

PNG CHAMBER OF MINES & PETROLEUM CONCERNED AT THE IMPACTS OF PORGERA SPECIAL MINING LEASE DECISION

Noting the announcement of the decision by the Government of PNG to not renew the Porgera Special Mining Lease, the PNG Chamber of Mines and Petroleum expresses concern at the potential impacts of the decision on the PNG economy and international investor confidence in PNG. The Chamber does not wish to discuss the legal rights of the parties in this matter but does have firm views on the value and importance of foreign investment and technical know-how for PNG's Mining and Petroleum sector, and notes that the Chamber and offshore investors share the expectation that due legal process and the rule of law will be respected by all parties.

The Chamber of Mines and Petroleum is firmly of the belief that optimal outcomes for PNG's national development will come about when the National Government and investors work together to attract capital and bring expertise, training and employment into the resources sector, whilst ensuring a fair return for all parties and helping build a resilient and diverse PNG economic base.

The decision to not renew the Porgera License will have long-term ramifications in terms of global investor confidence and threaten the future of the mining Industry which still has huge potential to continue providing benefits to PNG government and citizens and the country into the future. It will undoubtedly impact future investment decisions in PNG, not just within the Petroleum and Mining industry. In these difficult economic times, PNG needs to remain an attractive investment destination to ensure the PNG economy continues to grow, and prosper and provide opportunities for landowners and citizens, while maintaining the ability to service the nation's greatly increased public debt burden.

The Treasurer, Hon. Ian Ling-Stuckey was recently reported as declaring that the PNG economy is in recession, citing predicted GDP decline of -6.2% and sounding significant alarm about the perilous economic challenges PNG is facing. The International Monetary Fund and others have forecast that the world economy will suffer its worst recession since the Great Depression. Our largest export commodity, LNG, is under severe stress with global crude oil prices having fallen to historic lows. The Covid-19 pandemic is further damaging the economies of PNG and its main trading partners. In recent years PNG had seen a significant reduction in Foreign Direct Investment. These are extremely challenging times economically for the country as a whole.

PNG's gold sector has carried PNG over the years and remains a bright spot. Prior to LNG exports in 2014, gold was the nation's largest export commodity, with the Porgera mine alone contributing an average of 13% of PNG's exports over the last 30 years. Despite its complex ore body, its very remote geographical isolation and challenging law and order situation, with the expert management and ongoing capital investment of its owners, the Porgera Mine has provided considerable benefits to the Nation, to Landowners and people in Enga Province.

The Chamber notes that in addition to the billions of kina received in taxes, royalties and equity benefits from the Porgera operations by the National Government, the Enga Provincial Government, landowners and local communities, the mine spent in excess of K5 billion over the years on business development contracts awarded to Porgeran, Engan and National businesses, with current rates at K400 million per annum.

In these difficult economic times, PNG needs to remain an attractive investment destination to ensure the PNG economy continues to grow and prosper and provide economic opportunities for landowners and citizens. Unfortunately, it is the Chamber's view that, without a satisfactory resolution to the issue, the decision to not renew the



Porgera License will impact global investor confidence in PNG.

The Porgera operation can help the Nation strengthen its economic position this year and beyond.

The Chamber encourages all parties to enter into serious negotiations to reach a mutually beneficial outcome for the Porgera SML extension. The Chamber would sincerely urge Prime Minister Hon. James Marape and the National Executive Council to seriously reconsider its decision on the Porgera SML and to open the way for dialogue and a win-win solution for all stakeholders. Even a temporary shutdown of this remotely located mining operation will have severe consequences on the community that has grown up at Porgera over the years, as well as on Enga Province, the communities and business ecosystem of the Highlands Highway, the Porgera Mine employees and their families, and the national economy as a whole.

Security of tenure in line with PNG laws and the Mining Act is an essential requisite for Papua New Guinea to remain an attractive destination for investors.



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