



MINISTRY OF MINING

OFFICE OF THE MINISTER FOR MINING

PRESS STATEMENT

PNG'S MINERAL POTENTIAL



Papua New Guinea is a country with huge potential for significant discoveries as evidenced by world-class mines like Panguna, Lihir, Ok Tedi, Porgera, and more recently the upcoming Wafi Golpu and the Frieda River projects including a host of small to medium scale projects.

In particular, I would like to acknowledge the K92 Mining Limited of the Kainantu project that won the Thayer Lindsley Award in 2021 for the best global discovery during the height of the COVID-19 pandemic. The Kainantu project is still going strong and will soon be a large-scale SML project.

The Marape-Rosso government acknowledges that the PNG economy has been reliant on the extractive sector (mining, oil and gas) since 1972. The extractive industry has always accounted for more than **80%** of the total export revenue of PNG. It plays a significant role in supporting skills development, wage income tax, employment opportunities, and community project developments.

The Marape-Rossi government's impetus for greater benefit is clearly demonstrated in the 2019 PNG Extractive Industry Transparency Initiative (EITI) Report. The PNG EITI reported a total of **PGK 32 billion** in contributions from the extractive industries in 2019. Only **18.5% (PGK 6.14 billion kina)** of that sum was received by PNG entities. Out of which, only **3.7% (PGK 1.2 billion kina)** went to the National Government.

In that year, mining alone contributed about **44% (PGK15 billion)** of the total export revenues and the extractive industries collectively contributed **86%** of the export volume out of the country. However, only **7%** of that went to government revenue.

This is a significant concern in line with the theme "TAKE BACK PNG". Are we being responsible to the people of Papua New Guinea in comparison to other jurisdictions throughout the world? Why is there a huge disproportionate return for the State against a huge volume of our resources being exported out of the country?

MINING REGULATORY FRAMEWORK DEVELOPMENTS

The Prime Minister has on numerous occasions reiterated an earlier notice he gave to the extractive sector in 2020 that -

"By 2025 PNG will be going into a new regime as far as resource laws are concerned without harming your rate of return. Your profit margins will be maintained. However, Papua New Guinea too must get its fair share."

On the regulatory front, there have been some changes made under the Prime Ministership of Hon. James Marape since he took office. I wish to point out two important changes-

1. Mineral Data Repository Hub

The first is the establishment of a Mineral Data Repository Hub for the National Government. A recent amendment to the *Mining Act 1992* in 2020 by the Department of Mineral Policy and Geohazards Management (DMPGM) makes it mandatory for all operating mines to submit live extraction and export data in real-time to a central hub at the Mineral Resources Authority (MRA). MRA has since operationalized this hub and for the first time in the history of PNG, the State now has 24/7 visibility on the extraction of our mineral resources from our land.

I wish to commend the mining industry for your collaboration in making this become a reality. You can be assured that the State respects your rights to confidentiality and disclosure of this vital information.

2. Alluvial Mining Policy

The second is a policy change that introduced the Alluvial Mining Policy. This policy of 2021 that restricts and reserves alluvial mining activities for Papua New Guineans only.

A majority of our people are active participants in the alluvial mining sector. Therefore, this Government has reserved all alluvial mining activities for Papua New Guinean artisanal and small-scale miners only. This also extends to the buying and export of alluvial gold from PNG with the exception of existing foreign operators who are exempted by the State.

KEY GOVERNMENT PRIORITIES

To advance the PNG mining industry, I have underscored the following key priorities as the new Mining Minister. This emphasizes the National Government's commitment to these outstanding commitments. The three (3) pivotal initiatives are as follows-

1. Porgera Gold Mine

To ensure the successful conclusion of the Porgera Compensation Agreement in order to facilitate the resumption of gold production at Porgera.

2. Wafi-Golpu Mining Project

The conclusion of the project negotiations and the permitting of the Wafi Golpu projects before the end of 2024.

3. Frieda River Project

The advancing of the Frieda River project license application through to project negotiations with the State.

In addition to these flagship endeavors, the following are the priorities for this year going forward:

LEGISLATIVE AND POLICY PRIORITIES

The priorities under the Department of Mineral Policy and Geohazards Management-

4. Mining Act 1992 Review

Ensuring the final stakeholder consultations and the passing of the Mining Bill 2024 before the end of 2024.

5. Review of the Mining (Safety) Act 1977

The passing of the Mine & Works (Safety & Health) Bill 2024 to improve, update and adopt internationally acceptable safety practices and standards, inclusive of workers' and workplace environment safety.

6. Production Sharing Regime:

Investigating the implementation of a production-sharing regime in PNG.

7. Gold Bullion Bank:

Assessing the feasibility of establishing a gold bullion bank to address foreign exchange challenges.

8. Support for the Alluvial Mining Sector:

To implement the policy requirements of the Alluvial Mining Policy endorsed by Cabinet in 2021 particularly to reserve all alluvial mining activities only for PNG citizens.

9. New Policy Initiatives

To introduce the following policy initiatives developed by DMPGM-

(1) Development of the Mining Policy

A review of the current Mineral Policy to adopt best practice principles and realign with the ongoing changes made to the mining regulatory framework.

(2) Development of the Offshore Mining Policy.

To provide for the exploration and extraction of the deep-sea mineral potential both in PNG and on the international waters on the high seas.

(3) Development of the Mining Project Rehabilitation and Closure Policy.

To ensure mining is conducted in a manner that ensures rehabilitation and closure obligations are carried out responsibly in an environmentally friendly manner throughout the full scope of the mining project cycle.

(4) Development of a Sustainable Mining Development Policy.

To ensure every aspect of the mining cycle from exploration to closure is conducted in a sustainable manner that improves the quality of life for the affected communities.

(5) Development of the Mining Involuntary Resettlement Policy.

To ensure adequate compensation for mine-impacted communities and resettlement in a fair and humanely acceptable manner that is sustainable and provides for the future well-being of the affected community beyond mine closure.

(6) Development of the Downstream Mineral Processing Policy.

The new policy provides for downstream processing of the country's mineral resources, exemplified by the recent agreement between Kumul Mineral Holdings Limited (KMHL) and Ramu Nickel Mine.

(7) Development of the Geohazards Management Policy.

Provides policy guidance on disaster monitoring and management in-order to protect lives and assets and to ensure infrastructure development in PNG is compliant with the PNG Earthquake Load Shedding component of the Building Code.

9. Geohazards Management

Priority will be given to this area which performs a very vital function under the Ministry that undertakes 24/7 monitoring and assessment to safeguard and protect the lives of our people in areas prone to volcanic eruptions, earthquakes, tsunamis, and landslides. Major priorities will be the relocation of the Rabaul Volcano Observatory, the replacement of obsolete monitoring equipment, and the conclusion of the Geohazards Management Policy.

The Mining sector contributes significantly to the nation through the generation of foreign exchange, dividends, income tax and other financial streams creating employment opportunities for citizens, and delivering benefits to project landowners and so on. The importance of collaboration among all stakeholders within the mining sector is vital in this industry. As the Minister responsible, I stand committed to supporting policy initiatives that benefit the interests of all parties involved.

THE MINING INDUSTRY

Background: Mining Industry in PNG

Exploration and Mining has been the largest and complex industry in the country since time immemorial. The extractive industry, (metals, oil and gas) has always accounted for more than 80% of the total export revenue of PNG.

The operating mines

Currently, PNG hosts 4 world-class large mines, 3 medium-scale and 3 small-scale mines; and several alluvial gold fields across the country.

The large-scale mines are: -

- Lihir and Porgera produces gold silver dori bars;
- Ok Tedi, produces copper gold concentrates; and
- Ramu produces nickel cobalt hydr oxide product.

The medium scale mines are: Simberi, Hidden Valley and Kainantu generally produces gold-silver.

Porgera has been shut down since April 2020 and was officially declared open on 22nd December 2023.

Mineral Production

Over the last five years, the average Annual metal production has been: -

Gold	2.4 million ounces;
Copper	84,500 tons concentrate;
Nickel	33,500 tons;
Cobalt	3,000 tons; and
Chromite	123,000 tons concentrate

Export Revenue

These mineral products have earned an average of PGK1J billion over the last five (5) years and peaked at K15.7 billion to-date in 2020. These export revenues account for about 45% of PNG's total export revenue. Refer to Figure 1.

Mining Production Outlook

PNG will benefit immensely from increased metal

market size and quadrupled metal price forecasts for the next decade.

Furthermore, metal prices are forecasted to double and triple over the next decades, for copper, gold, nickel and cobalt, which will remain the principal metal commodity exports from PNG.

Copper production Outlook

¹PNG expects strong total annual copper production, which may average between 500,000 tons to a maximum of 700,000 tons per annum, for a period of more than 30 years, after Wafi-Golpu and Frieda River projects are commissioned as operating mines.

These mega projects will take 5 to 7 years for construction and hopefully by, 2030 these projects may become operating mines.

Indeed, PNG will become a significant copper producer for critical minerals in the globe, possibly for over a period of three decades.

Gold Production

Gold production from PNG has dropped from over 2 million ounces gold to about 1.3 million ounces gold per annum since closure of the Porgera mine.

1 The Marape-Rosso government, is keen and committed to progressing Wafi to signing a Development Agreement by first quarter of 2024. The Wafi-Golpu is a world-class copper-gold deposit will become the first underground block cave mine, when and expects to produce 1.2 million ounces of gold equivalent, or XXXX ounce of gold and XXXX tons of copper. Wafi-Golpu & Frieda River Projects are large scale copper gold deposits which may be permitted for development by 01/2024 and 04/2024, respectively.

PNGs total gold annual production may average around 2.5 million ounces with the re-opening of Porgera mine and Stage 4 expansion of K92 mine, by the year 2026.

The largest gold producer is Lihir mine which may close about mid 2050's. However, K92, Wafi-Golpu and Frieda River may substitute any declining production.

Nickel and Cobalt

Nickel and cobalt production outputs may double or triple up to 90,000 and 9,000 tons per annum, respectively if Ramu MCC's proposal to double its production output, and the Mambare (Oro Nickel) is brought into production.

Potential Closure of Major Mines - Depletion of Mineral Resources

At the same time, it is worthy to note that the potential end of mine life for existing major mines in PNG, for gold mines by 2053 and copper mines by 2065. Refer to Figure 2.

Mineral Exploration

Exploration depends entirely on private sector investments in mineral prospecting and exploration. Exploration expenditures declined after 2015 and continued after the onset of the COVID-19 in 2019. As of October 2023, the total exploration tenements on the MRA register stands at 153 current and active exploration licenses. Exploration expenditure continues to dwindle to K 108 million in 2023 from >K640 million in 2015. Refer to Figure 3

New geoscientific data is required to entice exploration in PNG.

MRA's Strategies in Response to Address the Depleting Reserves and Decline in Exploration Activities

Considering the potential closure of all the major mines by mid-2060, and the declining exploration activities over the last five years, two major intervention programs were initiated by the government: -

- a) Investment in new Exploration Data as infills; and
- b) Research for new mineral deposits in new frontiers; and

Investment in research for new mineral deposits in new frontiers

The Mineral Resources Authority had commenced identification of gaps in the National Geoscientific Datasets.

The MRA is in the process of designing and implementing a National Work Program to cover gaps and specific areas of National Interests as set out in the MRA 2022-2027 MRA CORPORATE PLAN.

Work had already commenced for: -

- Developing Work Plans and costings to cover nationwide geophysical and geochemical surveys and mapping: Refer to Figure 4
- Testing deep-seated ore bodies, in particular, conceptual porphyry Cu-Au targets at Dawadawa;
- Strategic Minerals to meet global demands required for transition energy; and
- Major government intervention programs for Alluvial Gold Mining Sector in PNG through supporting the development and growth of mechanized alluvial gold mining.

2024 WORK PROGRAM FOR THE MINERAL RESOURCES AUTHORITY

The Mineral Resources Authority as the Regulator and Promoter of Mineral Resources within the jurisdiction of the Independent State of Papua New Guinea will undertake two main functions:-

(1) Permitting Of Mining & Exploration Projects and Administer Compliances; and

(2) Promote Sustainability of Mining

The three major projects of National Importance that are undergoing permitting are:-

- New Porgera Gold Silver Mine;
- Wafi-Golpu Copper Gold Project;
- Frieda River Project; and
- Expansion of K92 mine

Mining Projects of National Significance

These mega projects represent >K45 billion worth of new capital investments on new mining projects; and about KS billion investments on sustaining CAPEX on existing mines.

Two prominent projects worth over a total of US\$1.3 billion of potential new capital investments are: -

- US\$ 5.38 billion Wafi-Golpu copper-gold project comprising US\$2.5 billion sustaining capital expenditure; and
- US\$ 6 billion Frieda River copper-gold projects

Update on New Porgera Mine

- Special Mining Lease (SML) 13 and the 15 ancillary tenements for Porgera mine were GRANTED by the State on 13th October 2023, for a 20-year term.
- The Consent Compensation Agreements required to re-open the mine have been formally concluded between the Landholders and New Porgera Limited.

The Consent Compensation Agreement for New Porgera was further strengthened by the amendment to the Mining Act on 30th November 2023, (the Mining (New Porgera) (Amendment) Act 2023).

- On 23 December 2023, all necessary Permitting required for the re-opening of the mine were concluded and the mine was officially declared open.
- After much rehabilitation work due to vandalism and test start-up, the mine **officially poured its first sets of gold dori bars, last Friday, 23rd February 2024.**

The maiden event was witnessed by the Prime Minister Hon. James Marape, Governor Grand Chief Sir Peter Ipatas, Member Lagaip Hon Aimos Joseph Akem, Mining Minister Hon. Muguwa Dilu and Managing Director for Kumul Minerals Holdings Mr. Sarimu Kanu and Managing Director Mineral Resources Authority Mr. Jerry Garry.

New Porgera Limited is expected to achieve name plate capacity production of >500,000 ounces per annum or 41,000 ounces per month by July 2024.

Remaining Tasks:

Community Development Agreement (CDA) (formerly Memorandum of Agreement) and Compensation Agreements

- There are two remaining tasks that are still ongoing; the Community Development Agreement (CDA) (formerly Memorandum of Agreement) is at the advanced stages, and Compensation Agreements between Landholders and New Porgera Limited are ongoing.

A. Community Development Agreement (CDA) (formerly Memorandum of Agreement)

- Over 200 Position Papers for the CDA were collected in Wabag, Alotau and Port Moresby for various Stakeholders since August 2023.
- The State Team comprising relevant State Departments and Agencies, reviewed the Position Papers and entered the various benefit streams into a matrix, and also segregated parties into those recognized by laws for certain benefits and those not entitled.
- The State also recognized LLG's and Provinces affected by riverine discoloration and solids pollutions contributed by the erodible waste rock dumps at the mine.

In order to compensate those affected communities, the State Team has recommended additional benefits by way of Community Projects, to be benefitted under the Tax Credit Scheme or Infrastructure Development Grants. Thus, the State Team will be writing to affected governments to submit their project proposals for inclusion as Associate Agreement to the CDA.

- Preliminary Consultations with Affected Local Level Government (LLG) and Provincial Government (PG) and landholders of Special Mining Lease (SML) and Lease for Mining Purposes (LMP) have been completed on 23 that hosts Gas to Electricity (GTE) and riverine solids pollution and discoloration will commence next week.

- Final Community Development Negotiations will commence in 3rd week of March 2024 and is expected to take a week-long before formalization.

B. Compensation Agreement

The Compensation Agreement is: an important requirement of the Mining Act, under which there will be no entry for mining and exploration (S155) or any breach of the agreement may constitute grounds for the cancellation of the tenement (S.159 ©). The principles of compensation are clearly stipulated under the Mining Act (s.154).

The New Porgera Limited N partners were already permitted to remain and operate under the court-ordered Care & Maintenance in order to make safe and maintain integrity of the mine. The Consent Compensation Agreement was anticipated to obtain permission from landholders to fulfil Section 155 of the Mining Act, which was successfully completed. Under CCA, NPL is required to enter into new compensation Agreement under one year.

Negotiations for the Compensation Agreements have commenced, in January 2024 and is progressing well. Negotiations will ultimately extend to power pylon landholders along the Mining Easement and affected riverine communities down to Zone 3. During this process, the landholders have the opportunity to negotiate improved rates. The Chief Warden from MRA and his team has been assisting the company and landholders throughout the process.

- Roll-out of Community Development programs including resettlement and relocation will follow.

Dealing with stakeholders is increasing complex and requires delicate balancing. The State Team and MRA has the background knowledge and experience to deal with various stakeholders.

Update on Wafi-Golpu Permitting

- The processing of permitting the development of the US\$ 5.4 billion Wafi-Golpu copper-gold project is at advanced stages.
- Negotiations of Mining Development Contract. (MDC) between the State and Project Proponents are in the final stages and expects conclusion by QZ/2024.
- MRA anticipates GRANTING of Special Mining Lease (SML) by Q2/2024.
- Preparations for the Community Development Agreement. (CDA) had commenced. Minister declared development forum opened and position papers have been received in 2023.
- Negotiations for CDA will commence when MDC is concluded and signed.
- Construction period may take 5 years before

commissioning.

Update on Frieda River Permitting

- The permitting of the US\$ 6 billion Frieda River copper-gold project will receive full attention in Q3/2024.
- We anticipate permitting of Frieda River project by quarter three (3) of 2026.

Mine Extension, Expansion and Rehabilitation Projects

K92 Mine Expansion Program

The K92 mine is an expanding mineral producing asset and may qualify for Special Mining Lease.

- Stage 2A Expansion final commissioning completed in May 2023 has increase throughput by 25 percent;
- Stage 3 Expansion currently underway is expected to achieve Tier 1 production of 290,000 ounces gold equivalent per annum by early 2025; and
- Stage 4 Expansion intends to achieve 470,000 ounces gold equivalent production per annum by mid-2026, which will match the output from Porgera mine.

Urgent amendments to the Mining Act are required to accommodate conversion of a Mining Lease to a Special Mining Lease, and vice versa without adversely affecting the mining operations. Similarly, variations to an existing mining tenement boundary are required.

Tofu Minerals and Abandoned Tolukuma Mine

- Home-grown company, Lole Mining was the acquired the Tolukuma assets under liquidations as successful bidder for K23 million.

- Tolu Minerals had successfully listed on the Australian Securities Exchange (ASX) and commenced trading on 10 November 2023.

- Raised AU\$11.3 million secured in a private financing and
- AU\$17.3 million secured in the IPO.

- Preparation for the construction of mine access road and rehabilitation of the old mine facilities has commenced.

- Tolu Minerals has also pledged very strong commitment to airborne geophysical survey program and drilling program over their exploration and mining tenements, commencing in May 2024.

Grant of Ok Tedi Mine Extension application

- Extension Application for Ok Tedi Mine's Special Mining Lease (SML) 1 has been GRANTED on the 4m of December 2023 by the Head of State for another 20 years, commencing Year 2022.

Potential Expansion of Ramu Nickel-Cobalt Mine

- Ramu nickel cobalt mine is contemplating an expansion program at the cost of about US\$1.5 billion. If the proposal is implemented, the mine will double its annual metal production output.

Potential Extension of Hidden Valley

- Hidden Valley mine is contemplating extension of mine life subject to completion of a feasibility studies.

Reviews of Memorandum of Agreements or Community Development

The MRA has already scheduled reviews for the following Mining Projects for 2024

- Ramu Nickel Mine - Challenges with Ombudsman directive not to conduct elections for the Krumbukari Landowners remain a challenge. Team has scheduled elections and rolled of rMoA in Q2/2024.
- Hidden Valley Mine - Preparatory Work for the Election of a new Chairman in progress. Thereafter, the CDA negotiations will commence.
- Simberi mine - Preparatory work for the meeting under way and negotiations dates to be finalised in Q2/2024.
- Lihir mine - Preparatory work for the meeting under way and negotiations dates to be finalised in Q2/2024.

5. K92 Mine - RMoA cleared and in final stages of approval for signing. Communication Land Titles commission to be fully constituted in Q1/ 2024 and resumption of landowner identification anticipated for Q2/2024.

Ongoing Development of Live Mineral Data Central Repository Hub at the Mining Haus

Pursuant to Section SA of the Mining (Amendment) Act 2020 (the Act), the State through Mineral Resources Authority had commenced the establishment and maintenance of a repository hub at the Mining Haus for live mineral production live data for every operating mine in Papua New Guinea.

Ok Tedi, Lihir and Simberi mines have been connected to the hub. Ramu, K92 and Hidden Valley are at advanced stages. Communications are being established with New Porgera mine and engineers will tap into Porgera mine by end of Q1/2024. All new mines will also be monitored by the Central hub for metal production in real-time for reconciliation purposes.

Support for Alluvial gold Mining Sector

At present some 200,000 artisanal miners deploy very simple panning and sluicing methods, which produces about 5,000 kilograms gold or 120,000 ounces per annum, which generated up to K640 million per year. Refer to Figure 5.

The alluvial gold mining sector in PNG has the potential to develop into one of the most successful Small-Medium Scale Enterprise ventures given widespread presence of alluvial gold.

The MRA through its small-scale Mining Training College in Wau is planning to upgrade its outreach program by rolling out Pilot Program for mechanised alluvial gold mining.

Several concepts and costings are being developed and we anticipate rolling out the program in Q3/Q4 2024.

Support for Minor Amendments to the Mining and Mining (Safety) Acts

The government has declared caveat for the new Mining Bill to be introduced after the 50th Independence Anniversary.

However, there are immediate needs for minor amendments to cover gaps in the in the current laws, correct deficiencies and to enhance attractiveness for exploration:

1. Allow Woman folks to work underground;
2. Tendering of Mineral Assets or Competitive Bidding;
3. Downstream processing.
4. Conversion of mining tenement;
5. Variation of mining tenement boundary;
6. Community development and benefit sharing;
7. Relocation and resettlement; and
8. Mine closure.

HON. MUGUWA DILU, MP
Minister for Mining

APPENDIX - LIST OF FIGURES

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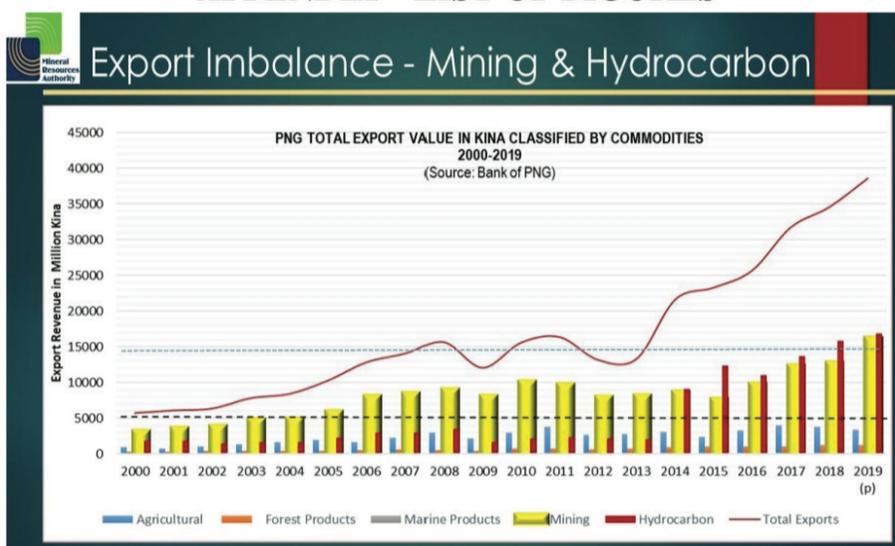


Figure 1. PNG Export Revenue

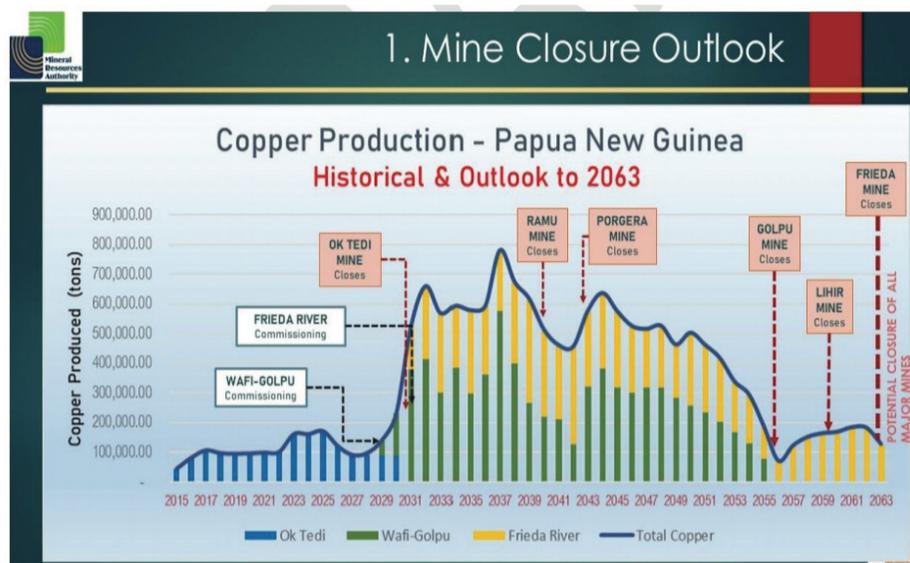


Figure 2. PMG Mine Closure Outlook



Figure 3. PNG Mineral Exploration Expenditure

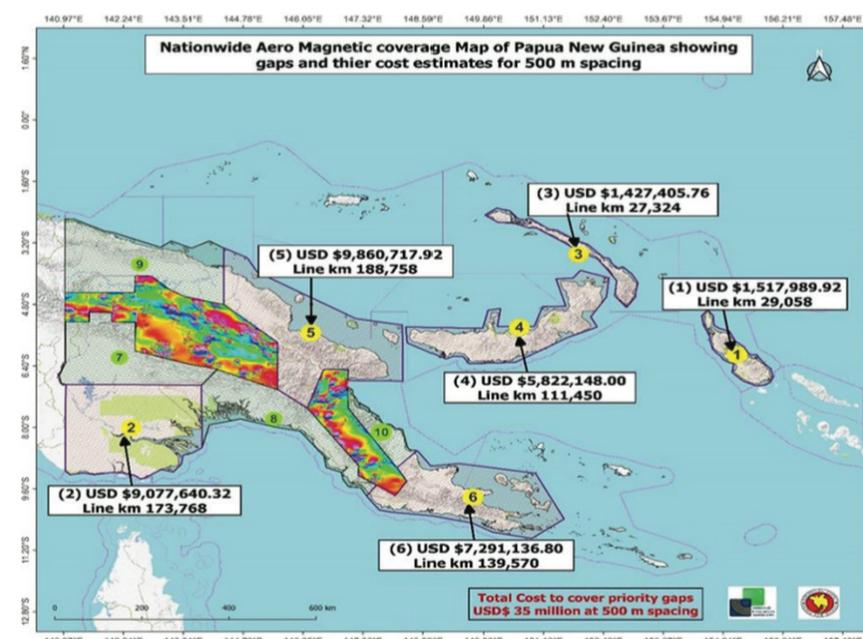


Figure 4. Gaps in the Geophysical Survey Coverage of PNG



Figure 5. Alluvial Gold Production and Export Revenue. Gold production declined from >100,000 ounces per year to 36,000 ounces in 2023.