

By MALUM NALU

AIR Niugini will charge its Daru-Port Moresby route 70% less than what the Airlines PNG collects to date as it begins regular flights on this route beginning June 21, to resurrect the service which it abandoned 12 years ago. This will be a massive boost to business, tourism and the general economy of the long-suffering former Western province capital. Air Niugini corporate affairs manager Eva Arni told The National at the weekend that its lowest one-way fare would be K352.20 – a massive drop from the K999 currently charged by Airlines PNG, which is among the highest in the country. Arni said the schedule would be twice weekly on Thursdays and Sundays, after Daru Airport proved its capability for taking large aircraft when a Q400 landed there on June 1. The last Air Niugini flight to Daru was on March 4, 2000, after which it had to stop services because of the unsafe state of the runway.

The Q400 was able to land because of a K40 million airport upgrade funded by PNG Sustainable Development Program (K22 million) and Fly River provincial government (K18 million) through South Fly funding, with construction undertaken by Global Construction and supervised by National Airports Corporation. Airlines PNG has had a virtual monopoly in the Daru-Port Moresby route over the past 12 years, charging one-way airfares at K999. Air Niugini acting general manager – commercial Domini Kaumu – told The National the airline would most likely use the Dash 8 to start off with. "We will be using the Dash 8 to Daru," he said. "We will also be using the Q400, but at a reduced capacity (passengers) because of the length of the runway. "At this stage, no daily (flights), but at least three flights a week and we build up from there. "I've spoken to a number of people and the information we're getting is that everyone wants Air Niugini back."

## **Ramu Nickel observes World Environment Day**

The National, 12th June, 2012

RAMU NiCo, the country's nickel and cobalt mine developer in Madang province, observed World Environment Day at all its sites, Kurumbukari mine and Basamuk refinery and its Madang base office with a number of educational activities. Its activities were centred on the United Nations En-

vironment Programme's (UNEP) theme "Green Economy: Does It Include You?" Ramu NiCo aimed to promote educational, environmental, sustainable and economical awareness to encourage employees, the public and villagers to be self-reliant when toiling the land. Company chief technical director Dr James Wang stressed the importance of environment to the staff at all its sites and encouraged them to have a strong sense of responsibility to the environment during their course of work daily. "It is everyone's duty to minimise the risks toward the environment." The company will enhance ongoing communication with other stakeholders including non-governmental organisations in addressing certain misunderstandings concerning the environment. The company's office in Madang was to host several activities which will see educational institutions within the town participate in environmental awareness programmes.

## **Mining activities to begin on Bougainville**

Post-Courier 12.6.2012

By PETERSON TSERAHA

THE Autonomous Bougainville Government has made history by moving a motion on the most sensitive issue on Bougainville Mining Exploration. The motion is a positive step since its installment in 2005 for a young government. On Thursday, before a packed House of Representatives at in Buka, Melchior Dare, Member for Eivo Torau Constituency and chairman of Central Bougainville Parliamentary Committee, presented a motion from the floor to introduce Bougainville Mining Policy to start exploration on Bougainville. A right that every Bougainvillean has been waiting for and have fought the Bougainville crisis for. The motion calls on the Autonomous Bougainville Government to:

- nCreate a Bougainville Mining Oil & Gas policy that should protect the interests of the Autonomous Bougainville Government, Landowner Rights and Investors;
- nGrant the local resource owners' company the licence to do mineral, oil & gas exploration on its own land, and;
- nThat the Bougainville Administration consider the draft mining oil and gas policy during 2012.

In a rousing 45-minute presentation to the House, Mr Dare explained that under section 4(b) of the Bougainville Peace Agreement "Autonomy" is intended to enable Bougainville to determine its own solutions to its own problems and needs and now was the time to act to resume mining exploration on the island. He told the House that while the move to resume exploration on Bougainville was a grassroots movement driven by the resource owners themselves, the Government had a duty to fulfil its function as the regulator of mining on Bougainville. He stated that the ownership of mineral resources is usually claimed by the State or the Crown, and in the case of Bougainville the customary traditional landowners own the minerals which is protected by section 23 of the Bougainville constitution and recognised by Article 26 of the United Nations Convention.

## **Pacific Leaders Allegedly Ignoring Opposition To Deep Sea Mining**

*Communities reportedly want more research, consultation*

WELLINGTON, New Zealand (Radio New Zealand International, June 11, 2012) – The Deep Sea Mining campaign says Pacific communities are against seabed mining but their governments are not listening. The campaign says thorough research hasn't been conducted on the impact of the deep sea mine proposed by Canadian-owned Nautilus Minerals in PNG. The Solwara 1 mine planned for the Bismarck Sea is the world's first commercial deep sea mining project. The author of the report 'Out of Our Depth: Mining the Ocean Floor in Papua New Guinea', Dr. Helen Rosenbaum, says the precautionary principle should be applied. "Civil society through the Pacific is increasingly asking for there to be a stay on this form of development until more research is done and communities can be

informed and express an opinion. At this point, communities have not given their sanction to this. The governments of the Pacific and the companies who have exploration licenses have no social license at this point to proceed."

*[PIR editor's note: Rosenbaum has been particularly critical of Solwara 1, claiming when researchers have wanted to look at information gathered by Nautilus Minerals, the company has not shared its data, which has lead Rosenbaum to believe the research may not have been conducted.]*

### **Allegations of corruption against former Mining Minister**

Posted by Speedboat, PNG Mine Watch 8.6.2012

A rumor is circulating in Sydney business circles that an Australian based Chinese business man, formally from Malaysia, is being sought by Australian authorities for questioning in relation to allegations he paid the former Minister of Mines, John Pundari, over A\$1,000,000 for a mineral tenement Pundari applied for through an Australian associate about April 2010. The tenement covers ground in the Highlands BHP had previously applied for while Pundari was Minister for Mining. Subsequently, in 2011, after a change of Ministers, the same Australian based Chinese business man is reported to have approached the current Minister for Mining, Byron Chan and made a further payment of some A\$800,000 in relation to the tenement and related matters. Apparently BHP complained formally to Peter O'Neil about the matter compelling the Prime Minister to refer the complaint both to "Operation Sweep" in PNG and the AFP. A current employee within the Mineral Resources Authority is assisting authorities with their investigations.

### **Western province: PNGSDP provides electricity**

Post-Courier 8.6.2012

By KONOPA KANA

PAPUA New Guinea Sustainable Development Project (PNGSDP) is ready to implement rural electrification to remote areas in Papua New Guinea and that can be made possible with Western Power, a subsidiary company of PNGSDP. Western Power is a 100 per cent owned by PNGSDP Limited provides electricity that is affordable and reliable to the people of PNG, particularly Western Province. According to the PNGSDP 2011 annual report Western Power's long term goal is to promote diversified and balanced energy development of the people in Western Province with cheap electricity energy source for local communities beyond the life of the Ok Tedi Mine project. The report stated that Western Power completed construction works on North Fly District this year and these projects are the last of the 31 mini grids projects undertaken between 2007 and 2012 with a combine a installed capacity of the mini grids stands at 1.8 Mega Watts and provides electricity services to 41 villages to a total of 12, 000 people.

In the report Western Power took over electricity vending operations at Kiunga in 2011 at the request of the Fly River Provincial Government (FRPG) and since the commencement of the operation over 600 customers are connected to the rural electrification program. Western Power is responsible for the management and operation of the power supply facilities in the 6 government stations in the Middle and South Fly of Lake Murray, Awaba, Morehead, Balimo, Wipim and Obo. Meanwhile PNGSDP owns 58 communication towers in Western Province and these towers are managed by Western Power and Digicel was contracted to build the towers at the cost of over K70 million. Digicel also entered into an agreement with PNGSDP to install their equipment on the towers to provide communication services and the present network provides communication coverage to 90 per cent of the people in Western Province.

## **Ocean Floor is Prime Target of Mining Industry**

by Phil Mercer, Voice of America, 7.6.2012

There has been a new call for the incoming government in Papua New Guinea to stop the Canadian mining company Nautilus from going ahead with a deep sea mining project. Conservationists say most mining projects in the country have been an environmental disaster. In recent years, there has been a rush by companies to explore the sea floor for concentrated deposits of valuable minerals found around hydrothermal vents. The next great frontier for the mining industry could be hydrothermal vents that lie deep on the ocean floor. The super-hot flues create deposits of sulfide, which contain precious metals such as gold, silver, copper and zinc. Chris Yeats, an ore deposit geologist at Australia's state-sponsored scientific and research organization, CSIRO, believes that plans by Nautilus Minerals, which has a license to mine sulfide on the floor of the Bismarck Sea off Papua New Guinea, will be safe and productive. "The activities that Nautilus are proposing are something like plowing a field or raking your garden, that you're, you're, you're stirring up the environment, but you're not fundamentally changing it," said Yeats.

Nautilus has not commented on its plans, nor on calls for authorities in Papua New Guinea to abandon the deep sea project, which would involve sophisticated marine technology. Stefan Williams from the University of Sydney's Australian Center for Field Robotics is helping exploration companies peer into the dark depths of the ocean. "One of the main challenges obviously [is] the environment, then pressures that are associated with depths, so actually getting equipment into deep water it has to be designed to withstand those kinds of pressures and corrosive environment of saltwater," said Williams. His work on vehicles capable of high-resolution surveys of the sea floor is casting light on a mysterious world. "There's not a lot down there. It's kind of a big, muddy flat plain for the most part but then you come across some weird and wonderful sea life, things [you] just don't know what to make of - pretty astounding," explained Williams. Asked whether he thinks this is an area ripe for exploration in the future, Williams was optimistic. "I think so. There are a lot of areas of the ocean that we don't know a lot about," he said. "Some people have suggested we know a lot more about the moon than we do about the bottom of the ocean just because it's something we can see. And so I think there will be good opportunities for extensive exploration and understanding what resources are available in these deep-sea environments and the possibility, I guess, of exploiting those in the future."

Cindy Lee Van Dover, a professor of biological oceanography, has explored almost all of the world's hydrothermal vent fields. Chains of these mineral-rich outlets lie along fault lines, including the Pacific Ring of Fire and the Mid-Atlantic Ridge. She says that the precise impact of deep-sea mining needs to be known before the exploitation of such valuable resources can begin. "If mining or extraction of metals on the seabed takes place, we'd like to know what happens and how quickly the animals come back," she said. "We'd like to work with industry to understand what baselines we really need to put in place to be able to monitor the change as the animals come back and recolonize. If one site recovers from mining very quickly in a matter of years or decades, maybe that's not such a bad thing, but we need to understand how to know that." Seabed mining used to be far too expensive to be worthwhile, but there are concerns from conservationists that advances in technology, making mining more feasible, pose a threat to the world's oceans.

The success or failure of the Nautilus deep sea project is seen as crucial to the future of deep-sea mining, according to Charles Roche, the executive director of the Australia-based Mineral Policy Institute. "This is not going to be a bonanza," said Roche. "It is going to be a very small mine actually, especially compared to some of the larger terrestrial mines. It's really a trial mine. It's an experimental one that the locals in Papua New Guinea like to call it that they are guinea pigs - that it's an experimental mine. So really this is about proving the technology and the concept. What they are trying to do is prove that we can extract the minerals from the bottom of the sea and it is eco-

nomically viable." The first commercial deep-sea mine is expected to begin in Papua New Guinea next year and exploration is booming across the South Pacific and in the Atlantic and Indian Oceans. International regulators set up by the United Nations have signed four new contracts with groups looking to explore the ocean floor. This includes agreements with government and private organizations from China, Japan, South Korea and Russia.

### *Letter to the editor*

#### **Western Province lacks service delivery**

Post-Courier 7.6.2012

Western Province is one of the biggest provinces in the country. It occupies about 44 per cent of PNG's landmass. It is also rich with natural minerals and resources and is home to the giant Ok Tedi mine but the productivity of development process is insufficient. In terms of service delivery to most areas like the Ningerum area, rural Nomad, Lake Murray area, Suki and Morehead to name a few. This is because past leaders and people like Dr Bob Danaya have not been thinking like strategists. Instead they have been acting like a bunch of unproductive clowns and now look at what Bob Danaya is doing, he is passing the buck to PNGSDP to take care of the province. For goodness sake he's not an administrator, vote someone with the qualities of an administrator. Westerners have suffered to long, it's time we stand up and prove that we can progress. Therefore let us mandate someone with good qualities and not recycled unproductive leaders. Over to you the people of Western Province. Buasi elite, Port Moresby.

#### **Morauta concerned about Wealth Fund future**

The National, 7th June 2012

By MALUM NALU

PUBLIC Enterprises Minister Sir Mekere Morauta has expressed concern about how the soon-to-be-created Sovereign Wealth Fund (SWF) will be managed. He told the PNG Sustainable Development Program (PNGSDP) annual report at the Crowne Plaza in Port Moresby on Tuesday that despite the incredible mining and petroleum boom in the country, the government's record was lamentable. "Transforming resource wealth into better living standards is the biggest single challenge facing our country," Morauta said. "If we can set up the SWF properly, keep sticky fingers off the money and channel funds into the right public investments, then the future is bright. "We need leaders, organisations and the will to make this happen. "Yes, it (SWF) will help to insulate the economy from Dutch Disease and inflation, and it will smooth out volatile revenue flows," Morauta said. "And if it is established properly, the SWF will also keep sticky fingers off the revenues and financial investments.

"But if the money to be drawn down from the SWF flows into an unreformed budget, then we are likely to see a repeat of the same old story: No discipline, no capacity to implement, no accountability; and thus no real development, no improvement in services for our people. "If the Budget disperses money as it does now over a million and one so-called 'priorities', then what can we do to ensure that top priorities, such as maintaining national infrastructure, don't miss out? "If the public coffers are vulnerable to corruption and theft, then what can we do to put in place strong governance and accountability mechanisms and regimes? "If government departments lack capacity and accountability, then what can we do to restructure the service delivery model to deliver results?" Morauta said government and state-owned utilities needed to collaborate more with PNGSDP in order to deliver better infrastructure and basic services and rural development. "If we continue to hold national investments hostage to the same government processes and departments that have failed us for so long, then we risk missing out on investing our resource revenues wisely," he said.

“The last 10 years can be seen as years of lost opportunity and waste of resources: we cannot afford to repeat the same mistakes and lose the opportunity now dawning before us. “I believe that we can make a difference now by locking in some sensible decisions on how revenues from the SWF will be allocated, while at the same time putting in place strong organisations to spend the money effectively. “I’ve therefore argued that the SWF should earmark dividend flows from PNG LNG - about K500 million per year - for maintenance of national infrastructure, the provision of rural infrastructure and the recapitalisation of public enterprises.” Morauta said the SWF that was being established was a new venture for government, but was not PNG’s first major fund for resource revenues. “PNGSDP’s long-term Fund is a kind of quasi-SWF,” he said. “It provides lessons for government on how careful investment and conservative management can protect funds, even though events such as the global financial crisis. “Secondly, PNGSDP also faces the challenge of translating incomes from its resource revenues into infrastructure and services for the people of Western province and PNG. “As I’ve discussed in the government context, this isn’t an easy task.” “Unfortunately, government can be slow to experiment with new approaches. “And this is an area where government and PNG SDP should be swapping notes more.”

### **Study on Ok Tedi to wrap up soon**

The National, 7th June 2012

A FEASIBILITY study into an additional 10-year mine life extension of the Ok Tedi mine is in the final stages of completion, according to Ok Tedi Mining Ltd managing director and chief executive officer Nigel Parker. The mine life extension would cost at least US\$850 million. Parker told the PNG Sustainable Development Program (PNGSDP) annual report meeting on Tuesday that the project was awaiting final board approval, and submission of change notice to the state is expected this July. Prior to the exit of Inmet, the OTML board and management embarked on the possibility of an additional 10-year mine life extension from 2015 to 2025. “The Mt Fubilan deposit has the resource to continue,” Parker said. “Mining methodology is a combination of open pit continuation and underground mining.” He said focus issues were:

- g Stable waste dump for 350- 500 million tonnes of waste rock;
- g Tailings to the riverine system;
- g Hydro geology of the high rain fall environment;
- g Community approvals; and
- g State of PNG approval / enabling legislation

There was also leveraging off the OTML PNG community relations and mining capability to enter into PNG exploration and JV activities. Parker said in considering a mine life extension, the OTML board and management focused on a number of prime issues:

- g The impact of the mine life extension on the environment is in the forefront of the feasibility: management was of the view that the constructability of a stable waste dump was possible. This view was supported by independent assessments; talks would continue to be deposited to the riverine system; That the sourcing of a tails solution continued to be pursued; and that non acid forming sediment was delivered to the Bige dredging programme to facilitate the close out of the dredged embankments.
- g That the project is financially viable and that it can be internally funded within the framework of continuing to support the State through direct/indirect taxes and dividends.
- g The cost of mine life extension is in the range of US\$ 850 million; and
- g The continuation of OTML’s ability to support the people of the Western province in the absence of the Fly River provincial government’s capacity.

## **Bougainville: Locals end awareness on mine lease areas**

The National, 7th June 2012

A PANGUNA landowners' educational awareness programme for the six mine lease areas of Bougainville has been completed. Co-ordinator Lawrence Daveona and the executives of the interim Panguna Landowners Association for the six mine lease villages carried out the awareness over six weeks. Daveona travelled to the six mine lease area villages covering the Lower tailings, Upper tailings, Special Mine Lease area villages, Port Mine Access Road, Radovan/Uruawa and Siokate customary land on the outskirts of Arawa Town. The programme's aim was to educate landowners on the global financial and business consequences of resource development in Papua New Guinea and the Autonomous Region of Bougainville. An international collaboration between Panguna mine lease area stakeholders and M.Cam-a finance corporation based in the US with operations throughout the world-created a presentation entitled "Global financial literacy: A basic analysis of financial structures effecting asset development in PNG and Autonomous Bougainville".

The intention was to recognise the urgency of creating an informed dialogue for the consideration of the Bougainville copper and related lease areas. It was conducted by Dr David Martin, CEO of M.Cam. Martin's final information sessions began at the Panguna mine site with several local landowners in attendance. He provided detailed information with respect to the corporate structure of Bougainville Copper Ltd and a review of the supra-constitutional nature of the Bougainville copper agreement drafted during Australian administration prior to independence. The presentation showed the complex corporate structure designed to enrich foreign investors while providing minimal economic or social value to the country and the region.

It also highlighted the need for landowners to be fully aware of all economics of resource development including financing corporations, asset holding and leasing corporations, and other developer-related companies. Martin said many of these operator-affiliated companies shielded financial and physical assets from legal liabilities and damages within PNG. The awareness also went into the no-go zone areas where the team met with the leader of Mekamui Defence Force, Chris Uma. Daveona and his organisers are currently planning to expand their awareness to other parts of Bougainville using the University of PNG students and other interested stakeholders throughout the country. Daveona said the awareness which originally was to target the six area villages have received overwhelming support to be extended to all parts of Bougainville.

## **LNG: Landowners get training to set up, run businesses**

The National, 7th June 2012

LANDOWNER groups affected by the ExxonMobil-led PNG LNG project, are attending various training courses to start a business to improve and change the attitude of those already in some sort of business. Facilitated by the Institute of Banking and Business Management (IBBM) Enterprise Centre, the courses are an initiative of Esso Highlands, the LNG project manager. The landowners undertook two types of training courses. The first one is business basic training course and is generally what is involved in business. It is aimed to arouse the participant's interest in starting up a business and improving and changing the attitude of those already involved in some sort of business. The other is the directors training course, which provides the knowledge and skills of running and managing a business. One of the groups who attended these courses were members of the Gobe Women's Association, who completed the week-long business basic course and the two-day directors course. IBBM enterprise centre business co-ordinator and adviser, Nathan Maipso, told participants to put into practice the knowledge and skills obtained during the training. They were also asked to provide feedback of their experiences so that courses could be tailored to meet future requirements.

## **Kutubu missed out on Development Grants**

Post-Courier 7.6.2012

KUTUBU landowners want to know why they missed out from the recent Infrastructure Development Grant (IDG) payout. The landowners are also querying when the Southern Highlands Provincial Administration will pay their funding for PDL 2 as well. This has come to light by prominent PDL 2, Moran PDL 5 and 6 landowner plus Aporo'Urri Resource Owners Association chairman Paul Yawe. Mr Yawe said: "We the Kutubu people have totally missed out on any payment by the Hela Transitional Authority and the Southern Highlands Provincial Administration. My query for the HTA is why only PDL 5 and 6 Moran from our project area got paid recently in Port Moresby and how and why those particular groups got paid and the process that was followed," Mr Yawe said. He said the area beneficiaries belonged to two tribal groups and as a leader of one of the groups he was wondering why they missed out under the HTA structure.

"Payments were made from Juha to Portion 152, but where is the Kutubu funding?" he added. Whilst for PDL 2, Mr Yawe as a leader from that project area said the Southern Highlands Provincial Administration was the responsible agency to settle their claims. "If the funding is sitting in a trust account then I suggest the Southern Highlands administration or the National Government through the Department of Finance and Treasury act on our claims as soon as possible," Mr Yawe said. "I urge the responsible persons to release those funds this week. Everybody else has taken a piece of the pie, how about us?" he questioned. He said from information there should be K18 million available and at least K9 million should be paid out. Mr Yawe further stated that Kutubu PDL 2 payments must not be paid at Boroko or Waigani, but at Moro in the project area. He said he is speaking on behalf of the Kutubu landowners, from South East Mananda and Fasu people.

## **Make or Break for Deep Sea Copper Mining**

Wednesday June 6, by Shihoko Goto, Copper Investing News

Expectations are high for mining companies digging deep under the sea bed for copper and other metals, and the ocean is seen by many as the final frontier for commodities investors. Although the price of the red metal has lost its edge in recent months, a steady supply of high-quality copper is expected to become harder to come by, and exploring underwater may prove to be part of the solution. The challenge is how and if such operations can win over public opinion and be conducted in a way that has minimal impact on the environment.

At first blush it may seem like underwater mining has taken a step back. Toronto-based Nautilus Minerals, a rising star in the industry, is staggering from a heavy blow. The company is developing the world's first seafloor copper and gold project at its Solwara 1 deposit in the Bismarck Sea, Papua New Guinea (PNG). It was expected to begin extracting mineralized material late next year, and had listed on the OTC market in late April to increase access to US capital markets. On June 1, however, the company cautioned that its Solwara project could be delayed or even canceled due to a dispute with the government of PNG over ownership of the undersea mine. Nautilus had signed a deal with PNG in March that would give the government a 30 percent stake in the project in return for paying its share of development costs, estimated at about \$24 million. Until the situation is resolved, Nautilus will have to carry all costs itself. The government of PNG has argued that Nautilus has not met some of its obligations, therefore it too is not meeting its obligations.

Of course, looking to the sea as a source of base metals should come as no surprise, as the ocean covers over 70 percent of the planet and is an obvious source of minerals. Offshore drilling for crude oil has been going on for over a century, and technological advancements have made it more feasible to drill deep into the sea beds to tap into natural resources. The natural hot springs at the ocean's bottom, around PNG and New Zealand in particular, have concentrated minerals; Nautilus

has reported that its copper has a grade of 7 percent, which is high compared to the average land-based copper grade of 0.6 percent. Yet Nautilus is currently only one of two mining companies focused on offshore exploration for commercial underwater mining, the other being Nevada-based Neptune Minerals, which has acquired control of the UK's Neptune Minerals and its licensed tenements in New Zealand as well as Japan. Neptune has also acquired control of Hong Kong's Dorado Ocean Resource, and continues to focus on seafloor volcanogenic massive sulfide (VMS) exploration and extraction.

A major problem faced by both companies is opposition from environmental groups. For instance, Wenceslaus Magun, coordinator of the PNG environmental group Mas Kagin Tapani Association, told Radio Australia last month that PNG should step back from its deal with Nautilus, adding that "we could not rely on our government to tell us that seabed mining is good, is safe." Some industry observers also question whether seabed extraction — which would employ robots to break up the ore and pipe the slurry to a surface barge for transport and processing on land — is worth the risk. A 2011 study published in the journal *Geology* noted that while the sea floor indeed hosts recoverable mineral deposits, they are likely insufficient to meet global demand. Yet Nautilus signed its first commercial deal with China's Tongling Nonferrous Metals Group in April, agreeing to sell about 1.1 million tonnes of copper and other minerals per annum over a three-year period.

"The quality of this relationship with China's largest importer of copper concentrates provides further evidence that there is considerable interest in the high-grade massive sulfides being found by the emerging seafloor resource production industry," stated Nautilus CEO Stephen Rogers. Nautilus will be holding a conference call about its future plans and the latest developments regarding the Solwara project later this week. Major shareholders in Nautilus include Anglo American with 11 percent of shares, and Russia's Metalloinvest, which has a 21 percent stake in the company.

### **China's involvement**

While few companies contemplate taking the plunge into deep sea mining, it is clear that public interest in the business is increasingly rapidly. China is invested through the Jiaolong deep sea submersible, which is attempting a record dive of 7,000 meters below sea level. The United Nations' International Seabed Authority gave Beijing the go ahead to explore for minerals in international waters in 2001. Marine expert Song Xiaojun stated that the Jiaolong will be able to access resource-rich zones that can be as low as 10,000 meters, and commented that "China needs the technology to utilize these resources, because energy is the key to the country's industrialization." China is certainly eager to embrace the potential of deep sea mining. In October, the Underwater Mining Institute will be hosting a week-long conference on the challenges of developing marine minerals in an environmentally-sustainable manner at Shanghai's Tongji University.

"Many private and government-sponsored marine mineral exploration efforts are ongoing in efforts to respond to this increasing demand with new sources minerals. As we anticipate new commercial seabed mining operations in the near term, it is critical to ensure that such activities take place with due consideration for all resources that could be impacted," the Underwater Mining Institute stated. Clearly, the ocean remains a largely untapped resource for copper and other metals, and that the next scramble for resources may well be heading out to sea. There could be ample opportunities for mining groups both large and small to enter the market, but for now, investors will be closely following the prospects of Nautilus Minerals for clues about the future of the business.

## **Ok Tedi Mining posts K1.2b profit**

The National, 06th June 2012

By MALUM NALU

OK Tedi Mining Ltd, now 100% owned by the people of PNG through the PNG Sustainable Development Program (63.4%) and PNG government (36.6%), made a net profit of K1.2 billion last year from a total sales revenue of K4.5 billion. This was a drop from the 2010 profit of K2 billion from sales revenue of K5 billion, managing director and chief executive officer Nigel Parker announced at yesterday's PNGSDP annual report meeting at the Crowne Plaza Hotel in Port Moresby. He said dividends totalling K1.65 billion were paid out to PNG government (K141 million), Mineral Resources Ok Tedi (K23.6 million, equity representing Fly River provincial government), Mineral Resources Star Mountains (K23.6 million, landowners), community mine continuation agreement villages (K47.2 million), non-CMCA villages (K47.2 million), Inmet Mining (K877 million) and PNGSDP (K490.4 million).

The PNG government holds the people's investment in OTML as direct account to the nation via Treasury (18.3%), Fly River provincial government (3.05%), landowners (3.05%), CMCA region (6.1%) and non-CMCA region (6.1%). The PNGSDP holds 63.4% for the people of PNG. Parker said OTML was now in a strong financial position with a strong balance sheet positioned for the future, no financial borrowings, no lease commitments, a small specific hedge programme, and shareholders' funds totalling K2.4 billion. "2011 was a difficult operating year due to failure of the pyrite concentrate pipeline that closed production down for four weeks, one week for a fatality in the mill and other plant reliability issues," he told the meeting. "Copper and gold prices remained strong in 2011, but Kina expenditures were impacted by the weak US dollar. "The cash operating cost were well within reasonable limits of the 2011 budget."

Parker stressed that all Papua New Guineans should be proud because OTML was now 100% PNG-owned. "OTML is now a PNG national asset arguably worth US\$3 billion-plus (K6.3 billion-plus) on a commercial basis," he said. "However, if valued from the total cash return to the state, the value is far more substantial." Parker said 2011 heralded the beginning of a new era, as at the exit of BHP, the mine was expected to close in 2010. "Subsequent years have seen significant growth in revenues driven by consistent concentrate production and metal prices." he said. "In January 2011, OTML bought back the Inmet Mining Corporation's 18% shareholding for US\$ 335 million and those shares were cancelled. "The surviving shareholders equity increased proportionately as result of the cancellation of the Inmet shares: PNGSDP 63.4%, and the People of PNG 36.6%. "The current mine life has been reassessed and is expected to close during 2015."

## **Ok Tedi: Program records US\$ 199 million**

Post-Courier 6.6.2012

By KONOPA KANA

PAPUA New Guinea Sustainable Development Program Ltd (PNGSDP) has record an after tax profit of \$US199.7 million in 2011 which was made possible by Ok Tedi Mine Limited is (OTML) profitable operation and dividend of \$US335 million paid to the stakeholders. PNGSDP Chairman Dr Ross Garnaut said that OTML is wholly owned by PNG after applying \$US335 million in cash to buy back the shares of the Canadian company Inmet and OTML still remains the largest taxpayer in PNG and its royalty payments again gave Western Province the highest revenues per resident among all the provinces in PNG. PNGSDP places two thirds of its net income into a Long Term Fund (LTF) for use after the closure of the Ok Tedi Mine. Dr Garnaut said that the average rate of return on the LTF asset was 3.2 per cent and took the weighted average return since the commencement of the fund to 4.5 per cent with an expected balance of fund to reach \$US1.04 billion at the beginning of the year to \$US1.2 billion at the end of the year.

He said that the proportion of the LTF committed to domestic investments within Papua New Guinea rose throughout 2011 from 17.0 per cent to 22.8 per cent and this investment has been made within the requirements of a low risk portfolio. According to Mr Garnaut PNGSDP is building Western Province to contribute more generally to national development with projects like having access to mobile phones and related internet services, Western Power rural electrification program, and the Cloudy Bay Sustainable Forestry Limited to name a few. A report by PNGSDP stated that the large expansion of PNGSDP's development effort required systematic assessment in 2011 of the management capacity to carry the increased load and therefore the PNGSDP board agreed to appoint four new boards of Directors. The four members are Rex Paki senior accountant and businessman, Phil Bainbridge of BHP, Administrator of Western Province and PNGSDP Chief Executive Officer (CEO) David Sode.

### **Ok Tedi: PNGSDP spends K317.8m on projects**

Post-Courier 6.6.2012

By KONOPA KANA

PAPUA New Guinea Sustainable Development Program (PNGSDP) delivered projects to an accumulated value of K317.8 million which directly impacted a substantial number of people in some of the remotest communities in the Western Province. This was revealed by PNGSDP Chief Executive Officer David Sode in the annual general meeting yesterday in Port Moresby in his report of 2011 performances. Mr Sode said that PNGSDP 2011 score card has challenged the company to raise the bar to the next level for this year but first of all the staff of PNGSDP need to be congratulated for their tireless effort to overcome hurdles of delivering projects in the most isolated part of PNG. He said that PNGSDP has put in a huge effort to deliver a range of small to large projects consistent with their mission of promoting development that meets the needs of the present generation and establishes the foundation for continuing progress for future generations of PNG.

"My Board, staff and I never fail to admire those stakeholders of PNGSDP who are still struggling to hold a place of service out in those rural areas in the face of considerable difficulty and almost impossible circumstances," Mr Sode said. He said that it has been a delight that funds, delivered through careful and accountable structures, have given life to those organisations to keep on. According to a report from PNGSDP on 2010 projects that are delivered in Western Province.

nDaru airport K40 million project upgrade has been completed

nDaru water and sewage upgrade, water PNG and PNGSDP joint working team on this project

nDaru Deep sea Water Port

nOk Tedi Mining Limited (OTML) life extension

PNGSDP 2011 annual report stated that the company is extending their boundary in terms of project development into other provinces in PNG with over more than 20 valuable projects are underway.

### **Nautilus in hot water**

Post-Courier 6.6.2012

By PATRICK TALU

NAUTILUS Minerals, the operator of the world's first undersea mine in the Solwara 1 Project in PNG, said it might have to slow or defer development of its marine-mining project because of a dispute with the State which owns 30 per cent of it. The company advised through Toronto Stock Exchange last week that it was in dispute with the State as to the parties' obligations to complete the agreement entered into on March 29, 2011. Nautilus further advised shareholders that it had initiated the dispute resolution process provided for in the agreement, which may lead to a referral of the dispute to an arbitration if it could not be resolved through further discussions amongst senior representatives of the parties over an initial 10-day period. The State exercised its option under the

agreement to acquire a 30 percent interest in the Solwara 1 Project through its nominee, Petromin PNG Holdings Limited. However, the State asserts that Nautilus has not met certain obligations on which completion is dependent, and that Nautilus has breached the agreement which Nautilus has refuted. Under the Agreement the State's nominee (Petromin) must pay (among other amounts) its share of costs incurred in the development of the project up to completion to acquire its project interest.

Nautilus said unless and until the dispute was resolved, completion would be delayed or may not occur and Nautilus must continue to carry these costs. This may lead to Nautilus needing to slow or defer the build program for project equipment, which would have consequential impacts on the scheduled commencement of operations and overall project costs. The State signed an agreement and exercised its option to take up a 30% stake in project in the Bismarck Sea. Governor General Sir Michael Ogio signed the agreement at a short ceremony attended by Nautilus Chief Executive Officer Stephen Rogers and Petromin Managing Director Joshua Kalinoe in Port Moresby in March 2011. According to agreement, Nautilus will retain a 70% holding in an unincorporated joint venture to be established with the PNG Government to hold the mining assets of the project. It was agreed that the Government's initial payment to secure its holding will be approximately US\$20-25 million (about K42 million), which represents its share of the exploration and development costs incurred up to the date of grant of the Mining Lease in January 2011.

## **Foreign Interest In Mining Projects Increasing For Solomon Islands**

Gold, nickel and seafloor prospects attracting overseas attention

MELBOURNE, Australia (Radio Australia, June 5, 2012) – Solomon Islands is seeing a rush of interest in mining exploration. In the 2 years since the re-opening of Solomon's only mine at Gold Ridge on Guadalcanal there has been a surge of interest by explorers. Central Bank Governor, Denton Rarawa says interest centers on gold, nickel and seafloor deposits. Eleven new land-based exploration licenses have been issued and 3 offshore licenses. Mr. Rarawa says big names that have been attracted to Solomons include Sumitomo from Japan and Newmont from the United States. He says mining is expected to be a significant contributor to the Solomon's economy this year. Gold Ridge, with more than 1,000 workers, is now one of the biggest employers. Mr. Rarawa says exploration investment is also significant.

### *Editorial*

## **Ok Tedi: A fine example, PNGSDP**

The National, 05th June, 2012

THE PNG Sustainable Development Program will meet for its annual general meeting today in Port Moresby. We can be assured of a glowing report of the projects undertaken by PNGSDP, whose influence spreads far beyond the borders of the Western province where it was hatched out of the golden goose egg of the Ok Tedi gold/copper mine in 2002 with an agreement between BHP Billiton and the state of PNG. Under the agreement, BHP gifted 52% ownership of the Ok Tedi mine to the people of PNG and especially the Western province. When Inmet Mining departed as well, PNGSDP increased its stake in the mine to 63.4%. Today, PNGSDP can be found in every province in the country and in regions as remote as the Carteret Islands in the Autonomous Region of Bougainville, in Kiriwina Islands in Milne Bay and in Menyamya in Morobe and Kerowagi in Chimbu. The organisation invests two-third of its income in long-term fund to be used to support development activities after the mine closes. At the end of 2010, the long-term fund stood at US\$1.04 billion or K2.15 billion at yesterday's rates. That is a staggering amount which alone is nearly 20% of

the country's K10 billion national budget.

The question this begs asking is: If this is the kind of money that is available for use for development purposes in this country, how much more money could be made available through similar arrangements under all the other project agreements around the country? Bougainville copper mine begun in 1974. Ok Tedi began operations in 1984. Porgera gold in 1990, Tolokuma in Central province in 1995 and Lihir in 1997. First oil was sent out of the Kutubu fields in 1989 and commercial production began in 1992. That has now been joined by fields in Moran, Southeast Gobe, Mananda and Juha. A first-class nickel cobalt mine is coming on stream in Madang, a gold mine is starting up in Yandara in Madang also and Wafi and Frieda River are the largest undeveloped copper resources in the region. And that is not to mention world-class liquefied natural gas project being constructed now with another in the offing. These all mean billions of kina. But can the billions be organised in a similar fashion to the PNGSDP so that there are money trees growing which will bear fruit to sustain communities and provinces where the resource projects are well after the resources have been exhausted? Will there be sufficient leftover to be able to undertake development projects through the length and breadth of this country?

We feel sure that the success of the PNGSDP model can be repeated. We feel sure that such a facility exists, even under existing agreements without alarming developers unnecessarily about possible pushes for greater equity issues. We feel certain that were the national government to part with its holdings in all the mining and petroleum projects in the country and leave it to a professional body such as the PNGSDP to manage, there will be a lot more money trees growing like the PNGSDP throughout the country. The government would have no need to worry about revenue from the projects that it might forgo because each of the sustainable development programmes would be performing sterling jobs in place of government in each area and in each province as well as reaching throughout the country. In any case, as has been shown by the PNGSDP, the tax benefits would more than compensate for the forgone dividends. We feel confident that were such a scheme possible, even those mining companies which are operating in the country might be able to give greater equity to such an entity. This might be a far better alternative than trying to legislate to place ownership of mineral and hydrocarbon wealth in the hands of landowners. That would create a huge mess since no government has devised any way – neither in policy nor in law – which has shown it capable of containing the landowner movements in this country.

### **New water, sewerage project to start in Daru**

The National, 05th June, 2012

DARU'S ongoing water and sewerage problems, which have crippled business for many years, will become a thing of the past when the K52 million water and sewerage project funded by PNG Sustainable Development Program (PNGSDP) is completed in April next year. Under the water agreement signed in April this year, PNGSDP will provide funding of K52 million to improve water and sewerage systems. Water PNG, which owns the systems, will provide the technical support for the project. The project will take 12 months to complete from the signing of the deal. The problem came to a head in November 2010 when 13 people died and more than 60 were admitted to hospital following a cholera outbreak. The island is currently over-populated with more than 20,000 people, including public servants, who depend entirely on water piped from the mainland. A few people and institutions depend on well water and rain water.

“The current Daru water supply system is old, has become unreliable and is no longer capable of supplying the needs of the increasing population,” according to the PNGSDP. “As well, there is no reticulated sewerage system on the island, which poses serious health risks for the island's population. “The proposed development of a port at Daru and associated industrial development will im-

pose added pressure on the existing infrastructure and services in the town. “PNGSDP has approved K52 million to rehabilitate the existing water supply and to build a reticulated sewerage system.” Meanwhile, a tertiary sewerage treatment facility will be constructed at Tawo’o Point to replace the current system involving dumping of raw sewerage into the sea at Tawo’o Point. This facility is expected to cost around K20 million and expected to be completed by end of this year.

### **Solid economic growth in PNG, says IMF report**

Post-Courier 5.6.2012

PAPUA New Guinea has seen solid economic growth over the past decade despite being a low income country. And the revenues that will be generated from the K50 billion LNG Project is an opportunity to raise living standard for all Papua New Guineans. This was revealed in a report from the Executive Board of the International Monetary Fund (IMF). The report highlighted sound macroeconomic policies, improved public finances, moderate inflation, and attractive conditions for foreign investors in the mining and petroleum industries to achieve its development targets including government’s focus on public services, including education, health, law and order, and infrastructure. The report stated that reforms are under way to raise the efficiency of public enterprises and increase competition in the private sector while the real Gross Domestic Products (GDP) is estimated to have increased to about 9 per cent in 2011 from about 7.6 per cent in 2010.

IMF said in the report that higher-than-expected commodity prices boosted government revenue and greater spending discipline, including on spending out of trust accounts, resulted in budget surpluses and the Bank of PNG raised its policy rate by 75 basis points to 7 quarter percent, increased commercial banks’ cash reserve requirements by 200 basis points to 6 percent, and issued central bank bills to mop up liquidity. The IMF Executive Board commended the authorities for achieving macroeconomic stability and a sustainable fiscal position to preserve these achievements and promote inclusive development. It was noted that it will be important to combine steady, affordable growth in government spending with improvements in public financial management and expenditure effectiveness. After 10 years of uninterrupted economic growth, the medium-term outlook remains positive and risks to the outlook are broadly balanced and predominantly related to the resource sector. Further monetary tightening would likely be needed to anchor inflation expectations at the Bank of PNG’s 5 per cent reference value reducing excess liquidity by raising banks’ cash reserve requirements.

### **Duma issues warning notice to InterOil**

Post-Courier 5.6.2012

INTEROIL Corp’s ambitions to develop Papua New Guinea’s second liquefied natural gas project in the Gulf province appears to be close to collapse after a flare-up in tensions with the government over the structure of the venture. Minister for Petroleum and Energy William Duma on Thursday issued a notice warning of the termination of a 2009 agreement that InterOil has with the government covering the framework for the LNG project. He said InterOil needs to sell a majority stake in its gas resources in PNG to a major LNG operator, which would also run the LNG venture. According to article published on the Australian Financial Review, relations between US-listed InterOil and the PNG government have been deteriorating over the past months in an increasingly bitter dispute over the project, which would be the second LNG venture to be developed in PNG after ExxonMobil’s \$US15.7 billion (K50 billion) project currently under construction. InterOil and its affiliate Liquid Niugini Gas planned to develop InterOil’s Elk and Antelope gas fields using two LNG projects: a small onshore one with Australia’s Energy World Corporation and a fixed-floating one with Norway’s Flex LNG.

But the government wants instead one world-scale onshore project of at least 7.6 million tonnes per year of production, run by an internationally recognised LNG operator, along the lines of Exx-

on Mobil's project. It is now advising it will terminate InterOil's project agreement within 180 days, on the grounds that InterOil has not complied with its obligations and has breached the agreement. "Unfortunately InterOil has for too long insisted on a development structure which is designed to only meet its objectives of controlling the asset and the pace of developing it," Mr Duma said in a media statement on Thursday. "In the face of continuing obstruction of the implementation of the 2009 project agreement by InterOil and Liquid Niugini Gas Ltd I have therefore been left with no choice but to issue a notice of intention to terminate the project agreement. InterOil and Liquid Niugini Gas are fighting the bid by the government to cancel the project agreement.

## **Solomons Government Accused Of Not Verifying Gold Ridge Mine Exports**

*Criticism leveled at finance minister for contradictory reports*

By Ednal Palmer

HONIARA, Solomon Islands (Solomon Star, June 5, 2012) – The Malaita Ma'asina Forum (MMF) stands by its statement that 22 gold exports from April 2011 to April 2012 by Gold Ridge Mining Limited have not been physically verified by government officials. Team Leader of the MMF Economic Development Technical Committee Martin Housanau said they made the insistence following denial by the Permanent Secretary of the Ministry of Finance and Treasury, Shadrach Fanega, that the gold exports had been physically verified. Mr. Housanau said officials from the Customs & Excise Division of the Ministry of Finance and Treasury, the Ministry of Mines and Energy, and the Central Bank, were not present to physically verify each of the 22 gold exports. He said information obtained from officials from the Customs and Excise Division contradicts Mr. Fanega's explanation that gold exports from Gold Ridge Mining Ltd. have been properly monitored. He said the MMF Economic Development Technical Committee gives credit to officials from the two ministries who vow that they will continue to push for their staff to be present during future gold weighing and exporting.

*[PIR editor's note: Customs and excise comptroller Nathan Kama says his staff "will still push" to have official personnel present during the weighing of gold for export at the Gold Ridge Mines in Guadalcanal, but claims that the company did not approve of the increased regulations, "citing security reasons." The current practice, according to Solomon Times, allows Gold Ridge to serialize and photograph gold bars on electronic scales with weights clearly visible.]*

Mr. Housanau said Mr. Fanega should appreciate what the MMF has done on behalf of his Ministry, that of the Ministry of Mines and the Central Bank, and the Government as a whole by revealing 'uncalled-for illegal practices' by Gold Ridge Mining Ltd. The leader of the MMF Economic Development Technical Committee called on Mr. Fanega to confirm to the nation on whether or not gold export receipts from the gold exports have been received in Solomon Islands or are being kept offshore in a foreign currency account approved by the Central Bank in 2011. He said the Permanent Secretary of Finance's attitude in denying gold exports not being verified does not reflect well of a national leader who should ensure Solomon Islands gets the maximum benefits from its resources. Mr. Housanau stressed that the MMF will continue to probe into issues of national interest such as gold exports if it has evidences of Solomon Islands laws being breached.

"In this regard, the call for the Prime Minister to establish a Commission of Inquiry into the operations of the Gold Ridge Mining, Immediate dismissal of RAMSI advisor who holds the line position as Deputy Comptroller of Customers (Exports & Imports) and halting of the gold exports from Gold Ridge until staff from the relevant authorities are allowed by the Mining Company to be physically present to verify the gold exports, still stands." Meanwhile, members of the Gold Ridge Landowners Association have expressed shock upon learning from the MMF's revelation that Gold Ridge

Mining Ltd. has not followed Solomon Islands laws that govern gold exports. But in a statement last night, Gold Ridge Mining Limited rejects outright any allegations that it is acting improperly. "The company fully reports all gold exports and pays in full all required royalties and duties. "Allegations to the contrary are completely unfounded and baseless, and show a fundamental lack of understanding of the processes being implemented."

### **Ok Tedi: Leaders told not to touch Long Term Fund** By PATRICK TALU

Post-Courier 4.6.2012

THE Chief Executive Officer for the Papua New Guinea Sustainable Development Program Ltd (PNGSDP) David Sode has cautioned Fly River Provincial Government and its people to stay away from the Long Term Fund(LTF), an investment fund held offshore for future developments in the province. Mr Sode, who is said to have turned PNGSDP into a truly Western Province focused entity and development vehicle, told representatives of the Fly River Provincial Government comprising Governor Bob Danaya and South Fly MP and Sport Minister Sali Subam, that "this fund over US\$1.04 (K2.1 billion) belong to the people of Western Province and make sure that this fund is never touched. When the Ok Tedi mine is shutdown, these funds invested in the LTF will be used to build the infrastructure and other developments in the province," Mr Sode said. The CEO stressed that if politicians and people with vested interest start to question where the K2.1 billion LTF was, they should be asked why they are asking for the funds. "Western Province will become like another Misima.

There has been so much talk about Misima but now we can't hear Misima anymore. It's gone and if we are not careful and mindful of our future development, we will be gone like Misima," Mr Sode warned. He said government could not deliver all its development needs and it's important for the people of Western to look after their future funds so that when the expected mine closed in 2024, they would use LTF to fund some of the development projects like infrastructure, health and education in the province. Mr Sode also challenged the government, especially the Fly River Provincial Government and its administration to build the foundation for their future generation by investing more in the elementary education. "We have to build the foundation and that has to be started at the elementary level that will be the generation that will be greater than the country," he added. Mr Sode stressed that investing at the elementary level which he said had been tried and proven successful and would like the National Department of Education to investment more in the elementary sector.

### **Daru is poised to grow** By PATRICK TALU

Post-Courier 4.6.2012

PAPUA New Guinea Sustainable Development Program Ltd (PNGSDP) has a vision to making Daru Township a commercial and shipping hub for the country's increasing shipping logistic demand post by mining and petroleum sectors. PNGSDP, majority shareholder (63.4%) by Ok Tedi Mine is also strategising itself to tap into the petroleum and mining prospects and other sustainable economic developments in the Western and Gulf provinces by initially investing over K100 million into Daru Township alone. Not only Daru a shipping hub, but it is also PNGSDP's vision to make this town an international air destination where it is anticipated to have direct international flights in and out of Daru to other international airports. The strategy is very fitting given this area's vast oil and gas deposits in which explorations are spearheaded by one of world's energy companies in Talisman Energy, Mitsubishi and the proposed OK Tedi mine life extension and the Purari Hydro Scheme which will supply water into the Australian State of Queensland which have huge economic benefits to the province.

PNGSDP Chief Executive Officer (CEO) David Sode, while announcing and launching four major integrated projects worth K100 million as seed capital, said: “PNGSDP is Western Province owned and it’s worth giving more back to the people of Western. He said PNGDSP had strategised itself to tap potential and economic opportunities that the province presented in terms of vast natural resources such as the gas and mineral exploration activities. He said PNGSDP had aligned itself towards hosting these potential developments so that the province maximised the benefits that would be associated with those commercial activities. Mr Sode said Daru Deep Water Port was one of the major developments taking place in Daru with an initial investment of more than K15 million at a natural water channel that would be host to many huge cargo barges bound for Ok Tedi Mine, equipment for the Purari Hydro Scheme and the proposed liquefied naturals development. “The Daru Deep Water Port represents a considerable investment by PNGSDP in the transformation to be a commercial business in its own right,” he said. “The port will enable the creation of an industrial hub at Oriomo and support the development of a LNG plant at Daru.

“An additional benefit is that there is sufficient space offshore to regain an easement for an LNG plant built on reclaimed land and a safety zone around the plant,” Mr Sode told the people of Daru, over 60 delegates from various stakeholders including World Banks Country representative Laura Bailey and the media. He said another potential the deep sea water port presented was the potential to export copper concentrations from the OTML subject to mine life extension approval and subject to a memorandum of understanding between PNGDSP and OTML. Head of transformation projects Aloysius Aihi for the Daru Deep Sea Port said a sheet pile wharf would be constructed at Tawo’o Point to cater for unloading of heavy machineries and materials for the Port construction for the first the phase. He said the facility was part of the overall and integrated Daru sewerage and water project development as part of the K100 million seed capital. Other major projects launched by PNGSDP were the Daru Wharf Trestle at a cost of K10 million, Daru water and Sewerage Project at a cost of K20 million and the commissioning of upgraded Daru Airport at the cost of K40 million. Daru is expected to be the gateway to PNG’s major mining, petroleum and other resource developments.

### **Mineral companies get ready to harvest our seabed**

PNG Mine Watch 2.6.2012

New exploration licenses for experimental seabed mining have been granted in the Pacific, Indian and Atlantic Oceans. Listen to the latest edition of **One Planet** on BBC World Service Radio which features Nautilus’s Solwara One experimental seabed mine in Papua New Guinea and puts it in a global context. [One Planet – BBC World Service Radio Online](#)

### **Australian mining: High costs 'hold back expansion'**

Peter Ker, Sydney Morning Herald, June 2, 2012

AUSTRALIA'S biggest listed gold producer has joined the list of mining companies warning that the country has become too expensive to consider new domestic projects. Speaking in Melbourne, Newcrest Mining managing director Greg Robinson said Australia was now among the most expensive 25 per cent of destinations around the world in which to develop goldmining projects. "We love working in Australia ... [but] labour costs are very high, the currency is high and energy costs and taxation issues are making Australia's gold industry about a third or fourth-quartile industry," he said. "So it's very difficult within this cost cycle to allocate major expansionary capital." Newcrest will soon complete the expansion of its Cadia project in New South Wales but future exploration and expansion works will be focused on its assets in nations such as Papua New Guinea and Ivory Coast.

But Mr Robinson added he believed the cost cycle had recently peaked, with high costs killing some projects, thereby easing the pressure on labour and contracting costs for those that had survived. "The number of projects that will be delayed will increase, that will bring pressure off the industry," he said. Mr Robinson said Newcrest shareholders would continue to enjoy their normal dividends but he indicated that gearing levels would influence whether the company issued a special dividend this year. Mr Robinson dismissed analysts' suggestions that Newcrest might make an equity-raising should the gold price fall below \$US1500 an ounce. The suggestion followed a massive slide in the share price for the publicity-shy company, which yesterday was trading below \$25 a share. The stock was worth more than \$40 less than a year ago and has slid despite a rise in the average price of gold over the past 12 months.

### **Nautilus dispute with Papua New Guinea to delay or even cancel underwater mining dreams** Mining.com, June 1, 2012, Cecilia Jamasmie



Canada-based Nautilus Minerals Inc. said Friday it is in dispute with Papua New Guinea as to the parties' obligations to complete the agreement reached in March last year for its Solwara 1 copper project. The company, the first to explore the ocean floor for polymetallic seafloor massive sulphide deposits, warned Solwara 1 copper project could be delayed or cancelled because of the dispute with Papua New Guinea over their ownership agreement for the underwater mine. The country optioned to acquire 30% of the Solwara 1 project, located in its territorial waters in the Bismarck Sea, last year and, as part of the agreement, Papua New Guinea have to pay its share of development costs for the mine. "Unless and until the dispute is resolved, completion will be delayed or may not occur and Nautilus must continue to carry these costs," said Nautilus in a release. Not long ago, the future looked promising for Nautilus. In late April, the company announced it had signed China's Tongling Non-ferrous Metals Group as the first customer of its pioneering Papua New Guinean seafloor mine. The project, in the minerals-rich Manus basin of PNG's Bismarck Sea, is claimed by Nautilus as the world's first commercial sea-floor mine, and is slated to begin production in the fourth quarter of 2013. Nautilus shares fell over 12% in the Toronto Stock Exchange after the announcement.

### **Nautilus Dispute With the State of Papua New Guinea**

Toronto, Ontario, Marketwire, June 1, 2012

Nautilus Minerals advises that it is in dispute with the Independent State of Papua New Guinea (the State) as to the parties' obligations to complete the Agreement entered into on 29 March 2011. Nautilus has initiated the dispute resolution process provided for in the Agreement, which may lead to a

referral of the dispute to arbitration if it can not be resolved through further discussions amongst senior representatives of the parties over an initial 10 day period. The State exercised its option under the Agreement to acquire a 30% interest in the Solwara 1 Project through its nominee, a subsidiary of Petromin PNG Holdings Limited. However, the State asserts that Nautilus has not met certain obligations on which completion is dependent, and that Nautilus has breached the Agreement. Nautilus refutes these assertions. As previously disclosed, under the Agreement the State's nominee (Petromin subsidiary) must pay (among other amounts) its share of costs incurred in the development of the Project up to completion to acquire its Project interest. Unless and until the dispute is resolved, completion will be delayed or may not occur and Nautilus must continue to carry these costs. This may lead to Nautilus needing to slow or defer the build program for Project equipment, which would have consequential impacts on the scheduled commencement of operations and overall Project costs.

### **About Nautilus Minerals Inc.**

Nautilus is the first company to explore the ocean floor for polymetallic seafloor massive sulphide deposits and is developing its first project at Solwara 1, in the territorial waters of Papua New Guinea, where it is aiming to produce copper, gold and silver. The company has been granted all necessary environmental and mining permits. Nautilus also holds approximately 600,000 km<sup>2</sup> of highly prospective exploration acreage in the western Pacific; in PNG, the Solomon Islands, Fiji, Vanuatu and Tonga, as well as in international waters in the eastern Pacific. A Canadian registered company, Nautilus is listed on the TSX:NUS and AIM:NUS stock exchanges and OTCQX: NUSMF. Its corporate office is in Brisbane, Australia. Its major shareholders include Metalloinvest, the largest iron ore producer in Europe and the CIS, which has a 21% holding, global mining group Anglo American, which holds an 11% interest and MB Holdings, an Oman based group with interests in mining, oil & gas, which holds a 9.98% interest.

### **OTML, leaders wrap up consultation talks**

The National, 01st June, 2012

OK Tedi Mining Ltd (OTML) and regional leaders from the mine-impacted regions have concluded another round of regional consultation meetings on mine life extension (MLE). This is the third round of regional meetings between OTML and community leaders from the Suki Fly Gogo, Kiwaba, Dudi, Manawette, Middle Fly, Highway, Lower Ok Tedi regions, and the Mine villages since the mine life extension and consent process began in 2009. The meetings were also attended by representatives from Allen Arthur Robinson (AAR), Ok Tedi Development Foundation (OTDF), PNG Sustainable Development Program Ltd (PNGSDP) and the state. OTML made presentations on the facts about the Ok Tedi mine operations, updates on the mine life extension feasibility study and an environment study, and the proposed compensation package while OTDF and PNGSDP provided updates on the status of ongoing projects including those under the tax credit scheme (TCS). AAR gave a presentation on the community mine continuation agreements (CMCA) and the state covered procedures to access funds from the Western Province Dividend Trust Fund. The aim of the MLE consultation process is to ensure that mine affected communities are provided with detailed information so they can make an informed decision to either support mine life extension or insist on its closure. The third regional consultation meetings for the nine impacted regions began on May 8 and ended yesterday. The regional leaders are expected to return to their respective villages and inform their communities on the outcome of the meetings.

### **Sinivit: Chan urges miner to continue talks**

The National, 01st June, 2012

MINING Minister Byron Chan has urged landowners of the Sinivit gold mine and the East New Britain government to continue dialogue on outstanding issues under the memorandum of agreement. He said this in Kokopo last weekend after the Mining Advisory Council renewed the mining leases and exploration licenses of Sinivit's Canadian developer, New Guinea Gold. The council had recommended to renew the company's expiring mining leases for another 10 years and the exploration licence for a further two years. Mineral Resources Authority said Chan consulted stakeholders to make sure issues under the agreement were addressed including those on the developer. It said unresolved issues under the agreement were the concern. The provincial government and landowners were keen to have the issues resolved. The MoA is to be reviewed in August.

### **Remote LLG invites gold exploration companies**

The National, 01st June, 2012

THE people of Yambaito in the Kompiam-Ambum electorate of Enga are calling on interested exploration companies and investors to come and mine gold deposits in their area. There is no road to their village and is only accessible by air. They said local gold buyers travel there often to buy gold. Some villagers who can afford it bring their gold nuggets to Port Moresby, Lae or Mt Hagen to sell. Andrew Kane and Rex Map came to Mt Hagen yesterday and said the people wanted to see a company start gold mining there. They said because of the lack of basic government services, gold mining could turn things around for the people and the local economy. Yambaito is close to Angoram in East Sepik.

### **LNG: Japan keen to increase PNG investment**

Post-Courier 1.6.2012

By GORETHY KENETH

MORE than forty-five Japanese companies are eyeing Papua New Guinea's multi-billion kina LNG project. These multi-billion kina companies are ready to take on the production process come 2014 as signed with the Government of PNG in the consortium led by world's energy giant ExxonMobil's subsidiary Esso Highlands Ltd. However, they are very concerned about the recent turn of political events that could sever the agreement some of the major companies had signed with the PNG Government, with threats to stop their coming to PNG. The companies also raised concerns about the law and order situation in country, starting from Port Moresby and right through to the Highlands region. They also spoke about the tourism industry in PNG, which would definitely help grow the economy of the country, which they want to help in, and that would go hand in hand with the PNG LNG project.

Former Japanese Ambassador to PNG Tatsuo Tanaka, who is now consultant and advisor to the PNG-Japan LNG Group in Japan told the Post-Courier in Japan recently that about 45 companies, big and small have shown great interest in the LNG project and also mining and other major industries in the country. Ambassador Tanaka detailed that Japan's second largest gas producer Osaka Gas (18 per cent-PNG), TEPCO, Tokyo Gas, Chubu Electric, Kansai Electric, Tohoku Electric, Toho Gas, Itochu, Mitsubishi and Nippon to name a few are ready and willing to tap into major businesses in PNG, especially the LNG project. "We were hoping Prime Minister Peter O'Neill would have come to Japan for the Pacific Islands Leaders Meeting (PALM) so that the investors (and we are talking about this multi-billion kina investors), would meet with him so that he could just assure, especially the businesses that have signed agreements and those that are just making inroads into PNG," Ambassador Tanaka said.

Japan foreign Minister Koichiro Gamba, while responding to Post-Courier's questions about Japan's involvement in PNG said that PNG's multi-billion kina LNG project features extensively in Japan because half of the producers will come from Japan. But he said that PNG should seriously sort out its law and order situation because this was the issue that has caught the eyes of the world, specifically Japanese top business corporations who are very interested in tapping into the market in PNG. "Papua New Guinea is a real business investment partner to us. As you will note, the multi-billion kina project that you have back in your country, Japan has been very involved and interested because half of the producers will come from Japan,"

Mr Gamba said. "A lot of Japanese Corporations are very much interested in coming to PNG to invest and do business but as a major concern, PNG has to work on its law and order situation to make the economic environment conducive, not only for our Japanese corporations, but also for the sake of those multi-million dollar businesses that have interests in PNG," he said. Japanese Prime Minister Yoshihido Noda who met with PNG Ambassador to Japan Gabriel Dusava, who stood in for Mr O'Neill, singled out the LNG project which the Japanese Government was closely monitoring in which most of the multi-billion kina companies from Japan that helped develop Japan were already in partnership with PNG. He is hoping for a bilateral business meeting with the PNG Government soon.

### **LNG: Lealea told to venture into businesses**

Post-Courier 1.6.2012

By WALLACE KIALA and JOE GURINA

THE Department of Commerce and Industry is urging the people of Lealea village to change their attitude and venture into lasting business investment opportunities. Department Secretary Steven Mera told villagers this yesterday during the launching of the Buria Rearea Caution Bay (BRCB) Limited land group. This land group is the business arm under the PNG LNG project that will cover business ventures in which the various clans that make it up will participate. "Benefits from the PNG LNG project will not last. You must make use of the lost opportunity," Mr Mera said. The BRCB land group comprises 13 clan groups and the launch yesterday also coincided with the release of K3.3 million following a Memorandum of Agreement under the LNG project which was signed at Murray Barracks in 2010. BRCB is one of the land business groups which are covered under the Laba Umbrella Company. This is part of the second batch from the State dished out as seed capital for impacted communities within the PNG LNG project.

While the 13 clans received their portions received by the respective directors and trustees, the churches also received their share of K100,000 from the K3.3 million. There was a challenge from United Church Reverend Konio Morea for community leaders to do their best in achieving what they were meant to deliver for the people in future. In acknowledging this achievement for the people, BRCB chairman Rausi Iru commended MPs for their support to recognise the group and also highlighted that the long court battle over the past 18 months was now over. He called on the members from the opposing factions to work together with BRCB and be part of the business investment opportunities that were more for the future prosperity of the small villages covered by BRCB. BRCB also unveiled its official business logo. This was done by the widow of the late former Chairman of BRCB Morea Veri, Mrs Vagi Morea. Represented at the launch were ANZ and BSP bank officials and other organisation representatives.

### **Tiefseevorkommen: Deutschland findet riesiges Rohstofffeld**

Manager Magazin, 31.5.2012

Es ist ein aufsehenerregender Fund: Forscher haben im deutschen Lizenzgebiet des Pazifik ein riesiges Vorkommen an Manganknollen entdeckt. Die gigantische Ablagerung würde den deutschen

Bedarf an darin enthaltenen Rohstoffen für 40 Jahre decken - sofern die Knollen abgebaut werden können.

Hannover - Meeresforscher haben im deutschen Lizenzgebiet des Pazifik ein großes Vorkommen an Manganknollen entdeckt, mit dem Deutschland seinen Bedarf an begehrten Buntmetallen über Jahre decken kann. Das teilte die Bundesanstalt für Geowissenschaften und Rohstoffe (BGR) am Donnerstag nach einer Expedition in den Manganknollengürtel zwischen Hawaii und Mexiko mit. "Das sind etwa 110 Millionen Tonnen, damit wäre in Zukunft mehr als 40 Jahre Manganknollenbergbau in der Tiefsee möglich", sagte BGR-Expeditionsleiter Carsten Rühlemann. Das Metall Mangan ist ein wichtiger Ausgangs- und Veredelungsstoff für die Stahlgewinnung. Die Erkundungslizenz für zwei riesige Gebiete im Pazifik erlaubt Deutschland zunächst die Erfassung der Vorkommen und die Untersuchung möglicher Auswirkungen einer potenziellen Rohstoffgewinnung. Anschließend können sich deutsche und später auch andere Unternehmen um eine Förderlizenz bemühen. Manganknollen beinhalten neben Mangan auch Kobalt, Eisen, Kupfer, Nickel und Zink. Um die besten Abbaugelände der Rohstoffe auf dem Meeresgrund zeichnet sich ein Wettlauf der großen Industrienationen ab. *kst/dpa*

### **Life plentiful at undersea-volcanoes**

Fairfax NZ News, 31.5.2012



Polychaete worm (NIWA); See [Stuff.nz](#) for [video and gallery of images](#)

Researchers have returned with more than 5000 samples and footage of never-before-seen undersea volcanoes after a three-week voyage in waters off the Bay of Plenty and northeast along the Kermadec Ridge. The NIWA scientists studied four different undersea habitats - seamounts, hydrothermal vents, continental slope and canyons within a 10,000sqkm area. The work is being done to improve understanding of the vulnerability of deep-sea communities to human activities such as seabed drilling, fishing and mining. Voyage leader Dr Malcolm Clark said the trip confirmed that environments in the different deep sea habitats varied in their characteristics, with communities of fauna differing even from other communities that were nearby. "The implication is that the exploitation of one seamount could have an effect that is not the same as the seamount close by," he said. The specimens collected almost certainly included something new, as typically almost 10 per cent of samples caught in the deep sea were new to science or new to New Zealand.

Canyons which had not been surveyed before had also been sampled extensively, and it was expected many new discoveries would be made once the samples and photographic data were analysed. The seamounts investigated included Tangaroa, about 200km northeast of Whakatane and part of the Kermadec Ridge. It comes to within about 900 metres of the surface of the ocean, starting from a depth below sea level of about 2000 metres. Specimens including barnacles, mussels, and shrimps taken from Tangaroa seamount were specific to sites with hydrothermal venting, proving the seamount was an active volcano, Clark said. Fifty submarine volcanoes stretch along the Kermadec Ridge, which extends almost 1500km to the edge of the New Zealand EEZ, northeast of the Kermadec Islands. The most southerly of the large seamounts along the ridge is about 100km northeast

of Whakatane. Clark said the community on Tangaroa seamount was not unique, but differed from those found on some neighbouring seamounts.

Some seamounts had been trawled for orange roughy, and there was also interest in the possibility of mining seamounts in the Kermadec Ridge for a mineral resource called seafloor massive sulphides, which contained high concentrations of copper and zinc, along with gold and silver. Life was plentiful on the seamounts, particularly around the hydrothermal vents, Clark said. The seamounts were hard, rocky places, elevated from the seafloor. The faster currents moving around them brought food particles for animals to eat. In the canyons, which came out from Tauranga and Whakatane, samples had been taken down to around 1500 metres. The canyons could be 200 to 300 metres deeper than the surrounding seafloor and 2km to 3km wide. "They are quite narrow and they channel a lot of water and soft sediment which comes off the land and near-shore coastal areas. They act as almost undersea rivers," Clark said. Little life was seen on the surface of the soft sediment on the seafloor of the canyons, but within the sediment were large numbers and many different types of worms. Samples were collected from the canyon floor using a corer which fired tubes up to 50cm into the seafloor. The tubes were then sealed and returned to the surface. The aim was to have analysis of the samples brought back from the trip, along with those from a survey carried out on the Hikurangi Margin near Cook Strait in 2010, completed within the year.

### **Australia: Gillard faces down mining bosses**

ABC News Lateline, 31.5.2012

*Watch the video on the [ABC website](#)*

Julia Gillard has thrown down the gauntlet to mining bosses, telling them face-to-face that they don't own the nation's resources and Australians deserve their share. Ms Gillard delivered a feisty speech to the Minerals Council last night, one month out from the introduction of the carbon tax, telling them she is determined to stick to Labor's plan to share the benefits of the boom. Her frank challenge to the industry came after Opposition Leader Tony Abbott told mining bosses that she had caved in to union pressure to water down a deal to allow foreign labourers to build new mines.

Ms Gillard told her audience that she knew they would not like what she was telling them. "I know that not all of you in this room are in love with the language of 'spreading the benefits of the boom'," she said. "Australia needs tough leadership and I think you know by now I'm prepared to fight." But she said that with more than \$500 billion of investment in the pipeline, there was no better place in the world to invest in than Australia. She told some of the industry's major players that Australians did not begrudge them their success. "But I know this too: they work pretty hard in car factories and panel beaters and in police stations and hospitals. "And here's the rub: you don't own the minerals; they own it and they deserve their share," she added. "Governments only sell you the right to mine the resource - a resource we hold in trust for a sovereign people." But the mining industry warned the Prime Minister her plan to spread the benefits of the boom may not be sustainable. Minerals Council president Peter Johnston called it the wrong approach, criticising the "endless dialogue about redistribution". "All governments need to shift gears from spreading the benefits of the boom through higher taxes, ad hoc spending and increased regulation to tackling the real challenges of fiscal sustainability productivity growth," he said.

The Prime Minister made just the briefest mention of her controversial plan to allow mining companies to import foreign workers to help build new mines. "For projects where there's a real need for some temporary overseas workers, we will support that, we will join with you in making sure our first priority is to secure jobs and training for Australian workers," she said. "There is nowhere in the world where mining has a stronger future, and this is Australia and it has a Labor Govern-

ment." Ms Gillard's frank challenge to the industry came after Mr Abbott also addressed the Minerals Council. He seized on Labor's decision to form a new Caucus subcommittee to oversee future foreign worker deals. "The unions spooked the Prime Minister and now the Caucus has rolled the Cabinet on these matters," he said. "You can be absolutely confident that as time goes by, these enterprise migration agreements will be more difficult to negotiate."

### **Tensions continue at PNG's biggest gas project**

Radio Australia, 31 May 2012

Landowners and the the company involved in Papua New Guinea's biggest gas project want the PNG government formed after elections next month, to do a much better job of delivering on its promises. Tensions continue at PNG's biggest gas project. The 16 Billion dollar ExxonMobil-led LNG project is PNG's biggest resources development yet and is driving the country's strong economic growth. But government failures are causing serious discontent with both the landowners and project management.

**Presenter:** Jemima Garrett.

**Speakers:** Peter Graham, Managing Director of Esso Highlands, the ExxonMobil subsidiary managing the PNG LNG Project

Libe Parindali, Chairman of Hides Gas Development Company, the main landowner company working for the PNG LNG project

**GARRETT:** Most of the PNG LNG project is located in remote Hela province in the PNG Highlands. Many people have no electricity, they face a long walk to the nearest road and have poor access to business opportunities, schools and hospitals. Under key Benefits Sharing Agreements the PNG government promised help with business development and infrastructure.

Libe Parindali, is Chairman of Hides Gas Development Company, the main landowner company working for the PNG LNG project.

**PARINDALI:** We are struggling. We are not seeing that support from the government. Government is not there in the project. Government has totally lost the plot. They are not in control. Company is becoming the defacto government on the ground.

**GARRETT:** So what would you like to see the Papua New Guinea government do?

**PARINDALI:** We would like to see the Papua New Guinea government step up and take ownership of the project by having their presence on the ground and attending to issues. They've agreed to do certain things, infrastructure, health, education and they are not doing it!

**GARRETT:** Peter Graham, is Managing Director of Esso Highlands, the ExxonMobil subsidiary which manages the PNG LNG Project.

**GRAHAM:** The way the business development grants was handled was unfortunate, to say the least. One, it was very slow in coming. Two, it arguably didn't get translated into business development. It turned out to be cash into a number of people's pockets which didn't serve the purpose of building business so, yes, that was truly disappointing. Now we have the infrastructure development grants which are the 120 million kina per annum for 10 years. We are working our way through, or the government is working its way through how to disperse those monies in a way that does deliver tangible infrastructure on the ground. We hope to see that in fact happen.

**GARRETT:** Many of the payments for business development grants were handed out at government offices in Waigani in the PNG capital, hundreds of kilometres away from where the landowners live. Libe Parindali's criticism of the process is scathing.

**PARINDALI:** The government has raised unnecessary expectations. Everybody turns up in Waigani putting their hands out, saying I am a landowner. They write the cheques, millions of kina worth of cheques, to each and everyone who turns up and the real people, the landowners on the ground in Hides, in Kutubu, in Gobe, in Moran in Juha, in Angore, have missed out! And that is a very bad trend and we have set a very bad precedent!

GARRETT: Landowner company Chairman, Libe Parindali.

The PNG Highlands is volatile. Police have expressed concern about a growing trade in high powered weapons and in the past year various landowner groups have warned the area has the potential to become another Bougainville, referring to the civil war which left 20,000 people dead. Esso Highlands Managing Director, Peter Graham wants action from the new government that will be formed after next month's elections.

GRAHAM: They need to set in place some very simple processes with a very clear rule that money is not handed out in cash, up front. If that single thing was changed we could see a transformation of the way government delivers those infrastructure projects. While ever money is handed out in cash it is unlikely, in my view, that we will see good use of that money on the ground. It needs to be released against specific projects and with appropriate controls on the delivery of the project.

GARRETT: Does unhappiness with the way the government is handling its part in the LNG project have the potential to affect the project itself?

GRAHAM: It does from time to time where we find ourselves as the point of leverage that the landowners resort to to apply pressure to government. I think, for the most part, the landowners understand that they're affecting ultimately themselves, as well as the project, because they are stakeholders in the project. They've got equity in the project but if they get sufficiently anxious that they are not getting their message through then there have been occasions when they've used us in that way and, hopefully, we don't see that continuing. The government, I think, has been trying to respond appropriately and get people into the field. I think it is critical that they do that, they get agencies into the field to respond more quickly.

GARRETT: Libe Parindali, Chairman of the Hides Gas Development company, also has advice for the post-election government.

PARINDALI: The message for the new government what I'd like to see is a Government Minister that has heart for the project, heart for the people, that wants to be with the project, be with the people, must be appointed to be Minister. Because right now, as we see it, the department of Petroleum and Energy and the Minister of Petroleum, they are not functioning. They are a dysfunctional Ministry and dysfunctional Department. That is why we are at a loss. That's why the oil and gas industry is in total chaos in Papua New Guinea.

GARRETT: This issue with with the government's performance has been going on for some time. What potential does it have to derail the whole PNG LNG project if it keeps going?

PARINDALI: The potential it has by the government not taking ownership is that the landowners become careless, reckless, irresponsible and they will take on the project! We need to be very careful!

## **LNG project spends K4.3billion**

The National, 31st May, 2012

By MALUM NALU

THE PNG LNG project has spent more than K4.3 billion (US\$2.1 billion) to date, according to its quarterly environmental and social report released this week. The report said to date, more than K880 million (US\$424 million) had been spent with landowner companies (lancos) for all project-related activities. "This quarter, K195 million (US\$94 million) was spent with lancos, representing an increase of 30% from the previous quarter," the report said. "The total in-country project-related spend to date is now over K4.3 billion. "In its two and half years of operation, the Enterprise Centre has supported more than 1,300 local businesses with training and business development programmes." The report said the project's construction was progressing well and in line with the schedule. "Numerous milestones were achieved during this quarter including: reached 50% of the Komo airfield's bulk earthworks; completion and delivery of the second drilling rig; completion of the second of four horizontal directional drilling operations; finalisation of the offshore pipeline detailed

design; and a record 453 truckloads of equipment moved from Lae to Hides in one month,” it said.

“During this quarter, the upstream infrastructure contractor, who achieved more than 10 million work hours lost time incident free, was recognised by the project for excellence in worker involvement in safety, effective subcontractor management and collaboration and teamwork. “In addition, the Esso Highlands Ltd ground transport workers achieved an outstanding safety record of more than 7.5 million kilometres driven by a fleet of more than 125 passenger vehicles with no-lost time incidents. “The project has reached a major workforce development milestone with more than one million hours of training now provided to the project’s workforce, including more than 164,000 training hours this quarter alone. “This quarter, pre-construction surveys were completed for supporting infrastructure for the onshore pipeline. “The surveys covered areas such as valve stations, drilling platforms and access roads. “Pre-construction surveys assess areas of ecological interest, weeds and water quality at project worksites, while identifying potential archaeology and cultural heritage sites. “The only pre-construction survey remaining is on the 24.8km Hides Spine.” The report said with construction activity at its peak this year, the project workforce stood at more than 16,200 people. “The total number of PNG citizens trained to date for both construction and production roles across all project sites reached more than 8,500,” it said.

Highlights included:

- 1 In January, the first intake of operations and maintenance trainees from the Production Operations Training Centre in Port Moresby left for Nova Scotia, Canada, to undergo one-year of advanced skills training;
- 1 At the Juni Construction Training Facility, the first intake of trainees graduated in March with an Australian quality training framework standard certificate II in general construction and civil construction. The second intake of 20 trainees commenced their training programme in January; and
- 1 Jason Maisasa from the PNG Institute of Medical Research (IMR) was selected to undertake the biomedical equipment repair training programme in Dallas, Texas, through MediSend International.

### **Yandera assets upgraded**

The National, 31st May, 2012

MARENGO Mining yesterday announced a substantial increase in measured resource at its world-class Yandera copper mine in Madang province, one of the largest undeveloped copper projects in the Asia-Pacific. It also announced that the land-based tailings option had been selected.

The report said there were:

- g Significant conversion of tonnes to the measured category, increasing confidence in the possible minimum 20 year mine life plan;
- g Identified higher grade zones near surface (grading +0.5% copper for initial potential years of production);
- g Confirmed large areas of elevated gold and molybdenum grades;
- g Improved recoveries for copper, gold and molybdenum. High grade concentrate from the recent metallurgical test work programme; and
- g Encouraging results from first hole of the Dirigi exploration programme.

Marengo’s managing director and chief executive officer, Les Emery, said the resource update supported the previously stated goal of achieving a minimum operating life of at least 20 years. “The measured resource category has increased by over 100% and substantial additional resources have been upgraded from the inferred to indicated category,” he said. “Drilling activity continues at Yandera, both on further in-fill tasks within the Yandera Central deposit and on nearby exploration targets. “Furthermore, areas of higher grade (+0.5% Cu) have been identified that, with the advantage of topography, can potentially be targeted for the initial years of possible produc-

tion.” “The resource estimate incorporates assay results from 465 diamond drill holes totalling 145,335 metres, which were drilled up until the end of 2011.

“The Yandera copper-molybdenum-gold project, reviewed as a part of this 2012 updated resource modelling study, has so far demonstrated and confirmed that this area contains significant amounts of copper mineralisation. “The tonnages reported, for example above a nominal 0.25% copper lower cut-off, and the coincident contained metal tonnages are significant.” Emery said following a review of the tailings options for the completion of the feasibility study, and discussions with various stakeholders, it had been decided to go forward on the basis of a combined rock waste dump and tailings storage facility. “The facility will be located in close proximity to the Yandera project and processing areas, with the copper concentrate being transferred to a coastal shipping facility by a small diameter pipeline. “, which will where possible, follow existing infrastructure corridors to a coastal loading facility,” he said.

### **New study: LNG project at risk**

Post-Courier 31.5.2012

By PATRICK TALU

THE Parliamentary Secretary for Pacific island affairs Richard Marles - says that although the LNG (Liquefied Natural Gas) project represents a significant opportunity for PNG, one which has already yielded benefits for some in local jobs and a boosted economy, these gains are at risk of being undermined if local disenchantment and simmering social tensions ignite the powderkeg Highlands region. A research reported tabled by Mr Marles in Canberra on Monday which was sponsored by six partners - the PNG Church Partnership Program, Child Fund, Oxfam, the Melanesian Institute (a research and training body in Goroka), the University of Otago, and Jubilee Australia highlighted that, “despite its bountiful resources - PNG is an island of gold, floating in a sea of oil, surrounded by gas, so the ritual boast goes - in terms of exploitation the result over the years ‘has at best been mixed, with few long-term benefits being passed on to the wider population’”, the authors wrote.

The reason PNG has struggled to capitalise on its natural abundance, and in some cases has ‘suffered serious environmental and social harm in the wake of resources development’, is due to a mixture of factors, foremost among them failures of governance - ‘the absence of good institutions and sound economic policy’ - and the fragility of vulnerable indigenous populations, many of whom struggle with the social fallout of the roller-coaster rush to modernity that comes in the wake of mining and logging operations. Hela Province, which is the crucible of the nation’s economic hope, presents a formidable set of hurdles to any potential investors and developers, the report explains. Geographically it is remote and wild country - a landscape of steep mountains, choking forests, isolated subsistence gardens and villages connected by few roads and broken bridges. It also has some of the lowest literacy and highest levels of child and maternal deaths in the nation.

The report argues that the key to the LNG project achieving its potential to deliver benefits to the community - without overwhelming social costs - requires the resources companies, the community and the government to ‘accept and discharge wider responsibilities beyond the narrow remit of self-interest. “The role of resource development projects such as the LNGP should not just be income generation,” the report argues, “but the promotion of wider human development aspirations such as improved livelihoods, greater access to education, better nutrition and healthcare, surety against crime and physical violence, cultural and political freedoms and a feeling of participation in community life.” “A unique partnership has to be built if this very important project is to succeed,” said lead author Dr James McIlraith of New Zealand’s University of Otago.

Given the nation’s ongoing political crisis, “in the immediate short term, the government doesn’t have the capacity, it’s going to have to be Esso and the churches who need to pick up the slack to

some degree. "I think Esso are a bit reluctant to do that - they have a business orientation - but these are very unique and challenging circumstances, and to succeed with this project, both in terms of its business and profitability, and to succeed in the community, Esso has to take that different track." A spokesman for Esso Highlands said the report identified many issues and challenges that were already being actively addressed. "We are committed to developing the PNG LNG project in a manner that protects Papua New Guinea's natural and social environments, while providing economic benefits to its citizens" Dr McIlraith added.

The project operator and Esso Highlands while acknowledging the reported said the report focuses on many of the issues and challenges that Esso Highlands Limited and the Project are actively working to address through its programs and outreach. EHL Lead Media and Communication advisor when asked to comment on the report said, "we are committed to developing the PNG LNG Project in a manner that protects Papua New Guinea's natural and social environments, while providing economic benefits to its citizens. We share Oxfam's and the National Center for Peace Studies' interest in ensuring that the social, economic, public health, security, environmental and other potential community impacts of the PNG LNG Project are effectively assessed and addressed. Our outreach programs and planning processes are focused on ensuring the successful resolution of these issues," Miss Arnold said.

Detailing on community awareness, Miss Arnold said fostering relationships based on open dialogue and mutual understanding is essential to developing effective working relationships with communities located near current or future project activities. She said the project aims to remain sensitive and responsive to community concerns, perceptions and expectations. Miss Arnold stressed that the Project works closely with communities to understand their perspectives on the potential impacts of construction activities, and create programs that invest in and support community health and safety, and local business initiatives. In the first quarter of 2012 alone, she said, "we completed 67 formal engagements reaching over 700 participants from 20 different communities. In addition, 33 informal engagements were conducted with 17 communities. This means that more than 570 formal engagements, reaching over 27,500 participants and 1,100 informal engagements have been recorded by the Project-to-date."

### **Sinivit: Landowners against renewal of mine licence**

Post-Courier 30.5.2012

By GRACE TIDEN

LANDOWNERS of the Sinivit Gold Mine in East New Britain Province are strongly against the renewal of New Guinea Gold Corporation (NGG) mining license ML 122 pending a complete audit and review of the entire mine operation and its corporate control and ownership structure. In a letter to Mining Minister Byron Chan, the landowners said in March this year, the Wild Dog Mining Area Land Owners Association and the Lulai Nakama Landowners Association jointly sent a letter to the mining minister which clearly stated their objection to any action taken by the minister to consider any extension of or reapplication for mining or exploration leases by NGG at the Mt Sinivit Gold Mine. The letter was signed by Chairman of the Lulai Nakama Landowners Association Douglas Augustine, Chairman of the Wild Dog Mining Area Landowners Association Eric Dorman, and Chairman of the Uramot Landowner Company Hosea Kailam and witnessed by legal counsel Benedict Killian.

They said over the last six months, they had stated their grievances with regards to the Memorandum of Agreement adding that they had numerous stakeholder meetings and even requested the Mineral Resource Authority for audits to be carried out and to date these issues were still outstanding. The landowners said earlier this month, they had a meeting with MRA Director Phillip Samar which was attended by both resource owners and representatives from the ENB Provincial

Government. "We once again categorically objected for any consideration to be given to NGG. This objection is supported by our provincial government," they said. They said although they reiterated their unified stand of objection, they were informed that the minister was going to go ahead and will sign the instruments for renewal to NGG and the renewal would be granted with a number of conditions including a review of the MOA and an independent technical audit to be carried out.

It is believed the renewal of the license was supposed to take place last Friday in Kokopo but the landowners had a sit-in protest. ENB acting Governor Boniface Setavo has also sent in a supportive letter to the Minister stating that there were still outstanding compliance issues in relation to the mine operations both in respect of the VAT system and also infrastructure clauses in the revised 2009 MOA. "The Provincial Government being a party to the MOA therefore wish to advise your office to refrain from renewing the licence until and unless a full review and warden hearing is fully completed," Mr Setavo stated in the letter. Attempts to talk to Mining Minister Mr Chan were unsuccessful.

### **China sets sights on developing technology for deep-sea mining by 2030**

By Tuo Yannan and Wang Qian (China Daily), 29.5.2012

Commercial deep-sea mining by China of polymetallic nodules that contain copper, nickel and cobalt among other key minerals, can begin as early as 2030, according to the former head of the State Oceanic Administration. "With the improvement in deep-sea technology, metal resources under the ocean can be explored and mined within 20 years," said Sun Zhihui. Last year, China was among the first group of countries approved by the International Seabed Authority to look for polymetallic sulphide deposits, a recently discovered mineral source, in the Southwest Indian Ridge, a tectonic plate boundary on the bed of the Indian Ocean, he said, adding the country is applying to explore for cobalt in a new area in the Pacific Ocean. Sun said many countries are developing technologies for commercial mining, but a low-cost method of mining polymetallic nodules has not been found yet. China has explored more than 80,000 square kilometers of the floor of the Pacific and Indian oceans, Sun said.

Xiang Jianhai, researcher at the Institute of Oceanology under the Chinese Academy of Sciences, said: "When we can carry out commercial mining depends on technological development, financial support and the price of key minerals on the market." Xiang added that current exploration, such as that carried out by China's manned deep-sea vessel Jiaolong, will provide the technology and geological information for future mining. He added the extent of the country's deep-sea exploration was catching up with that of advanced countries. Scientists estimate that about 480 million to 13.5 billion tons of polymetallic nodules can be commercially mined, Science and Technology Daily reported. Polymetallic nodules are rock concretions, mostly about the size of a potato, on the seabed containing metals such as cobalt, manganese, iron, nickel and aluminum, which have huge economic potential. Xiang said the deep-sea environment was much more difficult to mine compared with land, because mining equipment has to endure high underwater pressures and marine corrosion.

Feng Xisheng, deputy director of underwater robot research at the Chinese Academy of Sciences, said the Jiaolong has dived to 6,000 meters. According to China Ocean News, the nation will conduct a 7,000-meter test dive later this year. For Jin Jiancai, secretary-general of the China Ocean Mineral Resources Research and Development Association, another obstacle to commercially mining polymetallic nodules is its effect on the deep-sea environment and ecosystem. Nodule re-growth can take millions of years and that would make such mining unsustainable. People have little knowledge of most deep-sea species and environments, making environmental assessment almost impossible, Jin told Science and Technology Daily.

He added that a law on deep-sea environment protection should be established to avoid potential harm during exploration and mining. Improving the legal system relating to deep-sea mining and exploration was the key work of the State Oceanic Administration, Liu Cigui, administration director, said at the administration's annual conference in December. An official of the administration, who did not wish to be named, told China Daily that regulation of deep-sea resources exploration and mining is under discussion, with an aim to protect the ocean. The total output value of China's marine-based industries was 3.2 trillion yuan (\$508 billion) in 2009, accounting for 9.5 percent of the country's GDP, according to the administration's website.

### **60,000-Ton Bauxite Shipment From Fiji Nearing Completion**

*\$13.4 million in sales expected annually from Chinese buyers*

By Serafina Silaitoga

SUVA, Fiji (Fiji Times, May 29, 2012) – Loading of the 60,000 tons of bauxite in the province of Bua is expected to be completed next week. Bauxite mine manager Basilio Vanuaca said the MV Yon Shun would load 60,000 tons of bauxite valued at FJ\$2.1 million [US\$1.1 million] a month. However, he said it was not clear when the ship would leave for China. "The ship is still being loaded and will complete loading by next week," Mr. Vanuaca said. "Actual dates are not clear as it involves Customs, Immigration and Quarantine to release the ship," he said. The ship, which sailed straight from China for the first shipment, has a capacity of 60,000 tons. It arrived last week and was cleared in Lautoka before sailing to Galoa Bay with the help of local pilot Captain Freddy Vollmer. Mr. Vanuaca said the Bua bauxite mine was expected to rake in about FJ\$25 million [US\$13.4 million] annually from the expected 12 shipments. He said the mine would export an estimated two million tons of bauxite from Nawailevu over the next two years. Two barges that arrived earlier this year from China will transport 2000 tons each of bauxite to load onto the mother ship anchored in Galoa Bay. The Nawailevu bauxite mine in Bua has injected about FJ\$34 million [US\$18.2 million] to set up the operation and this includes social obligations costs, education, church aid and employment.

### **Report on LNG Project in PNG warns of major challenges**

Oxfam New Zealand, May 29, 2012

A new report on the impacts of the multi-billion dollar Liquefied Natural Gas (LNG) Project in Papua New Guinea highlights the industry's achievements in addressing social change but warns of continuing major concerns that need to be addressed, a coalition of NGOs said today. The report, "[The Community Good – Examining the Influence of the PNG LNG Project in the Hela Region of Papua New Guinea](#)", finds that, although the project has boosted the local economy through employment, the project is fuelling community tensions because of inadequate community awareness-raising, belief that the process of landowner identification is flawed and community concern about how project benefits will be shared. At the same time, the report notes the potential for resolution through constructive stakeholder dialogue. The Liquefied Natural Gas Project (LNGP) will extract natural gas from the Hela region in the Highlands, condition and send it to the coast for liquefaction before exporting the gas to overseas markets. The initial construction phase of the LNGP began in 2010, with its completion expected in 2014.

Oxfam New Zealand's Executive Director, Barry Coates said this report was an important reminder that while large-scale resource-extraction projects could deliver economic development benefits, it was vital that they also resulted in enduring improvements to human well-being. This was not always an easy task, but it certainly was possible. "Throughout this research, the voices of the people of Hela Province can be heard – loud and clear," Mr Coates said. "We hope that decision makers

give proper consideration to this important study to ensure that benefits from the LNG project are maximised for all citizens of Papua New Guinea, particularly women and children in those communities where the impact of the project will be the greatest.” “All stakeholders must take responsibility to ensure that the project does not cause harm to local people. The New Zealand Government has an opportunity to help resolve some of the challenges fuelled by the LNG project by engaging in constructive dialogue with the Papua New Guinea Government, and other agencies, including the Australian Government that has supported the project to the tune of \$350 million.“

Key findings include:

- Inadequate awareness raising about the project and dissatisfaction with the information conveyed
- Lack of comprehensive social mapping and landowner identification, meaning some legitimate landowners have not been identified and therefore will miss out on project benefits
- Whilst there have been efforts to maximise opportunities for business and employment, a poor process for assigning business development grants has resulted in accusations of misappropriation and litigation in the courts
- Cash ‘windfalls’ received by families are quickly spent. Some argue this is leading to increased family breakdowns and social problems, while others recognise the positive impact they were having on many people’s lives
- Teachers and healthcare workers are leaving to work for the LNGP, stretching resources in the community
- While the contribution of the LNGP and increased police presence has led to a reduction in serious crime, there is concern about increases in petty crime and other forms of criminality, with more people feeling unsafe since the LNGP arrived
- Issues regarding resettlement of people include unhappiness with their new locality, and problems with the distribution and management of large payments in the absence of proper financial guidance and banking facilities
- While the LNGP has brought optimism to the area, there is fear the situation will deteriorate into conflict, especially if landowner issues are not resolved satisfactorily

Otago University National Centre for Peace and Conflict Studies Director, Professor Kevin Clements, said the Hela region presented especially challenging circumstances, with the potential to increase social tensions. “While the company and government have made a considerable contribution, there are widespread concerns about transferable skills and the sustainability of business and employment in the absence of the heightened needs of the LNGP construction period,” Mr Clements said. “We need to keep working together to resolve these.” “The billions of dollars of revenue from the PNG LNG project should guarantee that all Papua New Guineans can enjoy access to essential health services, decent education, sustainable livelihoods and safe communities,” Mr Clements said. “Sadly the history of resource development in PNG provides no such guarantee.” The report is a joint research project conducted by Oxfam, National Centre for Peace and Conflict Studies at the University of Otago, PNG Church Partnership Program, ChildFund Australia, Jubilee Australia, UnitingWorld and the Melanesian Institute.

### **PNG gas project faces risks**

Jo Chandler, The Sydney Morning Herald, May 29, 2012

A failure to work with the community could undermine the \$16 billion project.

*"Hela society is very unpredictable, like the weather is unpredictable. But one thing I can say is that if the people see they have been cheated, if the people see that their rights have been deprived, then there may be problems." Community leader from Hela Province, the heartland of the \$16 billion PNG LNG project.*



An island of gold, floating in a sea of oil, surrounded by gas. *Photo: Jason South*

THREE years after work began in earnest building the hardware to extract and pipe gas from the mountains of Papua New Guinea, initiating what is spruiked as a game-changing bonanza for the fragile nation, many local people remain excluded, frustrated and suspicious about the \$US16 billion project. The PNG LNG (Liquefied Natural Gas) project has already utterly changed their lives, according to an academic investigation. Failures to better inform the local Hela community about the project, together with flaws in the critical processes of identifying landowners entitled to a share of the windfall and concerns about how the benefits will ultimately be shared, are identified in the new report as potentially damaging concerns in a region infamous for volatility and violence. Causing particular anxiety was that the failure - blamed largely on the PNG government - to facilitate a full landowner identification process and legislate around creating landowner companies threatened to "undermine the LNGP and future progress".

The report - to be launched in Canberra today by parliamentary secretary for Pacific island affairs Richard Marles - says that although the LNG (Liquefied Natural Gas) project represents a significant opportunity for PNG, one which has already yielded benefits for some in local jobs and a boosted economy, these gains are at risk of being undermined if local disenchantment and simmering social tensions ignite the powderkeg Highlands region. The report lays out a detailed examination of some of the challenges to development in a country such as PNG. Despite its bountiful resources - PNG is an island of gold, floating in a sea of oil, surrounded by gas, so the ritual boast goes - in terms of exploitation the result over the years "has at best been mixed, with few long-term benefits being passed on to the wider population", the authors write. The reason PNG has struggled to capitalise on its natural abundance, and in some cases has "suffered serious environmental and social harm in the wake of resources development", is due to a mixture of factors, foremost among them failures of governance - "the absence of good institutions and sound economic policy" - and the fragility of vulnerable indigenous populations, many of whom struggle with the social fallout of the roller-coaster rush to modernity that comes in the wake of mining and logging operations. Hela Province, which is the crucible of the nation's economic hope, presents a formidable set of hurdles to any potential investors and developers, the report explains.

Geographically it is remote and wild country - a landscape of steep mountains, choking forests, isolated subsistence gardens and villages connected by few roads and broken bridges. It also has some of the lowest literacy and highest levels of child and maternal deaths in the nation. The report argues that the key to the LNG project achieving its potential to deliver benefits to the community -

without overwhelming social costs - requires the resources companies, the community and the government to "accept and discharge wider responsibilities beyond the narrow remit of self-interest. "The role of resource development projects such as the LNGP should not just be income generation," the report argues, "but the promotion of wider human development aspirations such as improved livelihoods, greater access to education, better nutrition and healthcare, surety against crime and physical violence, cultural and political freedoms and a feeling of participation in community life." "A unique partnership has to be built if this very important project is to succeed," said lead author Dr James McLraith of New Zealand's University of Otago.

Given the nation's ongoing political crisis, "in the immediate short term, the government doesn't have the capacity, it's going to have to be Esso and the churches who need to pick up the slack to some degree. "I think Esso are a bit reluctant to do that - they have a business orientation - but these are very unique and challenging circumstances, and to succeed with this project, both in terms of its business and profitability, and to succeed in the community, Esso has to take that different track." A spokesman for Esso Highlands said the report identified many issues and challenges that were already being actively addressed. "We are committed to developing the PNG LNG project in a manner that protects Papua New Guinea's natural and social environments, while providing economic benefits to its citizens." The research was sponsored by six partners - the PNG Church Partnership Program, ChildFund, Oxfam, the Melanesian Institute (a research and training body in Goroka), the University of Otago, and Jubilee Australia.

### **Chamber of Mines: Resource benefits remain big challenge**

The National, 29th May, 2012

THE key resource issue in PNG today is the challenge in converting benefits into real and tangible improvements in the lives of everyday citizens, according to the PNG Chamber of Mines and Petroleum. This is the industry's view on the current Mining Act and the proposed Mining (amendment) Bill being mooted by North Fly MP Boka Kondra, and most recently Western province Governor Dr Bob Danaya. Chamber executive officer Greg Anderson said its stance was related to the growing corruption and mismanagement issue, which could only be addressed through increased governance and transparency. "Changing ownership will not address this problem," he said, "It requires a fundamental shift in the way that governments and landowner leaders manage, utilise and distribute resource benefits, and the way they report on this to their respective constituents. "It all comes down to effective management, transparency and integrity, and a dedication to serve the people."

The chamber said the current Mining Act:

- g Ensured that the development of extractive resources was for the benefit of all citizens, now and in the future;
- g Ensured that the state issued exploration and production licences over extractive resources so they were managed in an effective and orderly manner that was recognised internationally and accepted by the investor;
- g Ensured security of tenure for the investor; and
- g Set the framework for PNG's benefit sharing system which was one of the most-equitable in the world for mining and petroleum developments.

The chamber said the Mining (amendment) Bill, on the other hand:

- g Transferred mineral and petroleum ownership from the state to the landholders;
- g Introduced a totally new fiscal and legal system overnight without any consultation with industry or government agencies, including the Mineral Resources Development Company, which was to be abolished;

- g Prevented the state from playing any meaningful role in the process of exploration and development, which would become a private arrangement between the developer and the landowners;
- g Further eroded the role and value of the state to its people;
- g Would result in loss of security of tenure for the explorer and developer because of the uncertainty of dealing with a tenement system that relies on the stability of landowner groups, which makes it impossible for the resource industry to operate;
- g Would prevent any developer or investor raising finance in the international markets as the only security the investor could offer would be a contractual agreement with a group of landowners or a landowner company which could be unstable or volatile; and
- g Created enormous inequalities between the very small number of fortunate landowners who happened by chance to have an extractive resource beneath their land and the rest of the nation.

### **Governor: We lost K67trillion over the last 37 years**

The National, 29th May, 2012

By MALUM NALU

WESTERN province governor Dr Bob Danaya has accused the mining and petroleum sectors of siphoning out of the country at least “K67 trillion” over the last 37 years. Danaya has claimed that they (the sectors) were responsible for the country’s loss of K67 trillion over that length of time. This is the reason why the ownership of minerals, oil and gas should go to the landowners. Under the Mining Act, and Oil and Gas Act, all minerals, oil and gas existing on, in or below the surface of any land in PNG are the property of the state. Danaya said he would change these two laws if his PNG Labour Party formed the government. He told an emotionally-charged press conference on Sunday, that the bill to change both the Mining Act and Oil and Gas Act was overdue, after having failed to pass in the last parliament through what was known as the Boka Kondra Amendments.

Danaya was flanked by lawyer and East Sepik Regional candidate Alois Jerewai as well as other PNGLP candidates. In 2009, North Fly MP Boka Kondra gave notice in parliament that he would introduce amendments to the Mining Act and the Oil and Gas Act to vest ownership of minerals and oil and gas in customary landowners. “This is the bill that should have been passed,” Danaya said. “I’ll take it back again to parliament and I’ll make sure that it is passed.” He claimed 80% of earnings from PNG resources were taken by foreign developers with only 20% coming to PNG, bulk of which was “stolen in Waigani”. “This is what we are trying to change,” Danaya said. “This is what’s been happening for the last 37 years. “How many millions have been taken out of Lihir, how many millions have been taken out of Ok Tedi?

“I say 60/40: 60% for landowners and 40% for developers. “This is not going to scare investors.” Jerewai said the exploitation of PNG resources was a form of “neo-colonialism” imposed on the people of PNG. “We (PNGLP) will take the bold step to stop this,” he said. “We have been subservient on our own land.” The PNG Chamber of Mines and Petroleum strongly opposed the proposed mining amendment bill, which sought to transfer mineral and petroleum ownership from the state to the landholders. The chamber was concerned that transfer of mineral and petroleum ownership from state to landholders would be to the detriment of all concerned, including tangible benefits such as money. “Papua New Guinea has one of the most-equitable benefit sharing systems in the world for mining and petroleum developments,” chamber executive officer Greg Anderson told a recent media workshop. “It includes the national government, affected provincial and local level governments, and the impacted communities.”

## **Call for new PNG government to stop deep sea mining**

Radio Australia, Updated 28 May 2012

There's been a new call for the incoming government in Papua New Guinea to stop the Nautilus Deep Sea mining project going ahead. The National co-ordinator of the environment group, Mas Kagin Tapani Association, Wenceslaus Magun says just about every mining project in PNG so far has been an environmental disaster. He says with weak legislative controls and poor infrastructure and the experimental nature of the Nautilus project, he fears the worst. See: [here](#)

## **Ok Tedi development foundation delivers, says Middleton**

The National, 28th, 2012

By MALUM NALU

THE Ok Tedi Development Foundation has succeeded in laying a strong platform for project delivery, carrying out millions of kina worth of projects in Western province, according to chief executive officer Ian Middleton. He said this year would see delivery at a level beyond anything the community mine continuation agreement (CMCA) communities had ever experienced. "The CMCA Trust Investment Fund is fully committed with seven projects in a diversified K90 million portfolio comprising aviation, shipping and real estate," Middleton said. "A consolidated provincial project matrix has been prepared as a development project guide for OTDF, Fly River provincial government (FRPG) and PNG Sustainable Development Program (PNGSDP) planning and implementation. "Two hundred and forty thousand (240,000) points of rubber are grown in three OTDF regional nurseries and distributed to village farmers for income-generation projects. "Innovative biogas installation is being carried out at Samagos Field Base converting human and agricultural waste into gas for cooking, lighting and hot water."

Middle said highlight of last year included:

- g A community based governance process making informed decisions on OTDF's strategic directions and all major development projects;
- g Importance of the women and children's action plans;
- g Listening and learning from the ground up with a commitment to all 156 CMCA villages;
- g Strong 31-person regional and community development teams operating permanently from regional field bases to deliver village level projects;
- g Village profiles completed for all 156 villages as baseline data for planning and implementation;
- g Improved engagement with key stakeholders: tripartite Agreement between OTDF, FRPG and PNGSDP;
- g Funds mobilised from PNGSDP for 16 projects totalling K40 million endorsed by the advisory committee; and
- g K3.22 million feasibility funding accessed from the CMCA's 5% portion of the Western Province People's Dividend Trust Fund for seven OTDF advisory committee and board-endorsed development projects valued at more than K160 million.

The OTDF was formed in 2008 to operate independently of Ok Tedi Mining Ltd (OTML). It is mandated to mobilise the eight CMCA trust funds and improve the livelihood of the mine-impacted communities. A board, advisory committee and CEO were in place by mid 2009 and the OTDF is now working through a five-year business plan with other stakeholders including World Bank, AusAID and European Union.

## **Markham River: Findings inconclusive**

Post-Courier 28.5.2012

By HAIVETA KIVIA

SCIENTISTS have stated that the causes of deaths for fish in the Markham River and its tributaries are inconclusive because there is no baseline study to qualify their findings. The lack of baseline studies into the environment surrounding and along the corridors of major development impacts, also concerns the Morobe Provincial Administration. Now they will sign a contract with Papua New Guinea University of Technology (Unitech) to do regular checks. Provincial Administrator Kemasang Tomala said due to no baseline studies, it could not be ascertained the cause of the fish deaths but that does not mean that, it is the end of their investigations. Mr Tomala said Morobe Administration in collaboration with Unitech will do quarterly checks on the environment where major mining, forestry and agriculture activities are taking place.

Initially, it was thought that deoxidisation and to some extent toxic cyanide may have killed the fish in the Markham River. However scientist Justine Narimbi and his team leader Aisak Pue said the findings are inconclusive and cause of the death still remains unknown. In the latest 'fish kills' near Zansam village, Mr Pue put that down to bacterial infections. But, they did find some levels of cyanide in all fish and water samples that they collected from the river and surrounding environments, in and around the Watut area, 40 Mile up the Highlands Highway, in Huon Gulf and Labu Lakes and Rivers. And, according to Environmental Chemist at the Papua New Guinea University of Technology Justine Narimbi, who was part of the team headed by Aisak Pue- Lecturer in Food Analysis, Toxicology and Chemistry, cyanide is also a natural occurring chemical which clings to minerals such as iron and aluminium which a naturally are found in soil and other minerals.

Mr Narimbi said in course of weathering, cyanide can be washed off and will be found in the fish, water and soil samples but are not the harmful kind and are at very low levels. But, a damning assertion was made by Tony Kuman from Department of Environment and Conservation (DEC) that the Department does not have the capacity to investigate such major environment incidents that do occur in and along the corridors of the environments where major mineral and forestry activities are taking place. PNG Government through DEC never carried out baseline studies on the environment around the mining lease area, exploration areas and along the corridors of supposed environmental impact areas.

It is critical, because in science, according to Mr Pue and Mr Narimbi there must be baseline studies so they can evaluate, eliminate and differentiate their finds against it. Mr Pue said they did have that luxury and the result is inconclusive but there was a water sample that drew a higher level of cyanide over the recommended threshold by DEC. He also stated that they went to the site of kills two days after it had occurred and most traces around at that time may have being washed away. Recommendations were also made to Morobe Administration and various stakeholders to establish communication and action and response plan in such environmental responses. The findings were presented to Morobe Provincial Administration which also invited Morobe Mining Joint Venture, the State through Mineral Resource Authority and DEC, along with the media.

## **How mining companies rip off PNG -- Antony Loewenstein interview**

Green Left Weekly, by Ash Pemberton & Antony Loewenstein, May 27, 2012

Independent journalist and author Antony Loewenstein visited Papua New Guinea in January and February as part of his research for an upcoming book and documentary about disaster capitalism and privatisation. He spoke to Green Left Weekly's Ash Pemberton about the influence of the resource industry in PNG, its links with government and private security forces, the rising influence of China and PNG's domestic politics in light of upcoming elections.

### **What is the resource industry's relationship with the PNG government?**

The relationship is an incredibly incestuous one between the PNG government and the resource companies. It doesn't make much difference who's in power. The real power in PNG undoubtedly does lie in elements of the government, but also equally as powerful are resource companies not based in PNG, but Australia, the US or parts of Africa. PNG is an amazingly wealthy country resource-wise. Sadly, pretty much since independence from Australia in the mid-1970s, a variety of forces — local politicians, often a very complicit media and also resource companies — created a country with very few regulations, able to be exploited. The most infamous example of that, where I spent some time early this year, was in Bougainville with the Rio Tinto mine there. This led to the civil war that killed thousands upon thousands of people. The tragic reality is there is now talk about reopening that mine. Of course, that should be the decision of the Bougainvillians, but personally speaking I think that would be a travesty.

I saw the environmental catastrophe that was caused, let alone the social dislocation that occurred. There is no serious offer on the table to fix that up, to repair the environment. Rio has talked about spending some money on environmental clean-ups, but the amount of money that would be required to do the job properly is arguable beyond what Rio has and what they're willing to spend. And in some ways the environment is not fixable anymore. I saw polluted waters, huge areas of land that had been turned into pure sand in the middle of former forests. When journalists, myself included, have written about the environmental vandalism and crimes committed by Rio, the response by Rio and forces close to them has been: "How dare they speak out, there are local people who want the mine to reopen so they can get more money to work on the economy." There's no doubt opinions are mixed on how people there feel about the mine reopening. People who are talking about possibly supporting the mine reopening are doing it out of desperation.

Bougainville is incredibly poor, its in desperate need of money. There are some who talk about other ways to raise money for the economy, such as tourism and agriculture. One of the peace treaties that was signed between the PNG government and Bougainville was to allow a referendum on independence for Bougainville and that's going to happen at some point in the next years. The fear that many people have in Bougainville is that if they become independent — which I understand is what most people do want — they worry how they are going to survive economically. That very bad situation almost forces the hand of people who say "we don't want the mine to reopen, but it may be a ready source of finances immediately". That just one example of what's undoubtedly a massive resource exploitation and, more importantly, exploiting the desperation of locals who are very poor — its unbelievably underdeveloped. If you go to a lot of towns and areas around where the mine used to be, its like going into a time warp. Its really mad. You can go to towns near the mine and its like the war finished last week. There's still burnt-out buildings, there's petrol stations full of graffiti. Things are grim. And that's to some extent why some individuals who fought with the resistance against the mining company seemed resigned to the fact the mine might reopen.

### **What is the the relationship between resource companies and private security forces in PNG? In particular, you've written about multinational company G4S.**

G4S are the world's biggest security company. They are based in Britain, they have hundreds of thousands of employees in countless countries. For a number of years, they used to run and manage the detention centres here in Australia and their record was, to say the least, pretty appalling. They have become unhealthily close to the PNG government. The main issue in PNG in terms of energy and resources apart from mining is the LNG [liquefied natural gas] plant, scheduled to open in 2014. It is run by Exxon Mobil. Exxon Mobil and the PNG government have formed an incredibly close relationship with G4S, to the point where G4S employees are ubiquitous, you see them

everywhere. In many places in the highlands and areas near Port Moresby where the LNG plant is being developed, there are countless reports, including from Oxfam and Human Rights Watch, of G4S working for Exxon and being against the local people.

There are countless examples of where local individuals, tribes and groups are resisting what is happening to their territory both in terms of the environmental destruction and lack of benefits that Exxon promised. G4S becomes almost Exxon's crack force, it becomes their protection. The reality is the relationship between G4S, the government and Exxon is only going to tighten because resistance, including violent resistance, to the LNG plant is growing. The resistance is not because, as Exxon and some others have said, that people just don't like development. The truth is the average PNG person that I met would like to have better schools, healthcare, education — all the things the average person wants. I think one of the problems has been Exxon, among others, promised a hell of a lot to a range of local communities in the areas where the LNG plant is, and most of those promises have not been fulfilled.

Exxon and other companies go into villages and say: “We want to come onto your land. We'll give you a bit of compensation. We're gonna give you schools, healthcare, a nice hospital and a range of other things.” Initially, some communities welcome that, and you can understand why. In a range of areas across PNG, because communication is pretty bad and there is not a big internet culture, people are only now realising there are so many examples of local communities being shafted by companies who promise a lot and deliver little. Then, when communities get pissed off, when they might sometimes sabotage a pipeline or storm a local office demanding their rights be heard, the security company is used to protect Exxon is G4S. That's where you start having a very problematic relationship within the communities themselves. Because you have locals fighting locals. You have local G4S staff fighting local villagers who are pissed off with the company. That brings major tensions in society — violence, insecurity, alcoholism, domestic abuse and a range of other problems.

The collusion between Exxon and G4S is problematic because the PNG government, whose military is unbelievably corrupt, increasingly relies on a foreign private security force to do the job that should, in theory, be done by the local military or police force. The sad reality is that in the vast majority of cases the local people are being shafted and the vast majority of the money from resources exploited in PNG is not going to the local people. There are some examples of the [Peter] O'Neill government introducing free schooling for certain years. That's been welcomed by people, and that's supposedly coming from some of the revenue from the LNG plant. But as a report by local figures in PNG found recently, the country is essentially run by a quasi-mafia. That sort of corrupt culture has been endemic for a very long time. But in my view, the presence of those companies is very rarely providing benefits for the vast bulk of the people. If you are going to exploit resources, locals need to benefit from that. Yet in every type of UN human development measure, PNG people are struggling, to put it mildly.

### **How likely do you think it is that the situation around the LNG plant is going to degenerate into violence?**

If you ask me is a Bougainville-style conflict very likely over the LNG plant, the short answer is I don't know. I did hear from a number of activists campaigning against the LNG plant that they're worried that that sort of conflict is very possible. Most of the violence so far against the LNG plant has been relatively low level. I'm not minimising the deaths, but we're not talking about a huge civil conflict yet. But, of course, the LNG plant is not open. I heard constantly when I was there that the communities who live in those areas have learned a lot from the Bougainville struggle. No one is dying to go to war. People don't, generally speaking, have a desire to go to war. Even if you win a war, communities get destroyed. The Bougainville resistance won that war undoubtedly, but Bougainville is a destroyed area. You win the war, but you can almost lose the peace. People haven't

forgotten that and Bougainville still remains a very important part of people's collective memory in PNG.

I think its inevitable that civil strife and rising violence against Exxon and G4S — and the PNG government providing political cover for them — will grow. That's been happening for the past six months. You have an unfortunate political culture from O'Neill down. In some ways it doesn't make much of a difference who runs the country. The general sense is that the PNG government, who is being hugely funded and supported by foreign aid — from Australia and others — and by Exxon and others, have a largely uncritical view toward the resource industry. This is despite the fact that they know the majority of the PNG people are not benefiting from it. A lot of people were very critical, when I was there, of the role Australia plays. Australia's position in PNG is quite central. Australia gives roughly \$500 million in aid each year. It is a huge amounts of money, and [Kevin] Rudd when he was foreign minister increased it. The problem is that the Australian government, through AusAID, has a new program advocating assisting mining companies who are exploiting PNG. Of course its not framed like that, its framed as: “PNG is minerally and energy rich; the companies are going to go there anyway; how do it in such a way that we can assist the PNG government to use that money more wisely?”

In theory, you might say that sounds really good. But the problem is when you have such a broken political culture and the record of a range of companies — Rio, Exxon, Shell, pretty much any major Western energy company — is pretty much to a company, woeful. I was in Madang, for example, where there's the Ramu nickel mine run by the Chinese and the record of that is bloody appalling as well. So I'm not suggesting this is just Western companies. Sadly, PNG is a really worrying sign that the growth of China as a world superpower is not going to make much difference in terms of how they view exploiting communities. China is moving into PNG in many ways. My sense when I was there was most people were worried about that. There is a lot of mistrust toward Chinese companies operating there and their record in a range of areas — mining, fishing and others — in terms of environmental destruction is very bad.

**While you were there, were you able to gauge the mood of the public toward Prime Minister Peter O'Neill and his rival, former PM Sir Michael Somare?**

When I was there, across the political divide, I found virtually no support for Somare at all. People's view was that he's an old guy, his time has passed, he's too close to the Chinese, the country's insanelly corrupt, its time for a change. O'Neill was seen as someone younger, a fresh face, hadn't been tested yet which was seen as a positive. He was starting to offer free education for some years of school, which was seen as a very, very positive thing. People were hopeful that there would be some kind of way of making the country less corrupt, more accountable. O'Neill has talked about that at least. I would be fairly confident to say, and I could be wrong, that if there's an election held next month, he's going to win pretty convincingly.

His attacks on the judiciary recently have not been received too well in some circles, but I doubt it will affect his electoral prospects too much. Even if Somare runs, people see him as a bit of a dodderly old fool. He was seen as the father of PNG — he was there in '75 when Australia handed over the country to the PNG people. But people look around them and say “Our country is broken”. Somare was a key leader for the last 30 years and he's left the country in a pretty bloody bad shape. So if there is a way to improve that, then I think people will embrace that. But the irony is, considering all the issues we've talked about, there's not much difference between him and Somare in terms of blindly backing resource companies. That's the reality. But a lot of people there that I spoke to thought that maybe, in baby steps, O'Neill would do things a bit better. People see its not going to be huge change.

## State Of Emergency Declared For Three PNG Provinces

*Tension high as parliament sits, Chief Justice appears in court*

By Liam Fox, PNG Correspondent and Staff

MELBOURNE, Australia (Radio Australia, May 26, 2012) – Papua New Guinea's Government has declared a state of emergency in three provinces. Prime Minister Peter O'Neil finally mustered the numbers for a final sitting of parliament. A motion was passed declaring a state of emergency in three provinces - the national capital district (Port Moresby), the Southern Highlands, and Hela, also in the highlands. The declaration gives the police greater powers to ensure law and order, and also the participation of defence force troops. Mr O'Neill says the declaration is necessary to maintain law and order in the run up to next month's general election. He says it was necessary to declare a state of emergency in the Highlands to protect a massive natural liquefied gas project. Mr O'Neill has also condemned the actions of "renegade police" who temporarily set up road blocks outside parliament on Friday.

*[PIR editor's note: Radio New Zealand reported that details of the emergency declaration have yet to be released since the Governor General must approve it. It further reported that Governor General Ogio is steering clear of the political impasse and is refusing to sign any documents until after the upcoming election. This includes both an authorization allowing parliament to meet and the declaration of emergency it passed. Sir Michael Somare has called the declaration of emergency 'illegal' since there is no authorization allowing parliament to sit.]*

### Hearing adjourned

Earlier, PNG's chief justice appeared in court after he was dramatically charged with sedition. Sir Salamo Injia made a brief appearance in the committal court just a short distance from his own place of work, the Supreme Court. Magistrate Cosmos Bidar read out the charges of sedition. He said it is alleged Sir Salamo conspired with his fellow judge Justice Nicholas Kirriwom to cause a seditious enterprise against the state. That relates to an email Justice Kirriwom sent to his colleagues in February, describing the O'Neill government as an illegal regime. The Prime Minister laid the complaint of sedition, saying the email proves a supreme court decision on Monday was pre-determined. Sir Salamo was not required to enter a plea and the case was adjourned until July.

### Police presence

A group of around 40 policemen blocked the two entrances to parliament on Friday morning and refused to allow MPs inside for a special sitting. They have now removed the road blocks. The ABC has been told they are loyal to the former prime minister, Sir Michael Somare, but they insisted they were acting on their own initiative. The road blocks were not sanctioned by the police commissioner, Tom Kulunga, who sent senior officers to negotiate with the men.

### Australia concerned

Australia's Foreign Affairs Department is warning Australians in Papua New Guinea to avoid the Supreme Court and parliamentary precincts of Port Moresby. The overall level of the travel advice has not been changed. But it has been updated to warn people that the civil unrest and political tension in PNG means that where possible Australians should avoid the court and parliament areas. Australia's Prime Minister Julia Gillard says she has spoken with Mr O'Neill to express her concern about the Sir Salamo's arrest. A spokesman for Ms Gillard says Mr O'Neill agreed it was important that the current situation does not detract from the good progress being made towards this year's election. Foreign Minister Bob Carr has also contacted the PNG government and urged it not to take action against Sir Salamo. He says the PNG government should ignore any decisions they resent from the judiciary and press ahead with the elections. "I'd just caution that action against the chief justice is entirely unnecessary," he said. "There's a course for an election, the writs have been is-

sued, the date is set. The election is the thing that's important, the election confers legitimacy and authority on the government."

### **PNG: Economic growth higher in 2012**

Post-Courier 25.5.2012

By PATRICK TALU

THE latest projections based on new information obtained by the Bank of Papua New Guinea indicates that economic growth could be higher in 2012 than stated in the National Budget. The Bank's Governor Loi Bakani in a presentation at the 28th Australia Papua New Guinea Business forum and trade expo in Brisbane, Australia said the growth in economic activity shall continue all through the 2012 to 2015 period. Mr Bakani told over 400 business delegates from both Australia and PNG that the high economic growth in 2012 is driven by the construction of the LNG project, and the global demand for the country's primary exports. "Even if there will be a slowdown in the economic activity in the developed economies, the high growth in the major emerging markets of Brazil, Russia, India, China and South Africa (BRICS) countries should ensure that the slowdown in global activity will not be severe, and whilst international prices of the country's major exports might decline, they will still be historically high, which should benefit the agriculture, forestry and fisheries the traditional export industries," he said.

The Governor said based on economic outlook it is expected that economic growth as measured by real Gross Domestic Product will continue to be high at the 8 percent to 10 per cent range, all through the period of the construction phase of the LNG project and up to the end of 2014. Beyond that, growth is expected to moderate, as a direct consequence of the winding-down of the construction phase of the PNG LNG project. While touching on the issue of how to secure a balanced growth at acceptable inflationary levels, at these very challenging times in the history of our economic development, Mr Bakani stressed that the microeconomic aspects are as important as the macroeconomic ones, to achieve a balanced noninflationary growth. "The first and most important one is, to ensure that the Government is not competing with the private sector on the limited production resources and capacities. Such competition will only result in price increases, increase in imported inputs, including materials, equipment and labour, and losses to the nation. Therefore, as I have stated previously in other forums, my recommendation is that during the LNG project construction period the Government should refrain from undertaking new major infrastructure projects," he added.

### **Ramu: Acid spill reports denied**

Post-Courier 25.5.2012

By ROSALYN ALBANI-EL-EVARA

VILLAGERS from Mindere in the Basamuk area of Madang's Raicoast District are still waiting for an explanation from the developers of the Ramu Nickel project regarding a chemical spill which happened during the Easter weekend. However, the Chinese developer, Ramu NiCo (MCC) Limited, had in a brief statement vehemently denying the reports claiming them to be "unfounded" when the question was put to it. Speaking via phone from Basamuk last week, Kunning, a villager from Mindere, said the incident had happened on Easter Monday. He said this had happened after a huge ship had called into port at Basamuk with cargo belonging to the developer for its operations at the refinery site. He claimed the spillage to be that of sulphuric acid which had caused destruction to reefs along the coastline including at Mindere and Ganglau.

He said he had, after the discovery, approached the officers on site from the company's Community Affairs Division with a request that officials from the Health and Safety Division do a check then inform them accordingly of the extent of the damage. Mr Kunning, however, said to date they had

yet to hear from MCC. "Our health and safety should be considered equally as important as that of the workers at the refinery site at Basamuk. We have yet to hear from them," he said. MCC, when approached with the allegations while confirming there had been a spill, claimed it was "a minor spill of sodium hydroxide" at its refinery plant at Basamuk adding that the incident had happened on April 18, and not last week as claimed by the villagers. "Sodium hydroxide is much less acidic and the spill happened within the chemical treatment plant and was neutralised and treated within 20 minutes of the incident. The chemical plant is located quite a distance away from the sea shore. "The spill did not cause any injury to staff nor did it do any damage to the environment as the plant is within the refinery plant. The spill did not even disturb the normal operation of the refinery at all," the statement read.

## **PNG Environmentalist Urges Solomons To Reject Sea Bed Mining**

*'We need our resources to survive, not money': Magun*

By Daniel Namosuaia

HONIARA, Solomon Islands (Solomon Star, May 24, 2012) – A senior environmentalist from Papua New Guinea (PNG) has called on the Solomon Islands government and people to stop deep sea mining (DSM) in the country. Wancedaus Magun, the national coordinator of Mas Kagin Tapani Association in PNG called on responsible authorities to wake up to save lives than to destroy them. Mr Magun said overseas countries knew the loopholes that our countries have therefore want to utilise it for their benefit. He said if land mining operations have destructive effects to our environment which humans are familiar with, how much more is it for the seabed which no proper scientific discoveries and research has been done about it. "We have seen mining companies come and destroy our environment for these minerals. And when they left, people are suffering. "We are people created by God with dignity and we need our resources to survive, not money," Magun said.

He added that it will come to a time when the country will develop and have the human capacity and infrastructure to venture into such development. "Therefore we don't need foreigners to rip us off and destroy our livelihood." Mr Magun warned that if the ocean resources are destroyed, people's lives too will be destroyed. "Because we pacific island nations depend very much on our sea resources for survival." He further highlighted that there is no baseline study being done for under water mining. He questioned if the country allow DSM, do we have the mitigation capacity and infrastructure to deal with its effects? "Three quarter benefit of these developments will be taken out of this country. "So what is the point of allowing such development to take place when it has devastating effects to our lives forever. "We do not have enough resources and if we destroy then, we are gone."

## **Togolo: Mining sector up for radical change**

The National, 24th May, 2012

By MALUM NALU

NAUTILUS Mineral is embarking on a venture at its Solwara 1 project in the Bismarck Sea that has the capacity to revolutionise the entire mining industry, according to PNG country manager Mel Togolo. He said this was something that had never been done before in a commercial way, and Nautilus was leading the world in the creation of this new frontier. Togolo also explained in detail at a mining and petroleum workshop for PNG media last Friday how the underwater mining would be done. "The obvious analogy is the oil and gas industry," he said. "In the early 1900s, all of the world's oil and gas was produced on-shore. "It was only in the 1940s that the first offshore oil wells were put into production off the coast of Louisiana, and today some 30% of the world's oil and gas comes from offshore wells. "So in that sense, perhaps the global mining industry is where the oil

and gas industry was in the early 1900s, but we have the benefit of their many years of experience to develop this new opportunity for mineral resources.

“Another analogy is in the diamond mining industry, and De Beers has been mining offshore Namibia for diamonds since the 1980s. “Similarly now, there are plans to develop offshore potash deposits in Namibia. “Seventy (70) per cent of the world’s surface is covered by ocean, and it is of course obvious that all of the world’s resources deposits are not restricted to the land. “Therein lies a great opportunity, and the oceans of the world will no doubt host some massive deposits. “We have only scratched the surface.” Togolo said land-based deposits were suffering from declining grades and increasing costs, and the easy discoveries had all been made. “We have to go where the deposits are,” he said. “New frontiers are beckoning and inevitably have to be developed to feed the world’s demands for minerals. “Deep sea resource development is going to happen. “It is just a matter of time, and at Nautilus we are leading the charge, establishing the technologies and methodologies to develop these resources in ways that are responsible and sustainable.”

Togolo said the seafloor production system was comprised of three components:

- g The seafloor production tools. Nautilus would have three of these operating on the seafloor at a depth of 1,600m, controlled by operators on the ship above. They would disaggregate the material and reduce it to a maximum size of 50ml. The material was quite friable and easy to cut, and the process did not require any blasting or explosives;
- g Once the material is cut from the seafloor, it will be collected by a collecting machine, which is essentially a large vacuum cleaner which pumped it as a seawater slurry via a riser and lifter system to the ship on the surface; and
- g The last component is the seafloor production vessel, which will serve as the operational base.

### **Hidden Valley: Nauti landowners see first fruit of BSA**

Post-Courier 24.5.2012

FIVE months after the signing of a Benefit Sharing Agreement between the Hidden Valley mine owners, Newcrest and Harmony, and landowner association Nakuwi, two of the mine landowner villages have now received the first lot of benefits from that agreement. Last Friday, the Nauti people received an Isuzu truck and Walkabout sawmill through the Benefit Sharing Agreement (BSA) under the Hidden Valley Mine Benefit Sharing Trust. The Winima landowners were the first to receive similar items a week ago. At the presentation held at the village, Hidden Valley mine representatives, community and Nakuwi leaders encouraged the people to take care of the properties and use them for the intended purpose of improving and developing their villages. The truck and sawmill was the result of the signing of the Trust Deed in late 2011 following extensive consultation with the Nakuwi Association and mine area community leaders.

The purpose of the trust is to provide additional socio-economic benefits to the mine landowning communities of Nauti, Kwembu and Winima (Nakuwi) which are tied to the continuing successful operation of the Hidden Valley Mine. Starting with an initial contribution of K3 million, trust proceeds will be used on community infrastructure, capacity building, education, training, community development and business development projects and programs nominated by the respective village planning committees. Ongoing funding to the trust is anticipated to be about K1.5 million per annum based on fixed and variable amounts tied to mine revenues. The trust is governed by a board of governors consisting of representatives from the Nakuwi Association, Nauti, Kwembu, and Winima villages, Morobe Provincial Government, Mineral Resources Authority and others.

## **Juha people recognised**

Post-Courier 24.5.2012

By John Pangkatana

THE people of Juha Petroleum Resource License (PRL) 9 area are more than appreciative of the role of the Hela Transitional Authority (HTA). For the first time in five years the Juha PRL 9 people are being appropriately recognised under the recent Infrastructure Development Grant (IDG) payment structure. Juha PRL 9 is situated on the Southern Highlands side that shares the border with the Western Province. Paramount chief of chiefs Tani Hinirako said the HTA under its chairman and Tari Pori MP James Marape and chief executive officer William Bando had made it possible for the majority of landowners to see tangible development materialise. Mr Hinirako felt the need to speak out after the people had been left out in the cold when it came to benefiting from spin-off benefits. This follows their K11 million IDG payout by HTA on the weekend.

He said if the payment was organised through the Government. “Ol papa graun bai suffer ken (landowners would suffer again),” he added. “We appreciate the time and effort the HTA went through to establish the payment schedule. Juha PRL 9 people are just happy that we are being reflected and rightly recognised in the payout.” “In saying that I can assure the Government and the HTA that we are ready to participate in key infrastructure projects. “We, however, urge the HTA and the Government to centre the spin-off benefits at Koroba Lake Kopiago. This is so that the majority of the people on the ground can be engaged by the developers to work,” he said. “This is so that the people can feel that they are participating in the project and in turn will take ownership of the project. At the end of the day everybody is happy to prosper.”

## **Ok Tedi: Observer: Absence of Govt in Fly a concern**

Post-Courier 23.5.2012

THE absence of key Government agencies and the Fly River Provincial Government (FRPG) in the mine life extension community consultation process currently taking place with the nine mine affected regions is a concern of an external observer. After attending the Middle Fly, Suki-Fly-Gogo and Kiwaba regional meetings over the last three weeks, external observer Dr Beno Boeha is concerned about the non attendance of FRPG and certain central agencies of National Government like the Attorney General, Treasury and Finance, Environment and Conservation, National Planning and Monitoring. “The Government as a shareholder with 36.6 per cent shareholding in OTML must attend to contribute to the process of consultation with the communities affected by the mine,” said Dr Beno.

He added that financially, OTML’s contributions to the National and Provincial Government budget is enormous as from 2000 to 2011 OTML paid K9.4 billion to National Government and K1.3 billion to FRPG in dividends and taxes, a total of K10.7 billion, and at same time the mine landowners were paid K574 million and other impacted communities received K833 million. OTML is a significant contributor to the economy of this country and the Western Province and it is important for the Government as a shareholder to participate in the consultation process. He said the concern was also shared by the regional leaders. This week, community consultation on mine life extension meetings will be held simultaneously with members of the Dudi Region and lower Ok Tedi. The purpose of the Mine Life Extension community consultation process which began in 2009 is to enable the community leaders from the nine regions to make an informed decision on whether the mine should extend beyond 2015 or close.

## **Increased Security At PNG LNG Sites Likened To Bougainville Crisis**

*Rising conflicts between government and landowners raise concerns*

By Ash Pemberton

AUCKLAND, New Zealand (Pacific Scoop, May 22, 2012) – The presence of police and mobile brigade soldiers at construction sites for the PNG LNG (liquefied natural gas) project in Papua New Guinea — majority owned by Exxon Mobil — is an indication of the community discontent surrounding the development. Fears have been raised that conflict over the project could provoke violence like that of the Bougainville civil war in the 1990s. Exxon Mobil and its partners plan to invest US\$15 billion in the project, including a production and processing site near Tari, Hela Province, in the Southern Highlands, and a liquefaction and storage plant near Port Moresby, reports Inter Press Service.

Once operational, the project is expected to double PNG's gross domestic product. Landowners in affected areas have held many protests against the company since building began in 2010, over claims that many were ripped off in deals for compensation and infrastructure funding. Many landowners complained of being left out of negotiations altogether. The Post-Courier reported on November 8 last year that MP Francis Potape said many landowners were angry at not being paid when "certain 'handpicked landowners' who are friends with cabinet ministers and key people in departmental heads" had received government funds.

### **Road blockades**

Locals in the Southern Highlands region have stopped building several times with road blockades and site occupations. Some of them involved threats and violence against workers. Police used tear gas and fired warning shots at a landowner protest outside the prime minister's office in Port Moresby on March 6, the National said the next day. Police said they would treat future protests as "unlawful assemblies". The government announced on April 2 that soldiers would be sent to Hela and Porgera in neighboring Enga province to help police control protests, Radio New Zealand International reported. Spokesperson for Hela landowners Sir Alfred Kaiabe told Radio Australia's Pacific Beat violence was likely to escalate. "It will definitely get worse," he said. "Far worse than the Bougainville crisis." "We are Highlanders and we are known for fighting. Fighting is a way of life and we will fight to the day to protect what is theirs if they have been cheated." Two deadly events related to the project have already occurred this year, causing further outrage against the company and government.

### **Quarry landslide**

The first was a landslide in Hela Province on January 24, believed to be caused by work at a quarry used for the LNG project. The villages of Tumbi and Tumbiago were destroyed, killing up to 60 people. Instead of searching for survivors, the government and company chose to clear access roads for the LNG project, LNG Watch said. This included building a road over the dead. Locals were forced to dig for their relatives by hand. When locals blocked earthmoving equipment in protest, officials threatened to withhold 10 million kina (nearly AU\$5 million, or US\$4.8 million) in disaster response funding, Radio New Zealand International reported. LNG Watch said that Exxon Mobil and partner Oil Search Limited had helped manage the National Disaster Committee (NDC) investigation into the landslide, whose report found that "heavy rainwater" was responsible for the disaster. The NDC was later forced to admit the report was flawed and that they were yet to conduct a proper investigation or establish the cause, LNG Watch said. Official inquiries into the disaster promised by the government and company have failed to happen.

### **Police shooting**

The second deadly incident took place at Tamadigi camp on April 3, when one worker was killed and another had his head grazed by a bullet when police guarding the construction site opened fire,

LNG Watch said. The incident was sparked when workers began arguing with officers over the police's treatment of local residents protesting against the LNG project. However, an Exxon Mobil spokesperson denied the worker was killed by police, PNGIndustryNews.net said. However, the spokesperson gave no alternative explanation for the death. A company inquiry into the incident has yet to produce any results. Workers on the PNG LNG project have also complained of "discrimination, unfair dismissal, and a lack of union representation in the workplace," LNG Watch said.

The police in the area have acted as a security force for PNG LNG. The National said on May 3 last year an investigation had recommended the memorandum of understanding between police and the company be terminated. It said mobile brigades were specially reassigned to project sites and that officers' expenses, accommodation, food and body armor were paid for by the company. LNG Watch said on November 10, 2010: "A figure of K2 million [US\$964,056] has been cited as the per month subsidy Exxon Mobil are/will provide the Royal Papua New Guinea Constabulary for security services."

### **Enriched elite**

Government complicity in the activities of PNG LNG reflects the state's commitment to fostering corporate profit-making and enriching PNG's elite while most people languish in Third World conditions. People directly affected by the project may eventually see some development in their area. But it will be only crumbs compared with the wealth taken out of the country by the Western companies involved.

### **Mining, oil sector paid K12.7billion in taxes**

The National, 22nd May, 2012

By MALUM NALU

THE mining and petroleum industry paid K12.7 billion to the national government between 2005 and 2010, according to the PNG Chamber of Mines and Petroleum. Chamber executive officer Greg Anderson said this when reiterating its view on the Current Mining Act and the Proposed Mining (Amendment) Bill, which sought to transfer mineral and petroleum ownership from the state to the landholders. According to the current Mining Act, and Oil and Gas Act, all minerals, oil and gas existing on, in or below the surface of any land in PNG, are the property of the state. The chamber was concerned that transfer of mineral and petroleum ownership from state to landholders would be to the detriment of all concerned, including tangible benefits such as money. "The mining and petroleum industry paid K9.7 billion in corporate tax, over K1.2 billion in dividends, K1.3 billion in royalties and over K540 million in dividend withholding taxes to the national government from 2005-10," Anderson told a mining and petroleum workshop for PNG media last Friday.

"This totals K12.7 billion, an average of more than K2.1 billion a year. "In addition, the industry contributes significant amounts in salary and wages tax, duties and levies, and the tax credit scheme, as well as dividends to some host provincial governments and landowners." Anderson said PNG's mining and petroleum industry was the backbone of the economy and contributed over one-third of government tax revenue. It provides about 80% of the total national export income, he said. "Formal employment in the resource sector has increased to well over 30,000." Anderson said benefits provided by the resource projects were diverse and substantial and included: taxes (company tax, royalty, dividend withholding tax, salary and wages tax, duties, production levy), dividends (equity), tax credit scheme projects, special support grants and development levies, employment, education and training, public health programmes, business and agricultural development, and community infrastructure. "Papua New Guinea has one of the most-equitable benefit sharing systems in the world for mining and petroleum developments," he said. "It includes the national government, affected provincial and local level governments, and the impacted communities."

## **Nautilus finds Chinese buyer for minerals**

The National, 22nd May, 2012

By MALUM NALU

NAUTILUS Minerals, which is set to start revolutionary underwater mining at Solwara 1 in the Bismarck Sea between East New Britain and New Ireland provinces in 2013, has already secured a Chinese buyer for its first three years of operation. This was confirmed by Nautilus country manager Mel Togolo at a mining and petroleum workshop for PNG media at the Gateway Hotel in Port Moresby last Friday. He said the indicated resource was one metric tonne at 7.2% copper and 5 grammes/tonne gold while inferred resource was 1.5mt at 8.1% copper and 6.4 g/t gold. The material will be treated by conventional grinding and flotation and will produce a copper concentrate of 25-30% with recoveries of between 85% and 90%. Fifty per cent of the gold will be recovered in the copper concentrate. "We have recently signed a landmark offtake agreement with Tongling Nonferrous Metals Group Co for a period of three years commencing upon the first delivery of product from Solwara 1," he said.

"So in the first phase there will be no treatment at site, no tailings and minimal shore based infrastructure required. "We currently estimate the operating cost to bring material from the seafloor and get it to shore will be approximately US\$80/tonne, and then on top of that there will be shipping and processing costs. "We have not produced a full feasibility study outlining the project economics, but our competitors are producing copper at a cost of around US\$1 per pound and we would expect to be very competitive." Togolo said based on current metal prices, a tonne of Nautilus material currently was worth about US\$1,000. "We expect to produce around 1.3 million tonnes per year, leading to production of 80,000 tonnes of copper and 150,000 ounces of gold a year. "So there will be a healthy margin, giving us a payback of about a year to 18 months. "The capital cost of the seafloor production system will be \$407 million, including a US\$50 million contingency."

## **LNG: Report cites security threats**

The National, May 22nd, 2012

By GRACE AUKA

A research report has revealed findings in the Hela region about human security threats. Dr James McIlraith from the LNG research team said there had not been enough awareness and community relations raised about the LNG among people in Hela. He said there were complaints about the social mapping and landowner identification studies undertaken by the LNG project and accepted by the government. "People pointed out earlier studies should have been more comprehensive as they did not capture a significant number of legitimate landowners. In this respect, they argued for the completion of further in-depth studies," McIlraith said. He assured the people that there were significant future benefits available to various stakeholders after 2014. "LNG project landowners will receive cash benefits such as royalties and equities in addition to benefits such as community and infrastructure development," he said. He stressed the business and employment opportunities the LNG project will offer. It was also revealed that at the end of the construction phase, there will be a pool of unemployed people who would have used to a regular wage packet. This will slightly increase social tension. "The various pressures are evident in the Hela region and generally raise concerns about human security threats," McIlraith said.

## **Wafi gold impact an election issue**

Post-Courier 22.5.2012

THE impact of the upcoming Wafi-Golpu gold and copper project in the Morobe Province has become a major election issue. Markham Valley cattle farmer Joseph Tetang from Zifassing village,

who is contesting the Huon Gulf seat, says the next Member for Huon Gulf must focus his or her attention on the effects of this multi-billion kina project on the lives of the people of Huon Gulf. “Any pollution from the mine going into the lower Watut river then into the Markham River and down into the Huon Gulf will have a devastating effect on the lives of thousands of people,” he said. “The new leader for Huon Gulf must focus his attention on this issue and ensure that Government and the developers of this huge mine do everything possible to protect the livelihood of the Huon Gulf people. “This is a huge environmental issue that must be carefully addressed to avoid problems such as experienced with the Fly River and also on Bougainville.” Mr Tetang called on candidates not to attack each other but campaign with respect for others. “We are all trying to represent the same people so there is no need to play dirty politics or attack each other in the campaign,” he said. “Let’s respect each other and let the people decide.”

### **New evidence of eco-damage from Ramu nickel mine**

By Ash Pemberton, PNG Mine Watch 21.5.2012

The controversial Ramu nickel mine near Madang in Papua New Guinea has come under fire for new claims of environmental damage. The mine has been the subject of a long-running battle with locals over plans to pump 100 million tonnes of mine waste into Basamuk Bay over 20 years. The dumping threatens the pristine ecosystem of the area as well as the livelihoods of local people. Locals who opposed the mine faced harassment from company and government representatives, including a number of violent attacks and threats on those involved in a legal challenge to the mine. People were forced from their homes to make way for mine construction and culturally significant sites were destroyed. The mine is majority-owned by Chinese company MCC. Australian company Highlands Pacific owns a minority stake. A Supreme Court appeal against a decision to allow production to go ahead was rejected in December. Highlands Pacific said in a report that the mine “has been commissioned and is now in production and nearing first sales in coming months”, the *PNG National* said on April 20.

As the mine prepared to come online, locals reported that several ships supplying the Ramu mine processing plant spilled chemicals into Basamuk bay, bleaching the coral reefs, PNG Mine Watch said on April 27. It was unclear whether the spills were accidents or intentional discharges. MCC admitted to a “minor” spill of sodium hydroxide at its processing plant on April 18, but denied claims by locals that sulphuric acid had spilled from ships. PNG environment minister Thompson Harokaqueh also recommended the mine stop using its 135 kilometre slurry pipe — which carries waste from the mine to the sea — due to its poor construction and closeness to roads, the *National* said on April 5. Harokaqueh told parliament the mine owners had failed to develop a monitoring system for the pipeline or erect warning signs after sections of pipe had been pushed onto the road after a landslide. Highlands Pacific denied reports the pipeline had shut, the *National* said on April 18. A controversial meeting between the state, the Madang provincial government, landowner groups and mine owners began on April 23 to finalise an agreement covering “business spinoffs, royalties and infrastructure development projects,” the *National* said the next day.

The venue was mysteriously changed from Madang to Mt Hagen, almost 200 kilometres away. Media were banned from covering the meeting, the *National* said on April 27. Before the meeting, the Madang government criticised the 10-year tax holiday given to the mine by the national government, the *Post-Courier* said on April 21. The *National* said on April 27 that a rival to the Kurumbukari Landowners Association called on the government to not sign any agreement, as the land court was still to decide who was the legitimate landowner. The landowner groups at the meeting have long been criticised as unrepresentative; most have been excluded from the process. The mine development has also raised racial tensions. Locals resent Chinese migrants who work at the mine or have set up businesses in the area. The *National* said on March 27 that four mineworkers were hospi-

talised after a brawl between Chinese and locals. Tensions were raised due to mine managers giving Chinese workers better treatment.

Locals had been in talks with mine managers over pay and conditions, in which locals demanded the same wages as Chinese workers. “Locals are paid K2.33 an hour, with those serving more than five years getting K3.50 an hour. The employees said they wanted K5 per hour,” the *National* said. PNG Mine Watch also reported on January 30 allegations of corruption by senior MCC managers. They allegedly transferred about K1 million from funds set aside for local landowner associations to private accounts in China. The Ramu mine is an example of the favouritism given to big businesses ahead of local people that plagues PNG. PNG’s elites enrich themselves by creaming off the top of big-money projects funded by foreign corporations. Little benefit is passed on to ordinary people who live in Third World conditions while billions of dollars of wealth is taken out of the country. However, corruption has grown worse in recent times, and the head of a government inquiry declared the country had changed from “constitutional democracy into [a] Mobocracy”.

The chairperson of an investigation into corruption in government departments, Sam Koim, told AAP on May 10: “The level of corruption has migrated from sporadic to systematic and now to institutionalisation, where government institutions are dominated by corrupt people who orchestrate corruption using lawful authorities. “Institutions that are supposed to practise openness and provide check and balance are now becoming a secrecy haven, where they sanction illegality and secrecy.” Public pressure scored a small win in January, when the government repealed undemocratic amendments to the Environment Act, PNG Perspective said on January 20. In May 2010, the government of then prime minister Sir Michael Somare pushed through laws that protected resources projects from being sued over destruction of the environment, landowner exploitation or abuse of workers. The laws were widely believed to be for the benefit of the Ramu mine project.

### **Ok Tedi plans to extend mine’s life**

The National, 21st May, 2012

By MALUM NALU

OK Tedi Mining Ltd – one of PNG’s biggest revenue earners - is in the process of undertaking a feasibility study to extend mine life as an alternative to closure. This was confirmed by OTML general manager - government and external relations Musje Werror at a mining and petroleum workshop for PNG media at the Gateway Hotel in Port Moresby last Friday. The study was expected to be completed by next month with parliament to enact what is known as the 10th Supplementary Agreement (10SA) in 2013 to extend mine life. OTML was planning for an orderly closure of the mine next year. However, management considered this to be an opportunity to extend it by another seven years from 2015 to 2022 through a combination of two underground mines and one open pit operation.

Any decision to extend the closure of Ok Tedi to 2022 required the approval of the state and the informed consent of the communities that are impacted by the existence of the mine. This message was now being disseminated to local communities from the community mine continuation agreement (CMCA) regions, state authorities as well as political leaders of the province. OTML’s workforce and other stakeholders are also being kept informed of developments relating to possible extension of mine life. Werror said the goal of mine life extension (MLE) was “to provide detailed information to the mine-affected communities so that they could make an informed decision to either support mine life extension or insist on its closure”. OTML was now carrying out the massive task of MLE consultation and consent in nine CMCA regions, 156 villages, more than 100,000 people and covering 800km of Western province.

The three-tier consultation structure involves villages, regions and delegates with external facilitators Tanorama, independent observers, and an independent reviewer. OTML said on its website that MLE would produce an estimated 90 million tonnes of ore containing close to 700,000 tonnes of copper and 2.3 million ounces of gold over the extension period. “The mine will be a lot smaller in size to the current operations,” it said. “Ok Tedi’s current annual copper and gold production is 160,000 tonnes and 540,000 ounces gold respectively. “The most significant impact will be the requirement for disposal of an estimated 280 million tonnes of waste rock and tailing from open cut mining and mill processing. “Mine extension will generate K3 billion in state revenues (dividends, taxes and royalties). “Other benefits include extended lease payments, a level of on-going compensation and tax credit infrastructure and maintenance of social services for the people of North Fly and the rest of Western province. Additional dividends will also flow to PNG Sustainable Development Program Ltd.

### **Frieda River study due in December**

The National, 21st May, 2012

A FEASIBILITY study on the Frieda River project on the border of East and West Sepik provinces, one of the largest undeveloped copper and gold deposits in the Asia-Pacific region, is due to be finalised in December. This study was to have been delivered last January, however, joint venture partners Xstrata Copper and Highlands Pacific made the decision to delay the finalisation while they assessed new power supply options and other configuration alternatives that became available late in the study timeframe. Located about 200km from the northern coastline and 70km from the navigable Sepik River, the project is managed by the global copper producer, Xstrata Copper, and owned in a joint venture between Xstrata Frieda River Ltd (81.82%) and Highlands Pacific Ltd (18.18%). “The feasibility study is now due to be finalised in December 2012,” Frieda River project general manager Paul Gow said in its sustainability report for 2011, which was distributed at last week’s mining and petroleum workshop for PNG media.

“Onsite activities have increased significantly following completion of the 2011 drilling and site investigation campaigns for the feasibility programme and this is reflected in a reduced number of sustainable development targets for 2012. “However, with exploration, building and maintenance, continued study activities, land ownership determination and community affairs programmes continuing, 2012 will be yet another busy and challenging year for the Frieda River project.” The PNG Chamber of Mines and Petroleum said in its latest industry overview that Frieda was one of three major world-class potential mining developments, the others being Wafi-Golpu in Morobe, and Yandera in Madang. According to the Frieda River website, this extension would allow time to investigate potential development options that had become available late in the study timeframe.

### **Nautilus offers underwater mining**

By PATRICK TALU

Post-Courier 21.5.2012

THE world’s first underwater exploration and mine undertaken by Canada based Nautilus Minerals (Nautilus) for the Solwara 1 Project in PNG presents huge opportunity for more mineral exploration and underwater mining. Mel Togolo, Country Manager for Nautilus last week during the Australia Papua New Guinea Business Council (APNGBC) forum and trade expo in Brisbane, Australia said “not a lot of mineral exploration has been carried out, and there remains a huge opportunity for discovery. “While there have been 300 such hydrothermal fields discovered to date, some estimates suggest there could be three times that number still to be identified,” Mr Togolo said. Mr Togolo said while updating the delegates on the Solwara 1 Project in the Bismarck Sea between said Nautilus has a 43-101 compliant resource in place. He said Nautilus indicated resource is 1Mt tonnes at

7.2 percent copper and 5.0 g/t gold. Inferred resource is 1.5Mt at 8.1 percent Cu and 6.4 g/t Au.

The material will be treated by conventional grinding and flotation and will produce a Cu concentrate of 25-30 percent with recoveries of between 85-90 percent in which 50 percent of the gold will be recovered in the copper con. Mr Togolo said Nautilus has all of its required permits which the environmental permit was granted in 2009 and while mining lease granted in January 2011 for a deposit that covers 59 sq km.” “Nautilus is a very unique story – we are embarking on a venture that has the capacity to change the industry in a pretty fundamental way. We are about developing mineral resources in the deep sea. “It is something that has never been done before in a commercial way, and Nautilus is leading the world in the creation of this new frontier,” the country manager said. He explained in details that Nautilus intend to develop the project in two phases.

The first phase will see Nautilus put in place the seafloor production system to recover material from the sea floor, bring it to the surface, dewater it and then transport it to shore where we will load it on to bulk carriers and transport it to a concentrator facility offshore for treatment under a tolling arrangement or via a direct ore sales agreement. “We have recently signed a landmark offtake agreement with Tongling Nonferrous Metals Group Co. For a period of three years commencing upon the first delivery of product from Solwara 1. “So in the first phase there will be no treatment at site, no tailings and minimal shore based infrastructure required. “We currently estimate the operating cost to bring material from the seafloor and get it to shore will be approximately \$80 (about K165) per tonne, and then on top of that there will be shipping and processing costs. We have not produced a feasibility full feasibility study outlining the project economics, but our competitors are producing copper at a cost of around \$1 (K2) per pound and we would expect to be very competitive,” he added.

Based on current metal prices, a tonne of our material currently is worth about \$1100 (K2270). Nautilus to produce around 1.3 million tonnes per year, leading to production of 80,000 tonnes of copper and 150,000 ozs of gold a year. So there will be a healthy margin, giving Nautilus a payback of about a year to 18 months. The capital cost of the seafloor production system will be \$407 million (K840 million), including a \$50 million contingency. The government will contribute 30% of that. In phase two of the project, once Nautilus has demonstrated that it can operate commercially, and it is generating cashflows, the company can then look at potentially constructing its own concentrator facility to enable Nautilus to capture more of the value from the project, but that is a bit of a way down the track. “Deep sea resource development is going to happen. It is just a matter of time, and at Nautilus we are leading the charge, establishing the technologies and methodologies to develop these resources in was that are responsible and sustainable,” he added.

## **Solomon’s to see growth in mining despite people protests**

PNG Mine Watch, 20.5.2012

The Solomon Islands’ mineral production is expected to double this year over last year’s output, according to projections that the country’s Central Bank has put out this week. The bank reported that recommencement of mining activities last year accounted for a total gold production 51,054 ounces of which 39,429 ounces were exported in 2011. Total silver produced was 19,043 ounces last year. This was despite landowner disturbances such as roadblocks at the big mining sites. Increased mining activity, in line with the scaling up of production at the Gold Ridge mine is expected to contribute 2.3% of economic growth in 2012. The upward trend of international gold prices in 2011, averaging US\$ 1568 an ounce accounts for 28% increase from the average price of US\$ 1225 an ounce the year before.

This has generated 0.2% of domestic revenue and accounts for 1.7% of the 10.7% economic growth last year, according to data the bank has released. Not surprisingly, the mining sector is growing to be one of the country's biggest employers, with 1166 workers in 2011 – 900 locals and 266 expatriates – represented 2.7% of the estimated Solomon Island workforce. Some 15 new applications for foreign direct investments in mineral prospecting projects were also received last year and are being considered. Western, Isabel and Guadalcanal provinces were the main target areas for mineral prospecting companies though some companies also showed interest in other provinces.

### **Anderson: Boom in mining, petro sectors**

The National, May 18th, 2012

By MALUM NALU

PAPUA New Guinea is experiencing an unprecedented period of activity and growth in the mining and petroleum sectors, PNG Chamber of Mines and Petroleum executive director Greg Anderson said yesterday. He highlighted this at the start of a two-day media workshop for journalists and industry public relations professionals at the Gateway Hotel in Port Moresby. "We (PNG) have been very blessed and if we can keep up the level of activity (in mining and petroleum), we can develop a number of exciting projects," Anderson said. According to an updated industry overview from the chamber, mineral production last year was more than 62 tonnes of gold, about 90 tonnes of silver and 130,456 tonnes of copper concentrate. Activity in the petroleum sector was spearheaded by the much-publicised PNG LNG project, which had focused international attention on the country.

The PNG LNG had increased the focus on the country and had attracted international interest, which had contributed to the high level of activity on oil and gas exploration. There are currently 71 petroleum prospecting licences (PPLs) and more than 15 applications pending, covering large parts of the country." PNG ranked as the 11th largest gold producer in the world in 2010. "PNG has developed two major mining projects in the last two years, the Ramu nickel-cobalt mine in the Madang province, which is at commissioning stage; and the Hidden Valley gold-silver mine in the Morobe province, which began production last year and is ramping up an average annual production of 250,000 ounces of gold and 3.6 million ounces of gold," the overview said. "Over the last two years, there has been considerable capital expansion at the three major mines including, the twin declines at Porgera, now completed; the million ounce production upgrade (MOPU) at Lihir which is in its final stages and expected to come on stream at the end of 2012."

### **Ok Tedi: The hope... and plight of Western province**

The National, 18th May, 2012

THE Fly River is, to the majority of people in Western Province, what the Highlands Highway is to the people of the Highlands region. The river, according to the Wikipedia, is the largest in Oceania, the largest in the world without a single dam in its catchment and it ranks as the 25th largest river in the world. The river is an important source of food and transportation for more than 100,000 people that live along its banks. The Fly River or the 'Western Highway' for that matter, is also an important life line to one of the world's biggest copper mines, the Ok Tedi mine. The copper concentrate produced from the mine is shipped down the river in 4,000-tonne copper vessels from the port of Kiunga to a silo vessel anchored at the river mouth or in the Port Moresby harbour. From there, the copper concentrates are then shipped to smelting markets in Europe and Asia. Mining equipment and supplies for the mine operations and the mining town of Tabubil follow the same route up the river.

But unlike the Highlands Highway where transportation is regularly accessible, the Western Highway has not been able to boast the same degree of accessibility. Dugout canoes fitted with out-board motors and fibreglass dinghies given to the people as part of the Ok Tedi Community Mine Continuation Agreement (CMCA) compensation package are a familiar sight along this 1,050-kilometre-long waterway. The absence of a regular and safe transportation has been a concern for the communities even though OTML continues to pay millions of kina in dividends and royalties to the PNG Sustainable Development Program Limited, the State and the Fly River Provincial Government. But such concerns will now become a thing of the past, thanks to the bold vision of the Ok Tedi Fly River Development Program (OTFRDP) under the stewardship of Chief Executive Officer Ian Middleton who facilitated the design, construction and management of a brand new passenger vessel on behalf of the mine impacted communities.

The vessel, aptly named the mv Fly Hope, was designed by Shiptech in Singapore and then built in Miri, Malaysia by Sarawak Slipways. The vessel is owned by the mine affected villages, who are beneficiaries under the CMCA, a K1.1 billion compensation package they signed with OTML in 2007 following the review of the CMCA. OTFRDP is the trading name for the Ok Tedi Development Foundation (OTDF), an entity set up by OTML to deliver sustainable projects to the mine affected communities. Since its inception three years ago, OTFRDP has delivered millions of kina in sustainable projects funded through the CMCA Trust Investment Funds. “When I was appointed CEO of OTFRDP three years ago, the trust administrator and I set three rules for these investment funds,” Middleton said. “The first rule was that the investment must be highly visible in Western Province so that the CMCA communities can see what their money is being spent on. The second is the value of the investment must return more than the rate of inflation and the bank’s interest bearing deposit rates so that real returns ensure long term funds to serve the people’s development needs. The third is that the investment must also serve a development purpose for the CMCA people,” he added.

Armed with these rules and the consent of the OTFRDP advisory committee, it’s board of directors and the CMCA Trusts, a crucial decision was made to invest in improving transport infrastructure. Part of that life-changing decision was to purchase three new vessels and two aeroplanes. mv Fly Hope is the first of the vessels to be delivered. On 28 March, the vessel sailed into Daru from Malaysia. From there, it made its maiden voyage to Kiunga stopping along the way at Waliama in the South Fly region and Aiambak in the Middle Fly. People in those two regions put on spectacular welcoming ceremonies for their new vessel. Of notable mention was the welcome done by the Fly River head-hunters at Aiambak who led mv Fly Hope into the Aiambak jetty. Middleton believes that one way to encourage village-base development is to establish a good quality, reliable transport system and he is adamant that the mv Fly Hope will help bring about that change by delivering the prospect of a better future by giving the people the accessibility to services and trading opportunities.

“Western province people within and beyond the CMCA corridor will now have real hope through improved, cost effective access to health services, education services and markets because they now have a vessel custom-built to directly serve their needs,” he said. Begama Gauna, a local retailer travels three times a week to Daru from Kariako in the South Fly, to buy new stock for his small business. “I usually spend between K250 and K300 to travel to Daru one way, to buy new stock for my store. That’s very expensive. As a small business man, I’m very happy that now I can travel cheaper to Daru to buy my stock and return,” he said. Joy Azila of Obo in the Middle Fly said the vessel is a dream come-true for her and other women who have gone through many hardship trying to find a safer way to transport their produce to Kiunga or to bring their children to more well-equipped hospitals in Kiunga or Daru. “Now we can take our produce to the Kiunga market to sell or even take our children to the hospital if they are sick,” she said.

Pastor Madalaga Gasawe of the Evangelical Church of PNG also said that the vessel would greatly assist churches in their work of evangelism. "Fly Hope has now made it possible for the churches in the province to be able to do evangelistic ministry, youth ministry and other church work along the Fly River. This vessel will really assist the churches and the communities as a whole. I would like to say thank you to OTFRDP on behalf of the churches in Western Province," he said. Richard Zumoi, an Associate Director on the OTDF Board representing the CMCA communities of the Middle Fly region said MV Fly Hope is a result of the great partnership the mine impacted communities have with OTDF and OTML. "Because of great partners like OTML, we are seeing a lot of benefits. If the Ok Tedi mine stops operating, there will be no projects," he said. This passenger ferry can carry up to 150 passengers at one time. It has dry cargo storage with customised baskets for all passengers, freezers where fish and other meat produce can be stored and it also has a canteen. The vessel is also fitted with state-of-the-art navigation, and water purification systems.

The vessel will travel between Kiunga and Daru with the fares structured according to the distance travelled. The longest single sector is from Kiunga to Aiambak which will cost K195 per full fare paying passenger (includes a free 30 kilograms in freight). mv Fly Hope is the first of three vessels that have been designed and constructed. The second vessel, the mv Fly Explorer has recently been completed and the third vessel, the mv Fly Warrior is still under construction. Both are expected to be delivered to Western Province before the year's end. The mv Fly Explorer, a 30 meter research/community relations vessel (due for delivery in June) and the mv Fly Warrior, a 65 meter cargo/fuel carrier (due for delivery in November) will be dry hired to OTML with a guaranteed eight % return per annum through to mine closure. The other trust investments include two brand new series 400 twin otter aircrafts manufactured by Viking in Canada due for delivery in May and a new office complex and a housing estate for OTDF being built in Kiunga which are due for completion in October. All these developments are part of a diversified investment portfolio worth K90 million that will generate development income for the CMCA communities well into the future. – The writer works with OTML Public Relations

### **Landowners witness more chemical pollution of their seas at the Ramu mine refinery** PNG Mine Watch, 18.5.2012

Terry Kunning of Mindre village and some other villagers are currently watching the Dasin-Mandarin Fortune ship discharge powderish chemicals to the Ramu Nickel mine processing plant at Basamuk on the Madang coast. They report the chemicals have AGAIN spilled into the sea causing it to turn YELLOW. Describing what he's seeing Terry says the workers shifting the chemical powder don't seem to look safe at all as they are using BUCKETS to dig into the chemical and then pouring the load into the conveyor belt that's taking it away. He says the sea under the bridge where this is taking place has turned yellow and he's currently with the villagers on a hill watching that happening to the sea. Although the villagers have, once AGAIN, reported the matter to the company's "Community Affairs" officers and asked them to come out of their offices and explain what's happening to the people they are refusing to move. VILLAGERS REPORT THIS IS THE 5TH SPILL IN RECENT WEEKS AND THE REEFS ARE STILL WHITE FROM THE 4TH CHEMICAL SPILL, STRUGGLING TO RETURN TO THEIR NORMAL COLORS.

### **Health department increases efforts at mines**

Post-Courier 18.5.2012

THE Mineral Resources Authority (MRA) and the National Department of Health (NDOH) have started collaborative efforts to ensure better provision of health services at mining, exploration sites and surrounding communities. The idea is for the NDOH to piggyback on the activities of the MRA and resources developers at project sites to manage health services and address health issues facing

people living in surrounding areas. According to the NDOH, this engagement is in line with the National Health Plan 2011-2020's Key Result Area 2, which calls for the strengthening of Partnerships and Co-ordination with stakeholders, and Key Result Area 3 which calls for the strengthening of health systems and governance. Acting Managing Director of MRA Philip Samar said the partnership with the NDOH was in line with MRA's vision to improve the lives of all Papua New Guineans. He said it was envisaged that landowners and communities impacted by mining operations would get maximum health benefits out of this arrangement between MRA and the NDOH.

Mr Samar said he would be meeting with the Secretary for NDOH to see how best the initiative could be rolled out. The initiative is being trialed with health facilities and workers at Porgera District and Mt Kare exploration sites. It is expected that the initiative will eventually be implemented at other sites in the country. Recently NDOH's senior officers Agnes Pawiong and Roselyn Melua accompanied MRA officers to Porgera Mine project site and Mt Kare exploration site to assess the level of services currently being provided, the standard of facilities available and related issues. At Mt Kare, the officers were presented with information by exploration site clinic health workers. They were given latest monthly health statistics, common illnesses and health awareness campaigns being implemented. During the Porgera assessment trip, Mrs Pawiong and Melua met with stakeholders and discussed similar issues as those at Mt Kare. Mrs Pawiong said they would submit a report to the NDOH and make recommendations on how best the department could address the issues they came across at Mt Kare and Porgera District.

### **Simberi mine: Landmark meeting praised**

Post-Courier 18.5.2012

ALL key stakeholders in the Simberi Gold mine in New Ireland Province have agreed to move forward in a spirit of co-operation and open communication, following a landmark meeting held in Kavieng. The meeting, attended by representatives from the National Government, Provincial Government, Local Level Government, landowners and the mine operator Allied Gold Plc, has been heralded as the start of a new era for the project. The Quarterly Review meeting heard reports from the company on the progress of the mine, its management of environmental impacts, plans for future development and sharing of benefits from the operation. The meeting chairman, Acting Secretary of the Department of Mineral Policy and Geohazards Management, Mr Shadrach Himata, said he was very encouraged by the positive spirit of the participants and he congratulated Allied Gold on the progress it had made. "This is an important project for PNG and New Ireland in particular, and I am most encouraged to see the open communication and process of dialogue that has been established over the last two days of discussions," he said. "I believe that all of the participants were impressed with the work that Allied Gold has done, particularly in environmental management, and in the development of medical and health services," he said. "And we welcome the company's commitment to expand its plans for development of sustainable community businesses flowing from the operation of the mine."

Landowner representative Mr Henry Salin said he was very pleased with the company's operation of the Simberi mine. "The company has done all that is required of it, and stakeholders were reassured, and in some cases surprised, to see the excellent progress that has been made and the high standards of management. That is why we are standing firmly behind the company. This meeting provided an important opportunity for all landowners to have an input into the development of the mine, and to have their voices heard," he said. He was joined by the Vice Chairman of the Simberi Mine Area Association, Mr Vincent Maris, who said the meeting created a strong platform for the future and represented an excellent start for further dialogue. "We look forward to working with all the stakeholders to maximise the value of this operation for the people of Simberi," he said. Mr Aisoli Topu, Second Secretary to the Mining Minister Byron Chan, congratulated the attendees for

their constructive contributions. “We have built a solid foundation now for the stakeholders in Simberi to move forward in a spirit of partnership,” he said.

Acting New Ireland Provincial Government Administrator Monovi Amani said the meeting had opened a new page of understanding for the Simberi project. “This meeting has been long overdue, and I am very pleased that we have broken down the walls together, and we are starting to speak to each other face to face,” he said. Allied Gold General Manager of the Simberi mine, Peter Du Plessis, said the company was grateful for the participation of all levels of government. “We look forward to continuing to communicate in an open, honest way with all the stakeholders so we can create a common understanding of the issues. “The Simberi mine is progressing well with its planned expansion, which will deliver higher production leading to increased royalties and benefits for all stakeholders. We are grateful for the support of all levels of government and landowners in the ongoing development of Simberi, and we look forward to continued discussion and open communication with all stakeholders,” he said.

### **LNG boss fears election violence**

Post-Courier 17.5.2012

DEVELOPER of the multibillion kina LNG gas project has expressed fear of election violence during next month’s elections. The head of the \$US15 billion dollar ExxonMobil-led Liquefied Natural Gas project says he is concerned about the potential for violence. PNG LNG managing director Peter Graham revealed this at a business forum in Brisbane saying exports are set to begin as planned in 2014. But he says he’s concerned about the impact of electoral violence, and that they have been planning for the risk of election violence for 12 months. “We put a lot of effort with our contractors into preparing our camp sites, security around the campsites, ensuring that if the Highlands Highway were cut off by some protest or other, that we have stockpiled sufficient food and fuel and medical supplies and we have arrangements in place to fly stuff in if we need it,” he said. Much of the PNG LNG Project is located in volatile highlands provinces where a rapidly growing population and easy mobile phone communications is exacerbating the risk of conflicts escalating into large scale fights.

Mr Graham says with 16,000 staff in the field he cannot afford to have them unable to work. “We can’t afford to have people standing around for a day, or two days or a week if something should go wrong,” he said. “So we’re pretty confident all of those plans will help us get through. There’s been speculation about the expansion of the PNG LNG plant at the plant just outside Port Moresby to double capacity. With recent good exploration results, Mr Graham is no longer ruling that out. “In order to install another train, similar to the trains we have today, we probably need about four or four and a half trillion cubic feet of gas,” he said. “That’s about half of what we have today for the existing project...our focus today is on delivering this project first. “We are looking for additional gas to accumulate. It’s going to take some time and some further drilling and a lot of expenditure to prove up gas for another one or two trains.

### **New Ireland is K19m rich**

Post-Courier 17.5.2012

By GORETHY KENNETH

THE people of New Ireland Province now have more than K19 million to celebrate with, thanks to Mineral Resource Development Corporation (MRDC) for giving them their present. New Ireland Governor Sir Julius Chan was all smiles at Morauta House yesterday when the cheque of K19, 110,782.97 was presented to him and Mining Minister Byron Chan, witnessed by Government’s top chief executive officer, Prime Minister Peter O’Neill. The cheque payment comes 14 years after Sir Julius had fought through thick and thin for these funds – under the royalty benefits for the New Ire-

landers and took the matter to the courts to have the province's share of the benefit from the PNG Government. Mr O'Neill apologised for the long delay in making available the funds but assured that his Government would do its utmost best to settle outstanding issues from provincial governments and vowed to take on that when he returns in the new government.

Sir Julius said he was proud and advised that Mr O'Neill need not apologise because he had done nothing wrong. He said that the money would be used as K5 million to maintain the Lihir ring road, the K10 million to be reserved as their trust account and the remaining would be used to set up a bank for the vulnerable in NIP.

### **InterOil: Govt cannot cancel gas deal**

The National, 16th May, 2012

INTEROIL Corp said Papua New Guinea's energy department planned to cancel approval for its US\$6 billion liquefied natural gas complex but it was confident the project could be saved. The department asked the company last year to revise plans for the Gulf LNG project, which was slated to go on line in 2014, saying InterOil had deviated from the original agreement. The government had originally approved a plan for production of 7.6 to 10.6 million tonnes per annum (mtpa). InterOil's website now said production would eventually ramp up to 8mtpa. InterOil said the government had no right to end the agreement and that it had the support of Prime Minister Peter O'Neill. "PNG continues to have political flux as we get closer to the main election date," InterOil CEO Phil Mulacek said on a call with analysts. InterOil – an oil producer, refiner and petroleum retailer – had almost all of its operations in Papua New Guinea. The company said it had been in talks with the government since learning through an unofficial source that the Department of Petroleum and Energy planned to cancel the agreement, which was signed in 2009.

### **Uncertainty discourages investment**

Post-Courier 16.5.2012

By PATRICK TALU in Brisbane

THE proposed transferring of ownership of resources from the State to landowners and passing many regulatory functions to landowners will have serious implications for future resources development, according to a heavy industry player in the petroleum sector. Peter Graham, managing director for Esso Highlands Ltd, the ExxonMobil's subsidiary operator of the multibillion kina PNG LNG Project said that it will also have serious implication for the State to balance national development in Papua New Guinea. Mr Graham said that changing the fiscal and regulatory framework would also create uncertainty in the mineral resource industry that typically requires investors to make plans over a thirty or forty years time frame. He said that uncertainty would discourage future investment in Papua New Guinea.

Mr Graham said PNG leaders understand the importance of containing a stable fiscal and regulatory environment to enable success of both the PNG LNG Project and other long term investment in the resource sector. "Why it important is that there is a debate about the impacts of possible changes in the ownership of oil and gas resources in Papuan New Guinea," Mr Graham said. Mr Graham when updating the progress of the PNG LNG project said that the developers have a very capable and focused team and is confident of meeting the first deadline of shipment scheduled for 2014. He said the project is on a half-way point for the successful development of the PNG LNG Project "We are well on track to meeting our goals of producing the first natural gas in 2014," Mr Graham said.

## **Mt Kare land survey probe on**

Post-Courier 16.5.2012

The National Government through Mineral Resource Authority (MRA) has urged the people of Mt Kare to cooperate with the developer of Mt Kare project Summit Development Limited (SDL) so that the company can successfully roll out its Land Investigation Survey (LIS). The company is in the process of carrying out an LIS to update and verify reports from an earlier survey to establish who the landowners of Mt Kare Project are. The findings of this report will then be given to the government as part of the company's pre feasibility study report. A state team comprising MRA, National Department of Health (NDOH), Department of Environment and Conservation (DEC), Department of Prime Minister and National Executive Council (NEC) and Department Mineral Policy and Geohazard Management (DMPGM), was at Mt Kare last week to show the government's support for the survey and the Mt Kare project. The State team leader John Ipidari of MRA appealed to the people of Mt Kare and surrounding areas to support the efforts of the SDL and not to disturb the LIS process and the exploration project.

Mr Ipidari said that the LIS was in their (people's) interest as it would contribute to the project's future development in terms of advancing into mining stage from exploration, adding that when the company goes into mining, they would see benefits. He urged the people to cooperate with the SDL project by providing necessary information to the consultant which had been engaged by SDL to carry out the investigation. Mr Ipidari told the people that the government would support the study efforts in whatever way it could but they (people) must also play their part in making correct information available to the consultants. The State team leader stressed the importance of peace in the area especially when the study is being conducted. Country manager for SDL George Niumataiwalu told the people that the survey was an important exercise as its results would determine how benefits would be shared and between which groups of people, when mining began. He said the completion of the survey would also enable the company to finalise compensation agreement and also to localize plans and start recruiting landowners to work for the company. Gabriel Lembopa and Tobias Iyupa of Pakeya-Umbi clan and Pakeya Alian clans respectively, said they were happy that the SDL was carrying out the survey and that they would support the company in its efforts. Many other locals from Mt Kare, Komoko, Ekanda, Pajjaka, Andita, and Politila also expressed similar sentiments.

## **Candidate pushes for Rio Tinto**

Post-Courier 15.5.2012

By PETER KORUGL

An intending candidate has urged the Government to welcome Rio Tinto back into the country. Kandaso Napi, intending candidate for the Laigap –Porgera electorate yesterday said Rio was a major player in the mineral exploration, production and processing sector and it was pleasing to see the country back in the country. Mr Napi who worked for the Rio Tinto owned Bougainville Copper Mine, now defunct, said PNG had gained as a country, from what Rio had done on Bougainville. "Apart from the monetary gains, look at the mining industry now. A lot of the workers on the mines around the country now were trained by BCL. That is the contribution that Rio has made to PNG," Mr Napi said. Mr Napi was responding to a story in the Sunday Chronicle yesterday in which Bougainville Copper Limited Chairman Peter Talyor revealed that Rio has been granted exploratory leases in PNG since the mine 1990s when it pulled out of Bougainville.

Already the PNG Chamber of Mines has stated that the return of Rio Tinto was a stamp of approval for PNG. "I could not agree more. This is good for PNG and the mining industry. Lets welcome this giant back with open arms," Mr Napi said. Mr Napi was employed as a driver by BCL and he later started his own trucking firm, which became the first national company to be awarded a contract by BCL. When the mine was shut down in the 1990's due to the crisis, Mr Napi closed his business

down and moved to Lae where he started again. His trucking firm is now contracted to the Porgera gold mine in Enga.

### **More dead fish found . . .**

Post-Courier 14.5.2012

By HAIVETA KIVIA

SOME more fish have died in the Markham River last week and the causes of the deaths at this stage are unknown. However, tests commissioned by the Morobe Provincial Government and carried out by the Papua New Guinea University of Technology on the previous deaths two months back have confirmed that there is cyanide in the Markham River. Deputy Provincial Administrator District Services Patilias Gamato told the Post Courier that their findings also confirmed the test results obtained by private investigator Edward Buasin. Mr Buasin had provided to this paper test results of the fish and water samples he had obtained when the first lot of fish were found dying and floating to the surface of the Markham River near the Markham Bridge on the Wau-Bulolo Highway, two months back.

Mr Gamato said the Administration's Fisheries Division's commissioned tests have revealed that there is cyanide now in the Markham River and they would investigate further. He said he had talked to Morobe Mining Joint Venture's General Manager- Sustainability and External Relations David Wissink about the results and had asked them for improved due diligence and safety when transporting dangerous and toxic chemicals and equipments up to their mine at Hidden valley, Bulolo District. He asserted that a truck transporting cyanide to the Hidden Valley Mine capsized near Wampit village, around an area of the road which has swamps on both sides of the road. Mr Gamato said the truck spilled some of its dangerous contents on the side of the road and alleged that it may have washed into the swamp and during rainy days and when the swamps were flooded, the toxic chemical spilled into the tributaries and the Markham River.

He said it is becoming a threat to the livelihood of citizens of this nation living along the river, depending on it for their sustainability and livelihood and needs the attention of the nation. Mr Wissink sent an email to this reporter stating that Hidden Valley Mine had obtained a Special Permit on top of their current Permit in January to release treated water from its Tailings Dam into the Watut River, which connects to the Markham River. But, the email did not state if the Department of Environment and Conservation (DEC) had investigated or commissioned an independent laboratory to confirm that the treated water was in fact free of any dangerous chemical. He added Hidden Valley mine is operating within environmental permit conditions for both the normal permit and temporary permit. He said Hidden Valley does not release tailings from the mine into the environment as they are the only mine in PNG with a purpose-built permanent Tailings Storage Facility. Mr Buasin said the DEC had down played the whole issue from the start when they should be acting in the best interest of the nation and the citizens of PNG, and to fully investigate the whole matter. "See what had happened to Ok Tedi, it is now happening in the Markham.

They are saying it is deoxidisation but the Markham and its tributaries are moving waters and deoxidisation normally occurs in still and stagnant waters," he added. The latest fish killed were found near the Zansam village, coming down towards Markham Bridge where the first lot of dead fish were discovered. The first fish kills also occurred in their area as well. The dead fish hauled out of the water by the villagers were carps, tilapia, eels and catfish, fresh water species that are common in the area. Villagers also complained of skin irritations after having bath in the Zansam creek which feeds into the Markham River and they also used the water from the creek to feed their chickens of which they are smallholder growers for the Niugini Tablebirds. When the Post-Courier visited the area, the people were still collecting dead fish from the creek and the Markham River and they had started at around 5 am in the morning when they started smelling dead fish and saw them floating in

their creek according to villager Daniel Bill. “Something serious must be done for the interest of the people,” insisted Mr Buasin.

## **UN: PNG to lead Pacific growth in 2012**

The National, May 11th 2012

By MALUM NALU

PAPUA New Guinea is again expected to lead Pacific islands growth in 2012 at 7.8%, according to United Nations resident coordinator David McLachlan-Karr. He said at yesterday’s launch of the UN’s Economic and Social Survey of Asia and the Pacific 2012 that this would be boosted by rising commodity prices and growth in domestic demand. It was coupled with acceleration in investment through the LNG project and several mining projects. PNG was a star performer with an 8.9% gross domestic product (GDP) growth in 2011 (7.1% growth in 2010), with the economy benefitting from higher commodity prices as a result of a strong demand for oil, gold, copper, coffee, cocoa, palm oil and the PNG LNG project. “One factor that could affect PNG’s growth prospect is movements in the prices of primary commodities and oil products,” McLachlan-Karr said.

“While some countries with rich natural resources such as PNG and the Solomon Islands have benefitted from rising commodity prices, their economies remain fragile due to wide price volatility. “One key challenge to PNG is to manage the resource boom well so that rapid economic expansion does not translate into continuously high inflation. “It is encouraging that PNG has taken steps to set up the government’s new sovereign wealth fund (SWF) to invest revenue earned from resources for future generations.” McLachlan-Karr also suggested that PNG and other Pacific governments:

- 1 Devise appropriate social protection policies to protect the poor;
- 1 Diversify to agriculture;
- 1 Improve infrastructure for rural agricultural production and marketing and put more effort into address often-binding constraints to agriculture such as land tenure, high labour costs and marketing infrastructure;
- 1 Introduce initiatives to address increasing unemployment levels, especially among the youth; and
- 1 Address urbanisation issues such as good governance, urban-rural development linkages, housing and related infrastructure, and ways to deal with natural disasters resulting from climate change.

Central Bank deputy governor Benny Popoitai gave an update of the PNG economy, the problems the country was facing, and what the bank was doing to remedy these. The 2012 Economic and Social Survey of Asia and the Pacific identifies major risks but also presents analysis to inform policy agendas for shared and sustainable growth. It is produced by ESCAP, the United Nations Economic and Social Commission for Asia and the Pacific.

## **Asian Development Bank: Report praises economy**

Post-Courier 11.5.2012

By KONOPA KANA

PAPUA New Guinea’s economy continued to expand in the last decade according to the Asian Development Bank (ADB) economic report on diagnosing PNG’s critical development constraints that was launched yesterday at the University of Papua New Guinea (UPNG). ADB Country Director in PNG Charles Andrews said the PNG economy has transformed over the last decade with stable government finances, private investment and high commodity prices boosting income and employment. Dr Peter Ga’Allah Kora Secretary Department of National Planning and Monitoring said the

department of National Planning under current Minister Sam Basil has devised a plan for the Local Level Government (LLG) capacity building program that will bring development straight to the village level. Dr Kora said that this program was initiated by the Member for Bulolo Sam Basil as part of his experience in his own electorate where, instead of the services going through many governmental authorities, go directly to the village people.

He said using this LLG capacity building program, people will be able to see tangible development taking place and for the first time remotes areas will be able to have better access to roads, power, electricity and water supply. UPNG Vice Chancellor Professor Ross Hynes said that as part of the human capital development UPNG is happy to launch this report and it will be used as an educational means to help equip the students to be in a better position to understand current development taking place around the country. Professor Hynes said the report is quite fascinating because it talks about service delivery not reaching the rural people and they are finding their own way to live in the urban areas and this is causing a lot of problems. "Urbanisation is not going to go away and in order to stop that service delivery must go to rural areas and also a lot of awareness need to be made regarding the conservation of the natural environment because this is were most of the benefits will come from," Dr Hynes said. According to Dr Hynes the PNG economy is in full speed and 83 per cent of the population is living in the village and therefore they need to be educated on how to maximise the resources that they have.

### **Casino project back** By PATRICK TALU

Post-Courier 11.5.2012

THE controversial and defunct four-mile hotel casino project at Boroko, Port Moresby, will resume construction immediately. A new investor in AusPNG Holdings Ltd (AusPNG) has already agreed to put in K20 million to complete the defunct project by mid 2013 which has been halted for almost three years due to mismanagement of shareholders funds by former project developer MCSS PNG Ltd. At a relaunching ceremony yesterday witness by few representatives of shareholders and National Capital District Governor Powes Parkop at the construction site, Commerce Industry and Trade Minister Charles Abel welcomed Steven Khan, a major shareholder of AusPNG. Minister Abel has commended AusPNG for making the decision to take the risk and invest in NG, especially when the subject of the investment or the project has been riddled with alleged mismanagement and siphoning of shareholders money to offshore. "PNG is a tough place to do business," Mr Abel said and AusPNG in making the decision to take the risk and invest in the project.

Governor Parkop also commended AusPNG and Mr Khan for having confidence in the city and pledged his support as the city governor to see the project through to its completion and operational stages and promised to work in partnership as the host city to this major investment. When questioned how AusPNG has come to the scene when the project was faced with controversies, Minister Abel responded that the government has set strict conditions for the new developer to immediately bring in a minimum of K20 million and to provide a profile and satisfy the government of its capacity to complete and operate the project and provide an activity schedule which is real and achievable. When asked about physical evidence of K20 million initial investments, Minister Abel said, "there is evidence that K20 million is already onshore and over US\$300 sitting offshore in AusPNG's account for the project.

Further put to task whether it was the shareholders wish to bring in AusPNG as their choice through a meeting resolution and whether any other similar hotel investment by AusPNG elsewhere and its business portfolio, the Minister Mr Khan could not respond in detail to these queries except that AusPNG has been involved in development stages of Accor Group and Casino Austria saying Accor Group is the world's leading hotel operator and market leader in the world. Mr Khan said the

relaunching of the project is a positive step forward for PNG in terms of job creation, tourism and community development. “When the opportunity arose due to financial difficulties faced by the previous investors, AusPNG had no hesitation in becoming the major share holder for this project.

Recently, there has been concerns raised by Gobe Petroleum Resource (GPR), Moran Petroleum Resources (MPR) and Papindo Group who have contributed or invested K11 each by GPR and MPR and Papindo (K8 million) on a purported move to transfer 80% of the share to AusPNG by MCSS. In research by the Post Courier on purported transfer of the 80% which translates to K176 million, a meeting organised by the Commerce Department to facilitate the transfer to the new owner has halted after shareholders concerns was raised by this newspaper. Answers to queries on the details of share arrangement and or the purported move to transfer 80% to the new owner were not available. However, Minister Abel said all the share structure and arrangements will be revived after the memorandum of understanding signing between AusPNG and Commerce Secretary Steven Mera yesterday. Also, various shareholders of the precious project were till in the dark as to what would be the share structure as well as to know the purported share transfer of 80% to the new owner.

### **K68 million in Infrastructure Development Grants to be paid** Post-Courier 11.5.2012

*By John Pangkatana*

IT’S confirmed. Just over 1300 successful applicants will be paid a total of up K68 million in Infrastructure Development Grants (IDG) next Friday April 18. This is for the six Petroleum Development Licensed (PDL’s) areas in the Hela Province. Hela Transitional Authority (HTA) chairman and Tari Pori MP James Marape yesterday made the formal announcement to put all concerned landowners minds at ease. This follows the formal presentation of K120 million to HTA in Tari March and a further confirmation of the release the second payment by Prime Minister Peter O’Neill during the recent opening of the Marape Unity Bridge along the Tagali River last week. During the opening, Mr O’Neill reminded the landowners that this money is not for the people to use for personal use. “Em I no blong yumi long kaikai, em blong karim project go long wanwan district na wanwan project area. Yumi mu wok wantaim HTA long bungim sevis I kam insait,” Mr O’Neill said.

This will be the second payment for four of the PDL’s and the first for two of the PDL’s. This payment is only subject to HTA vetting and not an approved list from the Expenditure Implementation Commission (EIC). Mr Marape took the opportunity to thank HTA chief executive officer (CEO) William Bando his support staff and the IDG secretariat for the mountain of work they went through to come to this juncture. Mr Marape said: “We are now ready to pay. Overall it has been an exhausting vetting process for HTA IDG secretariat to screen over 3000 submissions from companies that came from as far Singapore, Australia and throughout Papua New Guinea.” “It was a huge task to do a company search on all applicants on top of the fact there were numerous submissions being duplicated and many did not qualifying to apply at all,” Mr Marape said.

“Through the extensive vetting process the secretariat trimmed down the number of applicants to 800 genuine landowner companies,” Mr Marape confirmed. “It has been a lengthy wait, but it took a bit of time to identify the legitimate submissions,” he added. Mr Marape admitted that the earlier process was a mess and that cabinet had the foresight to bring this process down to the provincial level through HTA, as the legal government body. “It is now up to the recipients to honour their commitment to apply the funds for its intended purposes,” he said. Marape further explained that they now have a data-base in place. As a government they have a responsibility to do project evaluations to determine the next lot of payments into the future up to 2019. He further appealed to the recipients to do regular reports to the LLG and district officers. “We now have a clearer direction

for the future, where a more stringent process will be in place to tie down the funding to specific infrastructure projects,” he said.

## **LNG: Landowner’s payment assured**

**Post-Courier 11.5.2012**

*By John Pangkatana*

THE second lot payment of K10 million for the Tari Airport landowners is in the pipeline. Hela Transitional Authority (HTA) chairman and Tari Pori MP James Marape yesterday gave his assurance to the beneficiaries that the funds are still going through the normal Government process. Mr Marape said: “Once the funds are cleared by Central Bank then we can disburse payment accordingly. I urge the landowners to get into the clans as payments will be coming forthwith.” Mr Marape made a point that HTA was never involved in the first pay-out, in which he described as having a lot of irregularities and posing a problem for the Government. “However the HTA in its wisdom advised cabinet to pursue the issue and accordingly Prime Minister Peter O’Neill acknowledged the Tari Airport as a key component of the LNG Project,” he said. He said he was in Tari on Tuesday, where he addressed Tari Airport landowners in a public discussion at the Tari Women’s Guest House on how the disbursement of the funds will be paid.

Mr Marape described the meeting as a positive one. In a related issue, Mr Marape confirmed that a court order was served on the HTA by Aluwapia Alembo Wangare and Robert Mai to draw down the K10 million from their HTA operational account. “As of last Friday, the National Court has since frozen our account and transferred our K6 million operational funds to the National Court registry that was in there. We now have a negative status in our account and therefore cannot do our day to day business,” he said. “I reiterate again that the K10 million is not reflected because it is still going through the Government process of being cleared,” he added. “Whilst I respect their interests, it is important to note that they are not the only Tari Airport landowner group that are beneficiaries to the Infrastructure Development Grant (IDG),” Mr Marape clarified. He also made the point that this particular group has to prove themselves as a potential landowner like all the others before the State addresses its disbursement.

## **Western is next frontier of LNG discovery**

The National, May 9th 2012

By MALUM NALU

WESTERN province could be the next frontier of PNG LNG project expansion following on from the Southern Highlands, according to New Guinea Energy (NGE) Ltd executive chairman Michael Arnett. Western province is already becoming a multi-million dollar oil and gas exploration ground for companies such as NGE, Talisman Energy Inc, Mitsubishi Corporation, Esso PNG Exploration Ltd and Oil Search Ltd. Last October, PNG authorities extended the licence period and exploration programmes for the NGE’s 50%-owned PPL 268 and PPL 269 with Talisman. The two companies are now committed to a minimum expenditure of US\$55.69 million (K117.98 million) on the licences over the next five years. On Feb 23, Talisman announced it had entered into a strategic joint venture with Mitsubishi Corporation, worth US\$5.18 million to aggregate natural gas in the province with a view to potential LNG export of approximately three million metric tonnes per annum. On March 7, NGE announced the sale of its interest in PPL 277 to Esso PNG Exploration Ltd (Esso) and Oil Search (PNG) Ltd, involving an aggregate cash payment of US\$35 million, plus an ongoing royalty on future production, subject to certain conditions.

Arnett told the company’s annual general meeting in Sydney yesterday that the recent announcement of the P’nyang South Appraisal well, indicating a potential vertical gas column of over 650m, was particularly significant to all Western province explorers. “This discovery alone could potenti-

ally justify the P'nyang field becoming a cornerstone of the PNG LNG project expansion," Arnett said. "This could provide Western province gas discoveries with two export routes: PNG LNG or via the infrastructure that may be built for Talisman's previously-announced gas aggregation strategy. "The oil industry as a whole benefits from successful drilling in the Western province as each gas discovery adds to the critical mass necessary to justify oil and gas processing and export infrastructure. "In that light NGE, was very pleased to hear of the results of the Stanley, Ubuntu, Elevala and Ketu Appraisal wells in the province over the past 12 months. "We believe that 2012 will continue to be a significant year in the company's history in terms of activity across all the licences." Arnett said there were two seismic programmes already completed on petroleum prospecting licence (PPL) 265 and PPL 266. He said the other one was planned for PPL 268 in the third quarter of the year, and a third exploration well, this time in PPL 265 anticipated for the fourth quarter of the year, a busy year was forecast.

### **Looming election puts PNG LNG projects at risk**

Post-Courier 9.5.2012

By PATRICK TALU

ESSO Highlands Ltd (EHL) subsidiary operator of ExxonMobil led PNG LNG Project says it is committed to conducting business in a way that protects the safety of its personnel, facilities and nearby communities. A spokesperson from EHL responding to intelligent analysis cautioning about the looming general election related violence in the Highlands and aggrieved landowners of the project sites that may pose a threat to the multibillion kina project said "partnerships with the community remain the underpinning foundation of our approach to security around our facilities. The decision related to the call-out of Defence forces rests entirely with Government," the spokesperson said. An intelligence analyst has predicted that there is a possibility of a disruption of the multibillion kina project and other major project in the Highlands by aggrieved resource owners and tribal groups

Brittany Damora, Asia Pacific Intelligence Analyst at AKE Group, based in London and Singapore last week predicted the risk that tribal conflict will disrupt preparations for the LNG project in the Southern Highlands in the short-term remains ever present, and will increasingly intensify as the project continues. Brittany said "there is evidence of amplified unrest in PNG as rival groups seek to capitalise on the increased capital flowing into the country. Attacks on the facilities directly linked with the LNG project are likely over the period of construction as clans try to use force to extract concessions or, more likely, fight with rival groups over what has already been allocated in terms of royalties. Increased criminality in the short and medium term is also likely. Further disruptions to the projects will likely be threatened unless contracts are negotiated and outstanding payments to landowners are received.

### **Ramu NiCo engages environmental consultants**

The National, May 9th, 2012

AS part of Ramu NiCo's on-going environment monitoring programmes, it has engaged environmental consultants Ninkama and Associates, to reinstall six stream gauge stations in the vicinity of Kurumbukari mine and Basamuk refinery. KBK mine is situated in the Bundi district and Basamuk refinery is at Raicoast district, both in Madang province. The reinstallation and relocation carried out between March 23 and April 4 were to replace stations that were damaged or stolen. Apart from the re-installation and relocation of the stream gauge stations, stream current profiling and surveying were also conducted in the vicinity of the gauge stations at Banu, Anagri and Banap creek, and Gagayo River. Johnson Chen from the health, safety and environment department was involved in the reinstallation and survey project. The successful completion of the stations means a conti-

nuous hydrological monitoring programme would be implemented during the project's operational stages.

**K10million 'paid out'**  
By ALFRED KANINIBA

Post-Courier 9.5.2012

CHAIRMAN of the Juha Landowner Investment company Nelson Hamabu was a disappointed and frustrated man last week after being told that K10 million in Business Development Grants for his 12 identified clans had already been paid out by the Department of Commerce and Industry. Mr Hamabu, who is the owner of four oil heads in the Juha PDL9 area located in Nomad District in Western Province, was told the sad story by Commerce and Industry Minister Charles Abel when he went to enquire. The landowner from Nomad also found out that of the K10 million grants paid out, only K2 million was paid to two identified Juha PDL9 clans. "I am concerned that a large amount of the grant money (K8 million) has been paid to groups which are not even related to Juha PDL9, while we as landowners have only been given a small amount," he said. "I am calling on the Prime Minister Peter O'Neill and his relevant ministers to look into this matter and to solve it." He said at the signing of the Licence-Based Benefit Sharing Agreement at Moro "we were told to form an umbrella company which we did to look after the affairs of the 12 identified clans under the social mapping and landowner identification done by Dr Tom Ernst". But when the claims were compiled, there were more than 50 different groups that sent in their submissions, most of which were "paper companies" who had been paid most of the money.

**Economic Update**

**Papua New Guinea: Brighter metals prospects**

Oxford Business Group, 8 May 2012

A series of significant mineral finds in Papua New Guinea (PNG) have highlighted the role exports are set to play in the nation's economic future. However, there have been calls from industry players and opposition officials asking the government to do more to ensure revenues stay in the country. In mid-April, state-owned Petromin announced that it had found a 364-metre intersection of porphyry copper, molybdenum and gold mineralisation at its Ipi River prospect, located 50 km north of its Tolukuma gold mine in Central Province. In the same month, Australia-based Indochine Mining announced that gold and silver finds at Mount Kare had underlined the "outstanding potential" of the project to become one of PNG's next major mining operations. Officials also revealed that KULA Gold's Woodlark Island project, which has estimated reserves of 700,000 ounces, was on track to start producing in 2014.

Also in April, Nautilus Minerals of Australia announced that it had obtained a license from PNG to mine a site the size of 21 football fields under the sea. The company hopes to develop and expand undersea mining to obtain copper, gold, silver and zinc from the seafloor. These recent finds and progress underline the significant contribution metals are set to make to GDP in the coming years. In 2010, activities directly attributed to mining comprised 21% of domestic revenues, while high global commodity prices are widely credited for GDP growth reaching 8.5% in 2011 and the predicted rate for this year. "In 2012, real GDP is projected to grow at 8%, supported by a recovery in mining output," the IMF wrote in February. However, concerns over the environmental impacts of mining and foreign miners over-exploiting PNG's resources have led to calls for the country to tighten its tax regime. Observers have called for the country to emulate Australia's controversial mining tax, which will levy 30% of the "super profits" from corporations mining iron ore and coal.

Meanwhile, critics point to the 10-year tax holidays currently in place for a number of mining projects in the country, including the Chinese-operated \$1.4bn Ramu nickel-cobalt project. The government has proposed legislative reforms to increase domestic involvement in mining projects, with Belden Namah, the deputy prime minister, saying in February that the Mining Act will be reviewed to increase landowner participation in mining projects. However, Namah's plans were met with a strong backlash from industry players and opposition officials. In February, the IMF echoed these concerns, stating the resource sector could make a larger contribution to public revenues. The Fund recommended that the government strengthen its current means of revenue collection, reinforce the internal revenue and Customs services, streamline tax concessions and apply the additional profits tax to mining activities.

The government's grip on mining revenues will come under more scrutiny as speculation grows over the potential of the Wafi-Golpu copper-gold project, which Marian van der Walt, the investor relations manager at South Africa-based Harmony Gold Mining, in March described as the "find of the century". Exploration has already discovered 27m ounces of gold and 9m tonnes of copper, and those numbers are expected to grow before commissioning in 2018, wrote PNGIndustryNews. "We believe Wafi-Golpu is amongst, possibly, the top-10 copper-gold porphyries in the world at this stage," van der Walt told the Mines and Money conference in Hong Kong on March 22. For his part, Prime Minister Peter O'Neill stressed in March that the revenues from the Wafi-Golpu will, like those from the \$15.7bn Exxon-led PNG liquefied natural gas (LNG) project, be carefully managed by the country's Sovereign Wealth Fund to ensure that they benefit development in infrastructure and education.

"By 2016, we expect our budget to be three times bigger due to the monies coming into the country, not only from our LNG but other major projects, including the proceeds from the Wafi gold [and copper] mine in Morobe, Yandera in Madang and Frieda mine in Sepik," O'Neill said. "We will use these funds to pay for school fees for students who are attending our universities. By then, the entire education system in the country will be free." However, speculation in April that Swiss-based mining company Xstrata was mulling withdrawal from the Frieda mine project – which is estimated to have more than 11m tonnes of copper and 18m ounces of gold – may prove to be a challenge for the government as it struggles to attract investors. To address the multiple factors limiting investment in the mineral sector, observers say stronger political will is needed for resources-driven economic growth to translate into real development. "Public sector weaknesses and the extent to which corruption has infected this sector will be a real challenge in capitalising on this opportunity," said Ian Kemmish, Australia's High Commissioner to PNG, in March. "Political stability will also be very important."

### **Australia: Palmer's ARH signs up MCC**

Nick Evans, The West Australian May 8, 2012, 7:30 am

Clive Palmer's majority-owned Australasian Resources has taken another step towards landing the \$3 billion it needs to borrow to build its Pilbara iron ore mine, signing on Metallurgical Corp of China (MCC) to prepare technical documents to take to Chinese banks. Australasian said it had signed a formal engineering, procurement and construction management contract (EPCM) with MCC - initially flagged in September - which includes a commission for MCC to prepare a Chinese Financing Technical Report for the company's Balmoral South magnetite project, necessary to land the debt needed to build the \$4 billion mine. It is MCC's second major foray into managing the construction of a Pilbara magnetite project. The company has also handled CITIC Pacific's Sino Iron project, which has been plagued by delays and cost blowouts.

While Australasian Resources has previously said it wants to have work at Balmoral South under way by the end of this year, the process of arranging debt funding will still take some months. WestBusiness understands it will take three to four months for MCC to prepare the technical document. A parallel process to win a debt rating from major ratings agencies still has some way to run. Before then shareholders will need to consider a proposal for Mr Palmer to extend his 67.9 per cent holding in Australasian through a \$5 million share subscription, part of a deal for the company to double its mining rights at Balmoral South - all of which is owned by Mr Palmer's Mineralogy - to two billion tonnes of iron ore. The complex deal will also see Mr Palmer emerge with a 50 per cent stake in the Australasian subsidiary running the project.

## **PNG Defence Force soldiers deployed to Hela**

Post-Courier 8.5.2012

PAPUA New Guinea Defence Force soldiers have been deployed in Tari, Hela, and Porgera in Enga provinces respectively this week to assist police address rising law and order problems in those areas. The deployment in Hela is to effect the National Executive Council's decision on March 28, 2012, after unlawful behaviour of criminal elements and certain individuals have continued to disrupt early works of PNG LNG projects while the deployment in Porgera is an extension of 2009 callout that is still valid. Mr Jinga, who is also the co-ordinator of Government agencies participating in the exercise, said the Cabinet's intention for the callout was to ensure appropriate security measures were undertaken so that such intolerable behaviours from individuals did not disrupt important projects operating in those areas. He said it was also intended to be a pre-election operation to shape the security environment before the 2012 National Elections.

He said PNGDF troops and government representatives would work closely with local authorities and the project developers to come up with strategies to contain such behaviour in the long term. "Government agencies will be involved to identify and address other long term and short term administrative and governance issues to complement and enhance the work of the local level government authorities," he said. They have already visited Hawa Correctional Services (CIS) station which was abandoned since 1997 and did a scoping on the facilities that needs to be rehabilitated while a magistrate is expected to arrive in Tari this week. Mr Jinga said the callout team would establish a joint taskforce centre that would administer the callout and co-ordinate the efforts of Government officers, PNGDF troops and the police personnel in Tari and work with other stakeholders to identify the real cause of the problems.

Meanwhile, Member for Tari-Pori James Marabe has welcomed the presence of Papua New Guinea Defence Force soldiers in Tari to help police address the rising law and order problems in the Hela Province. Mr Marape, who is also the Chairman of the Hela Transitional Authority (HTA), extended his appreciation towards the representatives of the Government departments who are stationed on the ground to work with the callout team. Mr Marabe said the Hela region hosted the country's biggest multi-million kina LNG project and the decision by the National Executive Council was timely to ensure appropriate security measures were taken to protect the projects. He thanked the Government for initiating the callout and added that HTA would support the callout team in any way it can to achieve the Government's intention of the exercise. Mr Marabe said law and order problems in the Hela region had worsened over the years and with the elections around the corner, it was timely to have PNGDF personnel on the ground to ensure the environment was conducive.

## **Cooks Environmentalists Question Impacts Of Seabed Mining**

*NGO hopes government will address concerns before finalizing plans*

WELLINGTON, New Zealand (Radio New Zealand International, May 7, 2012) – The Cook Islands environmental NGO Te Ipukarea Society says questions over the impact and management of

seabed mining must be answered before mining goes ahead. The government is finalising plans to implement the Seabed Minerals Act 2009 and is considering a proposal by a Canadian company wanting exploration licenses. A spokesperson for Te Ipukarea Society Teina McKenzie says the organisation has a number of concerns it hopes the government will address before the bill is passed. "Either before or during the finalisation of this bill, a comprehensive cost benefit study should be undertaken, looking at the environmental impacts as well as the social impacts on our community and another is a comprehensive baseline study that will determine some of the biodiversity that exists in our ocean depths." Teina McKenzie says there will be huge economic benefits for the Cook Islands if seabed mining is well managed.

## **Nawailevu Mine Injects \$20 Million Into Fiji Economy**

*Company expects 60,000 tons of bauxite exported monthly*

By Serafina Silaitoga

SUVA, Fiji (Fiji Times, May 7, 2012) – The Nawailevu bauxite mine in Bua, Fiji has injected about FJ\$34 million (US\$20 million) into the economy to set up local operation, says mine manager Basilio Vanuaca. He said the mine was expected to excavate a million tons of bauxite over the next two years. The total cost includes assistance to the local community in Bua from educating the children, employment opportunities, church obligations and other activities for development purposes. Mr. Vanuaca said the costs included paying freight and taxes for machinery and trucks brought in from China for mining work. "We began operations in January this year after the mine lease was given to Aurum Exploration last year," he said. Mr. Vanuaca said a ship from China arrived last week and loading of bauxite had started at the jetty in Navakasiga.

He said two barges arrived earlier this year from China would transport 2,000 tons each of bauxite to load onto the ship. Mr. Vanuaca said the ship would take about 17 to 20 days to sail from the Bua waters to China to offload the 60,000 tons of bauxite per shipment per month. He said one of the social obligations by his team was repairing the church at Nawailevu which cost them FJ\$16,000 [US\$8,968]. "We funded the upgrading work from painting to replacing the roof and renovating the whole church. "Education remains a priority for us when it comes to helping the locals and it is a huge project assisting locals with academic opportunities." The FJ\$34 million has also been used on the construction of new roads and the jetty in Navakasiga.

## **Kina strong against US, Aust dollar**

Post-Courier 7.5.2012

By MELISSA MARTIN and PATRICK TALU

PAPUA New Guinea Kina (PGK) has appreciated significantly against the United States Dollar (US\$) and Australian Dollar (A\$) respectively in recent months. The exchange rate as of last Friday May 4, PGK against US\$ stands at 0.4845 and A\$ at 0.4666 respectively. According to Bank of PNG Governor Loi Bakani's last months' monetary policy statement in which he reflected on the developments in the balance of payments, the daily average kina exchange rate appreciated against the US dollar by 19.9 percent to US\$0.4458 between the March quarter of 2011 and 28th March 2012. Mr Bakani said the appreciation reflected high agricultural and mineral export receipts, combined with inflows related to the construction phase of the PNG LNG project. The kina appreciated against the Australian dollar by 8.3 per cent to A\$0.4276 over the same period.

The appreciation was attributed to cross currency movements, as the Australian dollar weakened against the US dollar. As a result, the Trade Weighted Index (TWI) appreciated by 12.6 percent during the same period. The Real Effective Exchange Rate (REER) also appreciated by 7.6 percent during the December quarter of 2011. Mr. Bakani said PNG's Economic growth is estimated at 7.8%

in 2012 against last year's 8.9%. Inflation is forecasted to drop slightly to 7.60% in 2012 while Kina currency is relatively strong to Aussie, now at 0.46 compared to 0.44 last month, predicting growth in PNG's economy. Mr Bakani also said that the 2012 National Budget was framed against the uncertainty in the global economy and high domestic economic activity. The Government projects a balanced budget of K10.5 billion, with emphasis on increased spending in the priority areas of education, transport, law and order, and health, consistent with the Medium Term Fiscal Strategy (MTFS) and Medium Term Development Plan (MTDP).

The Government also projects balanced budgets for 2013 and 2014 of similar magnitude. Public debt is projected to be 23.2 percent of GDP in 2012, compared to 24.1 percent in the 2011 revised estimates. The lower ratio is mainly due to an increase in GDP. On the same juncture and comparing to other global markets and economies, Port Moresby Stock Exchange (POMSoX) has not been much affected by the Global Economic Crisis recently because of the growth in economic activities within the country. THE Kina Securities Limited (KSL) shares manager Rick Tan has revealed this in a recent seminar held at Holiday Inn, Port Moresby. "Large scale liquefied natural gas (LNG) investments are still a major push for local mineral resource projects and the economy," Mr Tan said. The global meltdown has rid almost \$2.1 trillion in asset value worldwide in the recent years. Global growth is projected to drop from about four percent in 2011 to about 3.5 percent in 2012 because of weak activity. Global prospects are gradually strengthening again, but downside risks still remain.

### **Bougainvilleans take rights over resources**

Post-Courier 7.5.2012

By PETERSON TSERAHA

BOUGAINVILLE has once again created history by taking ownership of their natural resources. Five resource owner companies; Isina Resources Holdings, Pakasiapan Resources Ltd, Avaipa Resources Ltd, Baunapa Resources Ltd and Eruupia Resources Ltd have all signed Partnership Agreements with Morumbi Resources of Canada with a 15 percent carried interest. Vice Chairman of Isina Resources Holdings and former Bougainville Revolutionary Army General Sam Kauona took time to explain how it will work in Bougainville so foreign investors could understand. Morumbi Resources of Canada is my partner and they are registered on the Toronto stock Exchange," he said. Isina Resources Holdings and the other four Landowner Companies behind Morumbi have to make everything conducive for investors to have faith in Morumbi Resources on the public market on its PNG and Bougainville operations. "The proceeds of the market will be used for exploration and other social impact projects on the island." Once we get our Exploration Licences, each Landowner company will be given additional shares". " Morumbi Resources is our Partner but we become shareholders in our partnership", Mr Kauna said.

He said the Bougainville Government will adopt and honour the current Moratorium on the Island for the best interest of Bougainville people. "Section 23 of our Constitution gives us the ultimate rights of resources ownership and the resource owner company will be the only company that will apply for exploration licence". Mr Kauona said. The former BRA General stated that, the landowner owner companies will decide who their foreign partner will be and the moratorium will only be lifted in respective areas where resource owner companies decide to do exploration in their areas. Isina Resource Holdings limited have already registered its exploration activity with the Autonomous Bougainville Government (ABG) two months ago, and are waiting for their exploration license. There will be a paradaa, (lifting of local moratorium) at the end of this month in Isina area and exploration will start. Three other resource owner companies are working on their exploration registration papers and will submit to the Bougainville Mining Department by the end of this month. They too will lift their moratorium on their time and call. The ABG has to have its tax policies and legislation in place.

## **Supreme court allows clan to pursue case**

The National, 7th May 2012

THE Waigani Supreme Court has allowed the Yumbi clan of Southern Highlands province to pursue their case in court on their dispute over land entitlements and royalties from the Moran oil project in the province. The Yumbi clan first filed proceedings in the National Court in 2008 seeking a declaration that a deed of release concerning ownership of customary land and entitlement to royalties arising from a petroleum development licence was null and void. The deed of release was executed by the defendants, Nano Webo clan. The Yumbi clan also seek that a consent order entered into in a separate proceedings between the Nano Webo clan on a similar subject matter be set aside on the ground that both the deed of release and the consent order were procured by fraud. In the course of setting the proceedings down for trial, the listing judge determined that the proceedings raised a dispute on the ownership of customary land and dismissed the proceedings due to lack of jurisdiction. The Yumbi clan appealed the decision in the Supreme Court, asking the higher court to review the decision of the national court that dismissed their claims. While having a thorough look into the record of the proceeding, a three-man Supreme Court bench comprising Justices David Cannings, Don Sawong and John Logan ruled last Tuesday that the primary judge had ordered dismissal on the basis of misunderstanding the nature of the Yumbi Clan's claim. The judges ordered that the matter be set down for trial and be heard in the National Court.

## **Frontier Resources sees gold at Sudest in Milne Bay**

Post-Courier 7.5.2012

*Sudest Island is lightly settled with 12 different clans living in widely settled villages along the coast . . .*

AUSTRALIAN exploration company Frontier Resources has encountered visible gold in a trench outcrop at its Sudest exploration project in Milne Bay province. Frontier is carrying out trenching and 2 soil grids covering 6 square kilometres to help define further trenching and drilling targets at the project. Frontier has so far demonstrated rock assays of up to 256 grams per tonne (g/t) gold with 19g/t silver. According to Proactive Investors, a market leader in the investment news space, yesterday, no drilling has ever been undertaken on Sudest and less than 5 percent of the strike of the 45 km anomalous zone has been evaluated lightly by soil geochemistry or trenching. However, results outlined to date have included up to 2 metres of 104.5 g/t fold along with 2 metres of 15.35 g/t gold, 6 metres of 10.96 g/t gold, 2 metres of 16.0 g/t fold and 2m of 11.6 g/t gold.

The company had previously said it planned to aggressively pursue the attractive exploration targets demonstrated by the high grade gold in trenches/float rocks, abundant alluvial gold in drainages plus variably altered intrusives with compositions commonly associated with mineralised porphyry systems. Frontier was awarded Sudest, which was where alluvial gold was first discovered in April. Sudest Island is lightly settled with 12 different clans living in widely settled villages along the coast with the company saying the coast was easily accessible by boat while the Tagula airstrip at the western end of the island is capable of handling light aircraft.

## **LNG: Analyst predict woes**

Post-Courier 4.5.2012

By PATRICK TALU

AN INTELLIGENCE analyst has predicted that there is a possibility of a disruption of the multibillion kina PNG LNG project and other major projects in the Highlands by aggrieved resource owners and tribal groups. Brittany Damora, Asia Pacific Intelligence Analyst at AKE Group, based in London and Singapore, said the risk that tribal conflict will disrupt preparations for the LNG project in the Southern Highlands in the short-term remains ever present, and will increasingly intensify as

the project continues. Brittany's analysis posted on eurasiareview.com yesterday said "there is evidence of amplified unrest in PNG as rival groups seek to capitalise on the increased capital flowing into the country. Attacks on the facilities directly linked with the LNG project are likely over the period of construction as clans try to use force to extract concessions or, more likely, fight with rival groups over what has already been allocated in terms of royalties. Increased criminality in the short and medium term is also likely.

Further disruptions to the projects will likely be threatened unless contracts are negotiated and outstanding payments to landowners are received. The indigence analyst highlighted that with the most significant increase to gross national income to occur with the production and sale of LNG in 2015, controversy surrounding the project is also likely to peak around this time. The major benefit of the PNG LNG project to the national and provincial governments and landowners in the country will come from distributions of mining and petroleum tax revenue, mining royalties and dividends on equity. "However, due to the increasing frequency of attacks, unfulfilled landowner contracts and allegations of corruption, with an increase in revenue, there is also likely to be an increase in violence in the country. This will likely be exemplified through the increased targeting of expatriate workers, protests at various project sites, work stoppages and storming of government offices, including the potential taking of hostages.

PNG defence force soldiers have been deployed where security problems are threatening two major resource projects. Landowner disputes have disrupted key construction work in Hides area for Exxon Mobil's LNG project, while Porgera's gold mine has enduring complications related to illegal mining. Although currently there is no state of emergency in the region, troops are likely to continue assisting police despite local complaints regarding the military presence. "The timing of deployment of the 30 soldiers to the region is indicative of continuing concern that growing lawlessness will deter foreign investors," Brittany said. When contacted PNG LNG Project Esso Highlands Ltd, the operator of the LPNG LNG Project as to how it is treating the security concerns and possible interruption, Rebecca Arnold, lead Media and Communication advisor referred the Post Courier with the questions to Port Moresby based EHL officers. However, when contacted the Port Moresby based public affairs offices of EHL, they could not comment either.

### **LNG: Talks with EHL still pending**

Post-Courier 4.5.2012

KOMO Airport Landowners want Esso Highlands Ltd (EHL), ExxonMobil's subsidiary operator of PNG LNG Project to address their grievances sooner than later as both parties can resolve looming unnecessary distractions that can affect airport operations. Resources Project Developers Limited managing director and attorney Timothy Titipu said that ExxonMobil's no-care attitude must stop and the company must immediately address pressing issues at hand for its good and for the sustainable livelihood of the 20 Incorporated Land Group whose land is developed to build Komo International Airport. Titipu, who requested a meeting with EHL managing director Peter Graham since last year to discuss the land mobilisation and land lease agreement issue, got his wish when he was promised an appointment. When the landowners arrived at Konedobu with their lawyers, the meeting was cancelled and referred back to Komo.

Mr Titipu said to this day no meeting as taken place as promised. An angry Mr Titipu said Papua New Guinean resources and landowners cannot be treated like what they did to Africans and landowners from other parts of the world just to intimidate and get what they want from the land by powerful resource developing companies. Further he said that though we have world class mines and projects like OK Tedi, Kutubu, Porgera, Misima, Lihir, Bougainville and Gobe, and yet billions are taken out of this country our people are still living miles behind the poverty line compared to rest of the world. Rebecca Arnold, Lead Media and Communications Adviser EHL when contacted

for comments said “it’s not clear to me what issues the group wants addressed? We can’t comment on vague claims.” When further requested for any proof of acquisition of the Komo Airport land, EHL could not provide any evidences of acquiring the land for the airport construction.

### **Morobe Mining helps locals to start business**

Post-Courier 4.5.2012

By FRANCO NEBAS

THE Morobe Mining Joint Venture (MMJV) is assisting local landowners group to venture into business activities. The company has come up with an initiative where landowner groups are being assisted to set up sawmills within the mining areas. MMJV Community Affairs Team leader Mr Jackson Yuave said the company has already established sawmills in two villages in the Lower Watut area where the Wafi Golpu project is located. Mr Yuave said that feasibility studies and research were carried out and found that there was huge potential for logging in the area, apart from other mining activities. He said the first sawmill was purchased and handed to Yanta/Hegabung group and recently to Wale (Babuaf) Development Ltd in the Lower Watut of Morobe Province. “We found out that there is a huge potential for logging with good trees that have been cut and lying around the construction site,” he said.

The setting up of the sawmills is the first of its kind within the mining areas of Morobe province and is expected to be a success. “The sawmill projects are the first of its kind to be established for landowners on the mining site,” Mr Yuave said. He said that MMJV has come up with the initiative to assist the landowners to establish their sawmill business for a certain period of time before the landowners take on full responsibilities. “We believe the landowner groups will benefit greatly from the sawmill project,” he said. Chairman of Wale (Babuaf) Development Ltd Mr Thomas Nen who was taken for a tour on the sawmill site commended MMJV for the initiative. Mr Nen who also has a vast experience in Forestry said that the initiative is good for the people. He told the people that logging also fetches a huge income apart from mining. “We can use our resources especially timber that is cut down during the construction phase of the project. We can find market for our logs and export it overseas or build furniture and sell it back to the company,” he said

### ***Editorial***

#### **Can MPs buy properties ...?**

Post-Courier 3.5.2012

THE benefits of millions and billions of kina in revenue flows from Papua New Guinea’s mining and petroleum resource development projects and other revenue sources are already transforming the economic landscape of the country. This is obvious from the building boom in Port Moresby and Lae as well as in many project construction sites throughout the country. Businesses, landowner companies, associations as well as individuals can testify to this rapid development in the last few years. But the big question for the new regime that takes over the reins of leadership from the current O’Neill-Namah after the 2012 general election is how the country can better utilise this revenue bonanza to maximise benefits and improve the quality of life of the seven million people of Papua new Guinea.

Cairns is already being branded as another PNG city because politicians, businessmen, PNG citizens living in Australia and others are investing millions of kina in properties in this far north Australian city. A public meeting in Cairns next week will reveal the names of PNG leaders, businesses and individuals who have bought properties there in recent times. Among the property buyers could be five or more current politicians who have bought or invested in million kina properties valued at more than \$A11 million. According to Cairns North Registrar of Titles and Queensland newspa-

pers, Papua New Guineans were the largest foreign investors in the Far North, having bought commercial, residential and other properties worth more than \$4.5 million out of the \$16 million foreign purchases in the last financial year.

PNG is followed by United Kingdom, New Zealand and Japan with \$3.5 million, \$2 million and \$1.9 million respectively. This is all very good, both for PNG and Cairns. It is proof that Papua New Guineans who have the money and are willing to invest in Cairns, or anywhere for that matter, are doing so successfully. But many Papua New Guineans want to know about properties bought by politicians. The people know how much our leaders and politicians earn. Some of them were already rich businessmen before entering Parliament and they can afford to buy million kina properties in Cairns, but the same cannot be said of others. Where did they get their money from? Why is it more attractive to buy properties in Cairns and not in Port Moresby, Kokopo, Lae, Wewak, Mount Hagen, Goroka, Wabag or Mendi?

### **Politicians invest millions in Cairns**

Post-Courier 3.5.2012

By *GORETHY KENNETH*

PAPUA New Guinea politicians who have bought properties in far North Queensland (Cairns) over the last 12 months will soon be in the spotlight when a meeting gets underway in Cairns next Wednesday. The meeting will reveal details of PNG leaders who have contributed immensely to the development of Far North Queensland (Cairns) and the positive aspects of the properties bought by the PNG elites. Cairns will soon be another “PNG city” because politicians, businessman and PNG residents in Australia are rushing to invest huge amounts of money there, purchasing properties worth millions. The number of properties purchased in Cairns since 2011 has increased and some purchases had also been done early this year. It is understood the Cairns North Registrar of Titles had compiled a report of PNG politicians who have bought properties in Cairns and the list would be detailed later next week. It is also understood six known politicians (named) have invested in million-dollar properties up north and central Cairns to a tune of \$A11.5 million (K24.5 million) — \$A3.8m, \$A1.9m, \$A2.3m, \$A2.0m and \$A1.45m respectively.

Early last month it was reported in the Queensland papers that PNG residents were the largest foreign investors in the Far North, according to the latest figures from the Registrar of Titles. They bought commercial, residential and other property worth \$4.5 million out of \$16 million of foreign purchases in the last financial year. Next on the list was the UK (\$3.5 million), NZ(\$2 million) and Japan (\$1.9 million). Other notable buyers were from the Czech Republic (A\$680,000), Greece (A\$530,000), Hong Kong (A\$491,470), Argentina (A\$490,000) and Malaysia (A\$394,300). Hong Kong residents own the largest amount of land (1116ha) followed by Belgium (492ha), the UK (352ha), Japan (278ha) and China (91ha) while UK investors own the largest number of land parcels (257) followed by Japan (214), NZ (212) and PNG (101). CBRE Cairns Managing Director Danny Betros said there had not been many large sales to PNG investors in recent times until last year.

He said the last large sale was the A\$19 million three-storey office building at 120 Bunda St to a PNG consortium in July 2010. The building was bought by Mineral Resources Lihir Capital Ltd, a company that receives royalties from the A\$1 billion gold project on Lihir Island, and invests in property and other concerns on behalf of the community. In May last year, a PNG family’s first foray into the Far North’s commercial property market was expected to be the start of further investments. The Honale family bought the home of Channel 7 local news in Mulgrave Rd, Parramatta Park, for \$A3.2 million. Mr Betros said there were about 12 groups representing PNG investors active in the Far North.

He said the mining boom was sparking interest by Papua New Guinea investors in the Far North as well as because of its close proximity. It is understood a PNG consortium is also eyeing one of the Cairns CBD's largest office blocks, the Corporate Tower. Greg Wood of Knight Frank Cairns said interest in property in Cairns had dropped off following the political stability in PNG. Mr Wood said he expected the number of Australians and others working in the PNG resources sector to start buying mainly residential properties in Cairns for their families. The Far North's lifestyle, attractive property prices and the resource boom is drawing investors from PNG as well as Western Australia and Darwin, who are snapping up prestige waterfront homes and land in the elite Bluewater estate. In February this year, investors from PNG (politicians) called FNQ Hot Property principal Nathan Shingles at 9am one day, inspected the Bluewater property and by 4pm had signed a contract.

### **Bougainville Copper keen to reopen mine**

The National, 03rd May 2012

By MALUM NALU

BOUGAINVILLE Copper Ltd (BCL) remains committed to reopening of the controversial Bougainville copper mine, according to chairman Peter Taylor. He reaffirmed at BCL's annual general meeting in Port Moresby on Tuesday that the vision to return to active exploration and profitable mining remained, with active support of local stakeholders. "We face the coming year with enthusiasm for the tasks ahead, and anticipate good progress toward the vision of reopening the mine," Taylor said. "We have many initiatives in place, we believe we are ready to go, we are engaged with the Autonomous Bougainville Government (ABG) and the landowners, and we recognise that to a large extent, the time table rests in their good hands. Taylor said Prime Minister Peter O'Neill had confirmed in parliament that BCL had, by right of the Bougainville Copper Agreement (BCA), permits to operate at Panguna for a further 21 years from 2011. "There are also encouraging indications that funding for Bougainville and the drawing down of powers to the ABG including the power to license and regulate mining will be invigorated under his government," he said.

Taylor said several new developments had occurred which should help facilitate the re-negotiation of the BCA. "To make things clear, the BCA is an act of the PNG national parliament, and as such, can only be modified or repealed by the parliament," he said. "However, it is recognised by all stakeholders including BCL, that the agreement was drawn up in times and circumstances that differ from those prevailing today, and that significant changes need to be made to accommodate the views, rights and aspirations of all stakeholders including the landowners and the people of Bougainville. "There is widespread agreement today that Bougainville's economic future needs mining if it is to be able to fund services for the people from its own resources, as well as address future opportunities for economic and social development. "A re-commencement of mining at Panguna cannot take place unless all parties: the landowners, the ABG, the national government of PNG, and BCL, are acting in close accord, now and into the future. "Funding and sovereign risk assurance for the project will require a united effort. "There will need to be a fair and stable regulatory regime that gives investors the confidence needed to commit to a project that will cost in excess of US\$3 billion."

### **Tari people thank O'Neill for K10million**

The National, 3rd May 2012

By YVONNE HAIP

LOCALS living near Tari Airport, in Hela province, have thanked the government for recognising them as landowners and allocating them K10 million. Prime Minister Peter O'Neill made the commitment last month while in Tari to address landowner grievances and pay out more than K100 mil-

lion to resource owners in the LNG project impacted areas. Previously K10 million had been given to the same airport locals who claim there had been unequal distribution of the money. With the recently allocated K10 million, at least 500 people who formed the Piripu Kia Incorporated Land Group (ILG), wanted the payment to be distributed evenly. They said the money must be broken down into percentages depending on the hectares of land owned by ILGs.

ILG interim chairman, Timon Henry Hebari said they owned 8.6 hectares of land on the 30 hectare Tari airport but missed out during the distribution of the earlier K10 million. He said this time around, they wanted K2.5 million to be used as mobilisation funds because they had missed out on the previous payment, as well as spin-off benefits. He said their land, portion 107, was the transition point as it was being used for the lay-down of cargo being transported to Tari from overseas via Lae. He said they had become “spectators on our own land” because the government had not recognised them. He said with the K2.5 million they would be able to run their ILG, create and invest in small businesses for the benefit of the community. He called on the government and Hela Transitional Authority to fast-track the payment of the K10 million before the election. The Tari Airport is yet to be completed, with construction work still in progress.

### **Talisman drilling plans on track**

Post-Courier 3.5.2012

TALISMAN Energy Inc, one of the world’s largest energy companies and explorer of gas and oil in Western Province, says drilling results in PNG continue to be encouraging, and its gas aggregation plans are on track. In its first quarter result released yesterday in the Toronto Stock Exchange, Talisman said in summary, it will continue the course set out in January: reducing spending, directing more capital to liquids plays and continuing to focus to high grade our portfolio. The company said its balance sheet is strong, and is encouraged by continuing exploration success in Colombia, PNG and Kurdistan. “In Papua New Guinea (PNG), we are very pleased to have Mitsubishi Corporation (MC) as a strategic partner going forward. In addition to funding \$280 million (K577 million) of the future program, they bring global and regional gas market expertise,” John A. Manzoni, President and Chief Executive Officer said. Following government approval of MC’s entry, Talisman’s and MC’s respective equity positions will average approximately 40% and 20%. The natural gas aggregation project continues in the Western Province, with successful results from the Elevala-2 and Ketu-2 wells. Offshore Vietnam, Talisman has just spud its first exploration well in the Nam Con Son basin. Mr Manzoni said “the first quarter was very strong operationally, and we have made significant progress towards meeting key objectives set out in our January guidance,”

### **Oil Search eyes huge drilling plan**

The National, 2nd May 2012

OIL Search Ltd has embarked on the largest drilling programme in its history, according to its quarterly report. The report says a number of appraisal, development and exploration wells will be drilled across its PNG Highlands and Gulf licences over the next 18 months. Oil Search managing director Peter Botten said the programme was designed to evaluate the gas potential and build a resource base to potentially underwrite further gas development opportunities. “The first well in this campaign, P’nyang South 1, was drilled on a structure immediately south of the existing P’nyang gas field during the quarter,” he said. “The well discovered gas, intersecting a 184m gas zone over the Toro to the base of the P’nyang sands. A side-track, P’nyang South 1 ST1, was subsequently drilled, with the objective of defining the gas:water contact.

“The well reached target depth shortly after the end of the quarter, successfully intersecting the gas: water contact some 200m below the lowest gas in P’nyang South and extending the known gas co-

lumn to approximately 380m. “Interpretation of seismic and structural data suggests there is additional potential up-dip, indicating the total gas column could be over 650m. “This is an excellent result, materially increasing the total estimated 2C gas resources in the P’nyang field and providing a potential key underpinning volume for LNG expansion.” Oil Search drilled both wells under contract with the operator, Esso PNG P’nyang Ltd. Botten said construction of the well pad for the second well in the programme, Trapia 1, an exploration well on a large structure to the east of the Hides and Angore fields, was completed during the quarter.

“The rig is currently being assembled, with drilling to start following the completion of P’nyang South activities,” he said. “Development and appraisal drilling at the Hides gas field is due to start mid-year and will continue through 2012 and 2013. “Further drilling is also planned in the oil fields, to assess the potential upside in both oil and gas resources that can enhance further gas commercialisation.” Botten said in the Gulf of Papua, following the positive results from the 3D seismic survey last year, Oil Search had decided to acquire additional 3D seismic data in order to grade a number of prospects prior to potential drilling. “A seismic vessel was contracted and acquisition has recently commenced,” he said. “Shortly after the end of the quarter, the company entered a contract to drill two firm and two optional wells in the Gulf acreage, with drilling targeted to commence in late this year.”

### **Bougainville Copper posts K3.7 million loss in 2011**

The National, 2nd May 2012

BOUGAINVILLE Copper Ltd (BCL) yesterday announced a loss of K3.7 million in 2011, compared to an anticipated loss of K7.3 million. Because of this, no dividends will be paid, chairman Peter Taylor announced at BCL’s 45th annual general meeting in Port Moresby. “Overall, income and costs were generally within budget, administration and exchange losses being over, offset by a similar amount under budget for BCA renegotiation,” he said. “Interest of K2.2 million earned on court-held IBDs has been brought into account this year. “Due to the loss recorded and the need to preserve cash for future development the company will not pay a dividend. “The company has sufficient funds to cover its recurrent expenditure under the current plan and is debt free.” Taylor said he was more optimistic about the future of this company than any year out of the previous 20 years. “There are activities on foot in several areas that can positively assist Bougainville Copper Ltd make a return to profitable mining,” he said. “Some of these are within the control of the company itself, others less so. “The most-beneficial change has been the focus of Panguna landowners and other Bougainvilleans on the re-development agenda, and the initiatives they have taken to contribute to momentum.”

Taylor also talked about BCL’s: Investment strategy; Ongoing tax dispute with the Internal Revenue Commission of PNG; Litigation in the United States; Corporate governance; Safety; Risk management; Bougainville Copper Foundation; Significant events, beginning on Bougainville; and Bougainville Copper Agreement. Taylor said Prime Minister Peter O’Neill had confirmed in parliament that BCL had, by right of the BCA, was permitted to operate at Panguna for a further 21 years from 2011. “It is possible that some further remediation work will be carried out on site with the co-operation of landowners, to make areas safe whether mining proceeds or not,” he said. “President (John) Momis has been proactive in assisting the company carry out safety work. “Again, the landowners will be informed and involved as appropriate. “The vision to return to active exploration and profitable mining remains and, I am pleased to say, with the active support from local stakeholders to which I have earlier referred.”

**LNG: Hides body hires law firm to address issues**

The National, 2nd May 2012

THE Hides Special Purpose Authority has contracted a law firm to assist them in addressing landowner issues to prevent any further disruptions to the LNG project. Members of the authority gathered yesterday in Port Moresby to announce that they had hired Kimbu Lawyers and Associates to help them address issues regarding payments and damage to the environment. The term is for a year. But authority chairman Lemson Mabiria said they would extend the contract if they saw positive results. Concern was raised yesterday over the payments to landowners and the damage to the environment caused by the developer ExxonMobil. Mabiria said they wanted to address the landowner issues peacefully. The firm's principal Alfred Kimbu said they would review the agreements to see if there were any irregularities. Kimbu said in an agreement, there were certain things agreed to between landowners and the developer that should be done. If what the developer is doing is part of the agreement, then there is a limit on what landowners can do. Mabiria assured PNG that there would be no further disruptions to the project. The Hides PDL 1 and PDL 7 people have thanked the authority for addressing their grievances.

**Kutubu landowners demand payment of K10.5 million**

The National, 1st May 2012

By JEFFREY ELAPA

PNG LNG segments 5 pipeline landowners from Kutubu in the Southern Highlands want the government to pay them the balance of K10.5 million owed to them. The Kantabo segment 5 areas is the route of the Kutubu and Gobe oil pipeline. The PNG LNG pipeline also runs through the same route. Irakorahi Landowners Association Inc general secretary Noah Fuwai Beako said that in 2010, the government had agreed to award a backdated payment of K12 million under the memorandum of understanding. He said only K1.5 million was paid on the understanding that the balance would be paid later. Beako said the association has submitted the acquittals for the K1.5 million as required. But he said a year had passed and the landowners were still waiting. He said this year the government paid K120 million to the landowners but failed to include the Irakorahi Landowners Association. He said other pipeline landowners in Gulf, Southern Highlands and Hela had been paid. "We have waited patiently for one year and if we do not receive any favourable response then we'll disrupt work on the pipeline because we are fed up with the government's empty promises," he said.