

11 February, 2016

MEDIA RELEASE

GOOD GOVERNMENT POLICIES WILL NURTURE LONG-TERM RESOURCE DEVELOPMENT

Stable government policies and a favourable investment climate are critical for future growth within PNG's resources sector, the Executive Director of the PNG Chamber of Mines and Petroleum, Greg Anderson, said today.

Sharp drops in mineral and petroleum prices has adversely impacted PNG's current economic outlook but these sectors will return to their traditional role as strong contributors to PNG's economic prosperity once commodity prices increase again.

"For this reason the Chamber is very concerned that proposed changes to the Mining Act and the Mineral Resources Authority Act could potentially curtail future exploration and development activity. We therefore hope that the Government will carefully consider the implications of these amendments for future economic growth and prosperity," he said.

Mr Anderson said that while the slowdown in economic growth in China has been a key reason for the fall in prices of copper, nickel and other mineral products, oil and gas prices have fallen because global production is presently exceeding world demand.

He said: "In past years the Organisation of Petroleum Exporting Countries acted as a 'swing producer' to try and maintain higher oil prices. This role has been undermined in recent years by an upsurge in oil production from oil shale deposits in the United States.

"As a result the oil price has dropped from US\$115 a barrel in mid-2014 to a current price around US\$30 with no evidence of any recovery in the immediate future. The price for LNG is usually determined by current market conditions in accordance with long-term contracts with an upper and lower price setting. Spot prices have fallen to about US\$7.60 per million British Thermal Units (MMBtu)."

Mr Anderson said prior to the start of LNG exports in May 2014 gold had been PNG's top export item, except for a few years when high copper prices made exports from Ok Tedi, PNG's only copper producer, the top export earner.

However, the price of gold has fallen from about US\$1,900 per ounce in 2011 to a current price of around US\$1,050. This drop of US\$850 an ounce represents a 45 per cent fall in export value.

In the same period copper prices have fallen by 55 per cent, or US\$2.50 a pound, to around US\$2, and nickel prices have plunged 69 per cent from US\$13 per pound to less than US\$4 per pound.

"In this environment, many companies have been forced to severely cut operating costs, resource industry jobs have been lost and direct mining and petroleum taxes have fallen from K794 million in 2014 to K300 million last year from a peak of K2 billion in 2011," Mr Anderson said, noting that this excluded tax payments from many companies that provide goods and services to the industry.

In past years, the mining and petroleum sectors have been big contributors to government revenue and have created thousands of jobs, often in remote locations that require the creation of significant infrastructure and provision of better education and health services.

Mr Anderson said PNG was very fortunate because some major advanced projects are still being considered for development in the next three to five years at a time when many projects worldwide are losing money and many are shutting down.

He said: "For this reason we need good forward-looking policies from Government for PNG to remain attractive for investors so that the nation's future potential can be realised in a manner that promises improved living standards for people throughout the country.

"Among the advanced projects still under consideration are the multi-billion dollar Papua LNG Project, the Wafi-Golpu and Frieda River copper-gold projects in Morobe and Sandaun respectively.

"It is important for policy makers to remember that some of these projects, such as Frieda River, were discovered many decades ago with hundreds of millions of dollars spent to explore and evaluate them."

Media Contact:

Mackhenly Kaiok

Manager Public Relations and Communications

MKaiok@pngchamberminpet.com.pg

Ph: +675 321 2988 **M:** +675 7032 2815

Graphs showing the decline in prices for PNG's resource commodities in the last 5 years from 2011 - 2015

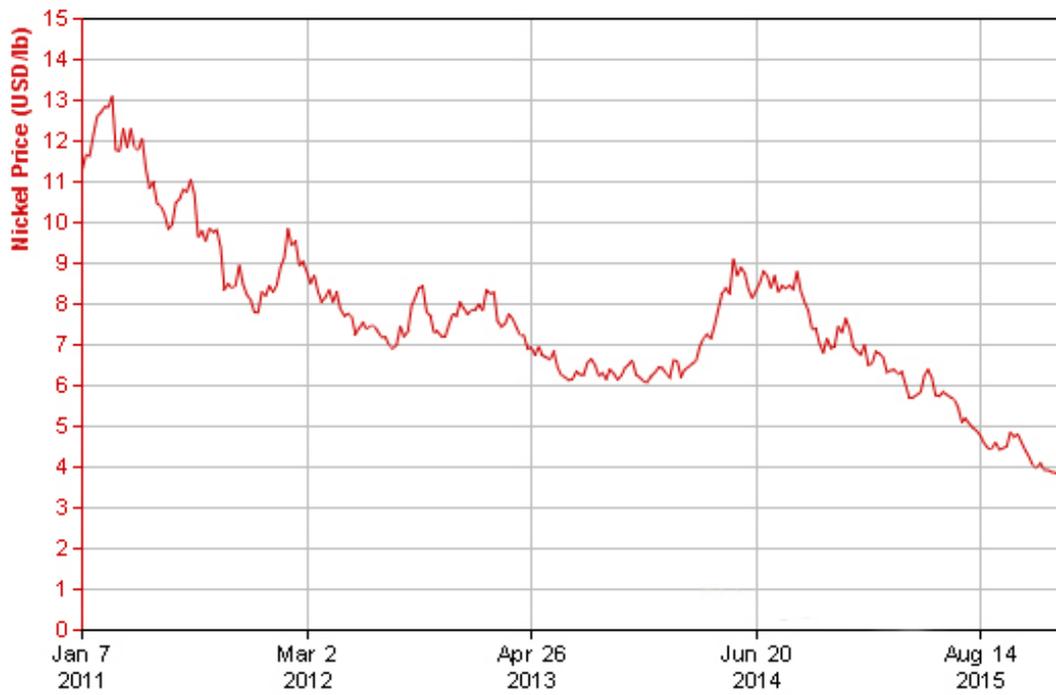
1. Copper (Source: Infomine.com)



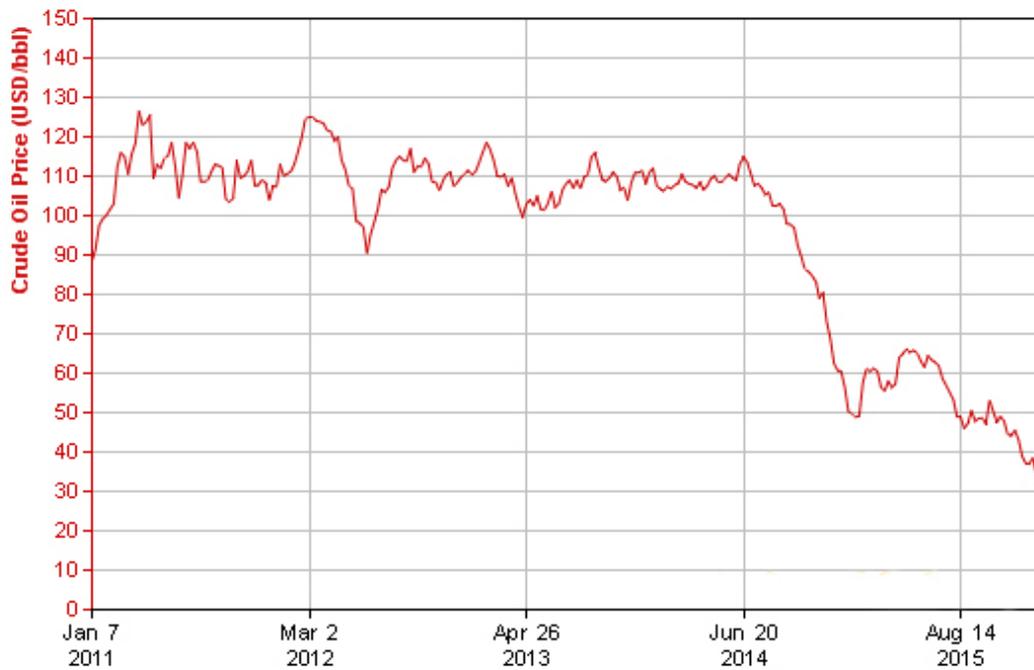
2. Gold (Source: kitco.com)



3. Nickel (Source: Infomine.com)



4. Crude Oil (Source: Infomine.com)



5. LNG

