

EXECUTIVE DIRECTOR'S REPORT ANNUAL GENERAL MEETING, 26 APRIL 2013

Chamber membership has continued to increase at a steady rate. At the end of 2012, membership was 221 (59 full, 42 associate and 120 service members), compared with 2011 (206), 2010 (187), 2009 (175), and 2008 (172). Membership may decline over the year depending on the impact of the current downturn.



The Chamber finances remain in a very robust state. The Income and Expenditure for 2012 shows a surplus for the year of K2.634 million. The Balance Sheet at year end indicates net assets of K14.725 million (*K12.09 million in 2011*).

The large surplus reflects the increased membership and the outstanding success of the 2012 PNG Mining and Petroleum Investment Conference. Chamber income is strongly cyclical and the surplus increases markedly in Investment Conference years. Expenditures in 2012 and 2013 have increased significantly as staff numbers have increased (to 12) and the Chamber has embarked on, or continued, several large projects including the ongoing PR strategy, notably the EMTV documentaries, the AusAID tertiary education partnership, and the Women in Mining and Petroleum Project (WIMAP). Consultants will be required to assist with our input into the tax review and the CLRC Issues Paper



INDUSTRY OVERVIEW

There was a record attendance of around 1350 delegates at the 12th PNG Mining and Petroleum Investment Conference in Sydney in December last year. The conference itself abounded with optimism with the US\$19 billion PNG LNG Project gearing up to receive commissioning gas from the Kutubu operations late this year. The optimism was pleasing given the continuing global uncertainty facing economic prospects in the United States, Europe and China.

The big question on the minds of most resource company executives is whether the good times of the last several years will continue into the current year.

For close to a decade, the resource industry in PNG has experienced an unprecedented period of activity and growth and this has shielded PNG from the effects of the Global Financial Crisis that still continues to impact many countries. For the last five years or so the industry has delivered record tax amounts to the nation that has underwritten a series of budget surpluses.

The last major market crash to affect PNG happened in 1997 following the Asian financial crisis, and in the subsequent 4 – 5 years there was almost no exploration or investment, particularly in minerals. Recovery commenced in 2003, and since then PNG has experienced an extended cycle of sustained growth until about mid-2012 when evidence of a slowdown began to show. The extent of this reversal is still uncertain.

For many years the benefits provided by the resources sectors to PNG have been diverse and substantial and this has been particularly so in recent years. They include: 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 programs, business and agricultural development, and community infrastructure.

PNG's mining and petroleum industry is the backbone of the economy and has contributed over one third of government tax revenue. The industry paid K9,686 million in corporate tax, K1,226 million in dividends, K1,238 million in royalties and K1,268 million in dividend withholding taxes to the National Government from 2005 - 2010. This totals K13.42 billion, an average of nearly K2.24 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.

Exploration has been at an all-time high, resulting in widespread benefits across the country since exploration funds are spent in the provincial centres and towns and on grassroots employment across the nation.

Since the surge began in 2003, PNG has successfully added two major mining projects to the country's portfolio and will soon become the newest member of the exclusive club of LNG-producing nations. It could also become the world's first deep-sea mining nation. Formal employment in the mining and petroleum sectors has grown to over 35,000 but this will decline in 2013 with the progress on the PNG LNG and the downturn in mineral exploration.



The workforce in the formal informal mining sector is thought to have grown to 60,000-80,000 part-time and full-time artisanal miners across the country, producing gold with a value estimated at K550 million to K600 million a year.

MINING

For PNG's resources sector, this year seems to be panning out as a period for some serious soul searching. Some juniors with significant projects appear underrated in the market and junior explorers are having a difficult time raising funds. It is now very apparent that the resources stocks in general are underperforming the overall market.

Even some majors in the mining sector are taking a cautious approach. There is widespread concern about rising development and production costs, and falling metal prices. The gold price has fallen around 25% since its peak in September 2011, ending a decade-long run of increasing prices. Copper is down more than 30% on the February 2011 high, and nickel 40% down on the early 2011 high.

Triple Plate Junction has announced that its farm-in partner, Newmont Mining, is reassessing their Morobe exploration joint venture and has not allocated any funding for 2013. Discussions are also underway on its Wanum tenements, also in Morobe, where Barrick Gold has spent minimal sums on exploration in the past two years.

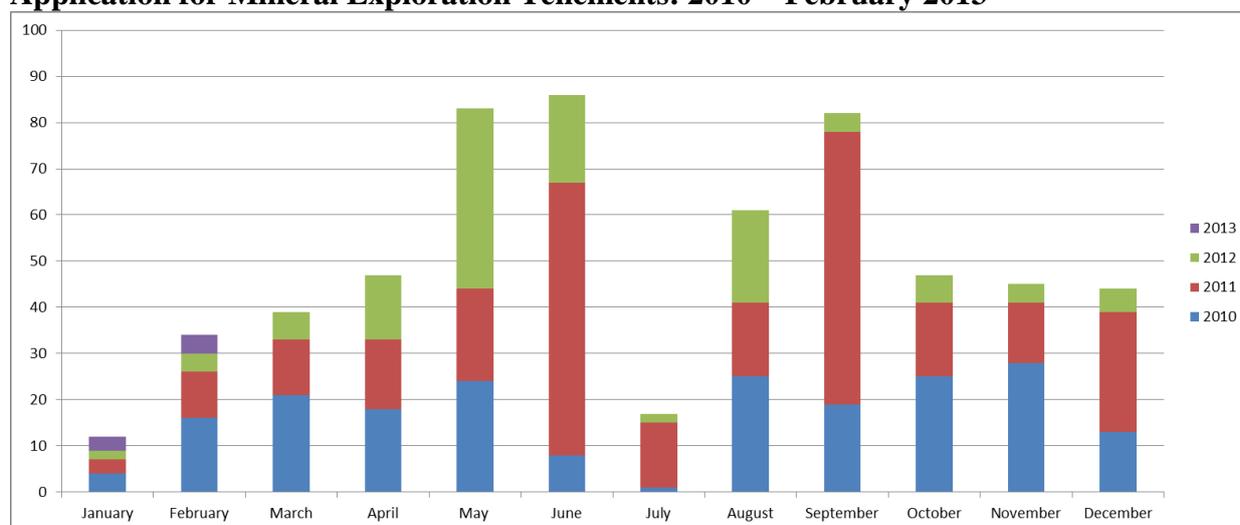
The overall situation is contributing to a downturn in mineral exploration and drilling activity for the first time in almost a decade, although significant exploration drilling will continue at the Wafi-Golpu project of joint owners Harmony Gold and Newcrest Mining. The table below indicates that applications for new Exploration Licences have been declining since the beginning of 2012.

Further to this, some degree of uncertainty has been injected into PNG by the recent decision by Xstrata Copper to look into the possibility of selling down all or part of its 81.82% equity in the Frieda River copper-gold project, the Solwara 1 arbitration, and the Ok Tedi issue.

On the positive side, the feasibility study for Marengo Mining's Yandera project is almost complete and Kula Gold's Woodlark project is awaiting the approval of its Mining Lease application after a period of intensive drilling at both locations.



Application for Mineral Exploration Tenements: 2010 – February 2013



	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2013	3	4											7
2012	2	4	6	14	39	19	2	20	4	6	4	5	125
2011	3	10	12	15	20	59	14	16	59	16	13	26	263
2010	4	16	21	18	24	8	1	25	19	25	28	13	202

PETROLEUM

There is a great deal to be optimistic about in the oil and gas scene. The entry in recent times of Mitsubishi, Pacific Rubiales and Total into joint ventures with Talisman, InterOil and Oil Search respectively have been a very welcome success story for PNG’s hydrocarbon sector.

On the development side, ExxonMobil has entered the final phase of the PNG LNG Project. InterOil is progressing its LNG venture and Horizon, Talisman and Mitsubishi have applied for a production licence for the Stanley field in the Western Province and are firming up development plans for their gas-condensate resource at Elevala and Ketu to the east of Stanley.

If a welcoming political and fiscal environment for investors is maintained, there is recovery in metal prices, and opportunities for further LNG sales into SE Asia, there is every chance PNG will see the development of several additional mining projects in the next five years, as well as several gas projects, including at least one more LNG development.

The Government announced at the Investment Conference that there would be a review of mining and petroleum taxation regimes this year and this is already underway with the completion of an IMF review that will provide input into the Government’s assessment. Although the Government has stated categorically that there would be no changes to resources taxation without thorough consultation, we are concerned that there will be pressure on the Government to increase royalties in this year’s budget, notably from the provinces.



A dilemma for our industry is that royalty increases that benefit the provinces (and landowners) do not provide any net benefit to the National Government which could encourage the Government to seek further tax increases

The release of the Constitutional and Law Reform Commission's (CLRC) Issues Paper entitled "Review of Environmental and Mining Laws Relating to Management and Disposal of Tailings" has introduced a further facet of uncertainty for the mining industry.

The outcome of the Tax Review, the CLRC tailings review as well as clarification of the Government's position on Ok Tedi and Solwara projects will be critical inputs to the investment environment.

PROJECTS, PROGRAMMES AND ISSUES

The Chamber continued implementing the significant long term public relations campaign initiated in 2011 to promote the industry image and improve public perceptions. Over the last twelve months, we have been implementing a major component of the PR strategy, a series of six half hour documentaries on the industry which are scheduled for completion late this year. These documentaries are linked to a major sponsorship of the EMTV PNGResources program that commenced in late 2011. The Chamber has supported this program since it was initiated and it has progressed into a very significant forum on the resource sectors attracting record viewers for the station.

PUBLIC RELATIONS STRATEGY

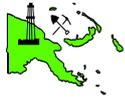
It has been a busy year on the public relations front given the 2012 national elections, debate over resource ownership issues and industry concern over the stoppage of deep sea mining plans following receipt of mining lease approvals by Nautilus Minerals.

Mr Brian Gomez accepted a twelve month contract with the Chamber in June to implement key parts of the PR strategy including the management and coordination of the EMTV documentaries project. Mr Gomez has extensive experience in PNG in many aspects of the media including past editor of The National newspaper.

The Government has also commenced a review of the taxation regime for the resources sector with the assistance of the International Monetary Fund; the Constitutional Law Reform Commission has commenced discussions on the legal aspects of mine tailings disposal. Both developments have required active participation of the Chamber and member companies.

Soon after the new Parliament began its new term, the Chamber compiled a series of background documents on the resources sector. These discussed historical aspects of the industry, economic impacts, profiles of major corporate players and other overview articles. These packages were distributed to all MPs, to relevant government departments, and to the media.

The Chamber documentaries involve Chamber sponsored filming at major resource projects in a joint project with EMTV. This is an ongoing activity that will be concluded around December 2013. The EMTV/Chamber team has shot extensive footage at Ok Tedi, the Oil Search



operations and at the Porgera mine. Plans are in hand for similar coverage of Ramu Nickel, the Lihir mine, and Wafi-Golpu.

Several planned documentaries, on generic subjects such as health and education, business development and community relations, will be put together for public viewing once all site visits are completed.

It is expected these documentaries will try to balance the tendency of the national media to mainly focus on negative aspects of resource development and to help broaden public understanding of the many facets of a sector that plays a vital role in the PNG economy.

The 2012 year ended on a high note with the hosting of the 12th PNG Mining and Petroleum Investment conference in Sydney in December. The 308-page Profile magazine, distributed at the conference, received many positive comments. Providing background on all resource projects in PNG, the publication has also been distributed to MPs, and to institutions of higher learning and to high schools.

Other elements of the PR strategy include the advertising campaign, monthly E-newsletter for members, and the Media Workshop. The third and final cycle of the advertising campaign was completed in the middle of last year and can be modified and rerun as required. The newsletter was commenced this year largely to inform members of current industry events and Chamber programs but it is also a valuable resource to brief media and government.

The second Media Workshop was convened in May in Port Moresby and was attended by about 60 participants, business journalists from all the mainstream media outlets and industry PR personnel.

ENVIRONMENT COMMITTEE - CONSTITUTIONAL AND LAW REFORM COMMISSION ISSUES PAPER ON TAILINGS

The Chamber received an Issues Paper from the Constitutional and Law Reform Commission entitled “Review of Environmental and Mining Laws Relating to Management and Disposal of Tailings” in late February with no advanced notice. The CLRC held a public presentation of the Paper one week later.

This Reference was issued in 2007 by the then Minister for Justice, Hon. Bire Kimisopa, principally over allegations at the time of heavy metal pollution in the Angabanga River owing to tailings waste disposal from the Tolukuma Gold Mine.

The primary objective of this Reference is to “inquire into and review the systemic development and reform of laws relating to the management and disposal of mine tailings, including containment and treatment of toxic chemicals and heavy metals, with the intention of making them consistent with the industry and world best practice standards”.

The Chamber was involved in preliminary meetings on this Reference in 2007 but the matter died with the change of Government in that year.

The Chamber was given no advance notice that the Reference had been resurrected or of the pending release of the Issues Paper. The matter has moved quickly, the CLRC established a working committee to review the Paper and the Chamber is participating. Various members of



the committee will visit a selection of mine sites which will probably include Lihir, Ramu, Ok Tedi, Porgera and HV. The committee has been set a tight schedule - to produce the final recommendations by September/October of this year.

The Chamber has circulated the Issue Paper to all members for feedback. We have also established a very capable Environment Committee to review the Paper and prepare a submission for the CLRC, as well as provide ongoing technical support to the Chamber on the matter.

MINING AND PETROLEUM TAX REVIEW

The Chamber was aware that the government had requested the International Monetary Fund (IMF) to conduct a mining and petroleum tax review in 2013 but we were given only one weeks' notice of the arrival of the IMF team in March. The Chamber convened a meeting of key industry members to discuss strategy and the same group met with the IMF team the next day.

The Chamber tabled a submission and a presented a verbal summary at the IMF meeting. Industry presented some important key messages regarding the issues and challenges facing the resource sectors in PNG including the high cost of exploration and development.

The Chamber also stressed that it is important to be cognisant that the review process is happening at a time when PNG is still benefiting from a sustained period of buoyant conditions in the resources sectors. The last major market crash to affect PNG happened in 1997 and recovery commenced around 2003, and since then PNG has experienced an extended cycle of sustained growth until about mid-2012 when evidence of a slowdown began to show. The downturn is ongoing and the final extent is still uncertain but the recent further crash in key mineral commodities further highlights the issue.

There is strong evidence that many junior explorers in both the minerals and petroleum sectors are now facing difficult times as the financial markets have turned against them. The majority of junior explorers have severely depressed share price and are unable to raise funds because of market sentiment and some will be unable to meet their short term obligations.

Juniors that have secured joint ventures with the major players are in a better position but it also evident that some of our larger companies have re-evaluated their commitment to the country and their respective joint ventures.

Producers in the minerals sector are also experiencing substantial share price pressure related to criticism over poor returns to investors. There is now a strong disconnect between overall market performance (eg Canada and Australia) and the underperforming mineral producers.

Other issues that were emphasised included:

Country Risk

PNG has reestablished a good image in overseas markets over the last decade but this is being eroded by recent events including, the Xstrata decision on Frieda, the Solwara 1 arbitration, the Ok Tedi issue, and the Porgera illegal miners. The CLRC Issues Paper and the tax review introduce further uncertainties.



Equity

When comparisons are made between PNG and overseas tax jurisdictions the impact of the Government equity back in is often ignored or downplayed as it is difficult to quantify the effect. It is an important part of the current fiscal regime and it is a significant tax imposition since the equity is purchased at sunk costs and not market price.

Royalties

Royalties are sometimes downplayed in the tax equation because the Treasury Department does not see any direct benefits as a result of the flow through to Provincial Governments and landowners.

Rehabilitation Costs

There is still no mechanism in the PNG tax regime that allows costs for post closure rehabilitation and reclamation to be claimed during the income earning life of a project.

Overall, the meeting with the IMF was considered successful and the team agreed to meet with individual companies for one on one discussions. The Chamber's concern with the review process is that the IMF approach is based on template modelling to compare regimes in different jurisdictions and this has many weaknesses. Also, the 2012 IMF report on PNG expressed the view that resource taxes were inadequate, thus the organisation has already indicated a position which will be difficult to reverse or modify.

Recently, the Government announced the formation of a team headed by Sir Nagora Bogan to review the overall tax system in PNG, including the mining and petroleum tax regime. The IMF report will be included as a key input to this review.

The Chamber will lodge a submission with the PNG tax review team. This will include a response to the IMF report if it is released for comment. The Chamber is also looking at a proposal to use international consultants to do analysis tax and other benefits provided by the resource sectors.

LEGISLATION

Mining Act

The Mining Act review has become stalled although it is expected to resume in the coming months supported by the World Bank project housed in the MRA.

The Department of Mineral Policy and Geohazards Management (DMPGM) issued a summary Mining Policy in September last year, held public forums and invited written submissions. The Chamber wrote to the DMPGM expressing our concern that the Mining Policy, which forms the framework for the amendments to the Mining Act, needs to be presented in a detailed format rather than a summarised version.

The summary policy was insufficient to fully understand and appreciate the proposals. Some of the policies were unclear and there were inconsistencies between some of the documents. In addition, important changes were made that had not been discussed, or inadequately discussed with industry, and these impact negatively on the future of the sector.



The Chamber believes strongly that it is essential for the mineral industry to be given the opportunity to review the entire draft of the revised Mining Act when it is finalised and this was also expressed to DMPGM.

The Chamber recommended that legal support available to the Department under the current World Bank project be utilised to complete a final review of the Act, including meaningful industry consultation, to compile the Regulations, and to ensure that the Mining Act and the revised Mining (Safety) Act are compatible. We understand that this is underway and the Chamber looks forward to working with the Department and the consultants to finalise the matter.

MRA Act

The Chamber received from DMPGM draft amendments to the MRA Act in September last year. We believe these amendments are very significant and would have a major impact on the integrity and independence of the MRA, and would significantly weaken institutional governance leaving the organisation open to potential financial mismanagement. One of the key reasons why the organisation was set up under the current structure was to avoid such a situation.

The Chamber sent a strongly worded submission to the Department in October which highlighted the eight proposed amendments which are major changes to key parts of the current Act. They are:

- Change to the MRA Board by removing the role of the Chamber in nominating two members to the Board;
- Secretary of DPMGM to be appointed as the permanent chairman of the Board;
- Double the rate of the Production Levy from 0.25% to a flat 0.5% of the value of the mineral production;
- Remove the obligation of MRA to rebate any annual surplus of funds against the following year Production Levy;
- Give the Board the discretion to use the Production Levy to fund DPMGM and other Government Departments;
- Give the Board the discretion to use the Production Levy for development initiatives of its choosing;
- The Mining Advisory Council will no longer advise the Minister and the Board will be directed by the Minister as he is advised by the DPMGM.

The Chamber believes that these changes proposed by DPMGM are detrimental to the welfare of MRA, the Government, the mining industry and the country as whole.

The Chamber received a very strongly worded response from the DMPGM which in our view was emotional and incorrect. The Chamber met with the PM and the Mining Minister to discuss this issue. The PM indicated that there would be no changes to legislation without proper consultation with the industry. The Minister said he would delay implementing the amendments to the Mining Act and MRA Act until there is “proper consultation”.

The Chamber has proposed some compromises to several of the proposed changes. The amendments are currently on hold and the matter could resurface at any time.



Petroleum Act and Petroleum Resources Authority

The Chamber has for many years advocated to convert the Department of Petroleum (DPE) into a statutory authority to provide the manpower and resources needed to manage the expanding hydrocarbon sector.

The DPE Secretary advised recently that a policy paper has been submitted to Cabinet seeking endorsement to convert DPE into a statutory body. DPE is also seeking approval from DPM for a reorganisation which would assist the Department to re-build in preparation for establishing a new organisation. These initiatives have not progressed and the Chamber has offered assistance to facilitate the process.

Mining (Coal and Unconventional Coal - Related Industry) Amendment Act, 2012

The Chamber commissioned a consultant to undertake a study to develop policy and legislation for exploration and production of coal and coal seam methane as a contribution towards progressing this sector in the country. The proposal is for the legislation to be implemented by way of amendments to the Mining Act which is essential for orderly development of this sector and to prevent potential conflicts with conventional oil and gas extraction and mining.

Government has been kept fully briefed on the progress as the Chamber views the process as a contribution towards the overall review of the Mining Act.

The intention is to have clear jurisdiction and separate exploration tenements for metalliferous, non-metalliferous and energy minerals (coal and CSG), as well as geothermal resources. It will be possible to grant these four types of licences over the same ground.

The proposed amendments have now been completed and will be presented to DMPGM and the MRA in a small workshop in May. The consultant is currently working on the regulations to support the amendments.

Occupational Safety and Health Bill

A submission on the second draft of the Occupational Safety and Health Bill was forwarded to the Department of Industrial Relations (DLIR) in September last year. We expressed a number of key concerns including:

- (i) the Bill expressly negates any civil cause of action or defence based on the contents of the Bill, and breach of the Bill is an offence regardless of whether injury has occurred;
- (ii) the Bill will place considerable additional cost on most businesses, especially large ones, as it requires employers to implement and manage OSH policies, appoint and train OSH representatives and committees, and administer these committees;
- (iii) liability of company directors, shareholders and managers;
- (iv) role of the inspectors in disputes over OSH;
- (v) provisions which are open to abuse by employees;
- (vi) definitions that are subjective and undefined;
- (vii) an Occupational Safety and Health Board appointed at the total discretion of the Minister

Our main recommendations related to references in the OHS Bill to resource legislation. We recommended that Section 3(4) of the Bill relating to the Mining Act be deleted. This provision



allows the Minister for Labour to override the Act by a simple gazettal notice which could be detrimental to the administration of mining occupational safety and health matters.

The Chamber also recommended that the Oil and Gas Act be completely excluded from the legislation so that the Regulations to the OGA, supported by the existing system of Petroleum Inspectors, can remain in force. Our concern is that implementation of the Bill would lead to chaos and confusion in the petroleum industry in relation to administration and regulation of occupational safety and health.

The Chamber received positive feedback to our submission from the Department of Labour and Industrial Relations but no detailed response. We have been monitoring progress with the legislation since then but the DLIR has still not produced a new draft.

DLIR has advised the Chamber that the Explosives Act will be reviewed when the Regulations to the Act are compiled (and included as a Regulation in the new Act) and extensive industry consultation will be integral to the drafting of the Regulations (we have suggested that the Chamber form an industry committee to advise them).

WOMEN IN MINING AND PETROLEUM PROGRAM

The Chamber's Women in Mining and Petroleum (WIMAP) project team completed the first phase of a new training program at four plant site villages at the PNG LNG Project in September and October last year. These programs were conducted at Lea Lea, Boera, Papa and Porebada.

This skills training projects has grown out of programs conducted by the Chamber since 2010. The initial program was funded by the Japanese Social Development Fund (JSDF) and involved a "Capacity Building for Women" project. Training was conducted at mine sites around the country.

The Chamber was approached by Esso Highlands Ltd with a proposal to conduct similar skills training for women in the LNG project areas. As a result, K900,000 in funding was channeled by the PNG LNG Project through the World Bank for a project managed and implemented by the Chamber's WIMAP team.

In line with past practice, the WIMAP team initially carried out training needs assessments for women at the four LNG plant site villages. By sharing experiences from other similar projects in the mining and petroleum sectors, the WIMAP team encouraged participants to identify training that would equip them with the necessary skills to participate in economic activities as well as improve the lives of their families and communities.

The women from the four impacted villages identified sewing, cooking, baking and agriculture as the main areas of needs for training, coupled with basic financial literacy training.

As part of the project, the Chamber provided participants from the four plant site villages with the necessary equipment to carry out their tasks. In Lea Lea and Boera, the villagers were supplied with 60 hand-operated sewing machines, tables, chairs and other necessary items.



In Papa and Porebada the women were provided with drum baking ovens, tables and ancillary cooking utensils. After the training the equipment was left with the villagers for their use in the future.

The second phase will take place this year in other villages within the LNG project area, including the Hides gas conditioning plant site and along the gas pipeline corridor between Gobe and Kikori. These programs have commenced.

Women in Mining and Petroleum Program Secures Funding for New Program

The World Bank with the support of the Japanese Social Development Fund has provided a US\$2million grant for the Chamber's WIMAP Team to implement a new program entitled "Social and Economic Empowerment for Women in Mining and Petroleum Communities". This will build on the experiences the WIMAP team has gained with the original JSDF program and the Esso Highlands project.

The training will be conducted at the 15 communities near mining and petroleum project sites, which are remote, rural and isolated, and will encompass three major activities - beneficiary identification and needs assessment, basic literacy and numeracy training, and micro-business development support.

TERTIARY EDUCATION

Chamber Tertiary Education Partnership Project Update

The Chamber is currently managing and implementing a tertiary partnership project in support of the Department of Mining Engineering at the University of Technology in Lae and the Earth Sciences Division of the University of PNG.

The Chamber-AusAID-Universities partnership is underwritten by a A\$1 million AusAID grant dedicated to boosting the capability and resources of the two faculties which supply key professionals for the resources industry.

The grant provides support for a portfolio of specific programs which include: short term visiting lecturers; technical officer training; maintenance and purchase of new laboratory and teaching equipment; computers; text books, library books and journals; honours scholarships; student field trips; staff research; and support for participation in international conferences.

AusAID is providing the bulk of the funding but the Chamber has made a cash counterpart contribution and is meeting the costs of a project officer as well as overheads associated with managing, administering and implementing the entire program. This is in addition to the K150,000 the Chamber provided to each faculty in 2009-10.

A core part of the project is establishing and rebuilding contacts and collaboration with Australian universities. The inherent benefits will snowball over time as the network of contacts grows and firm professional relationships are built, leading to opportunities for collaborative research and postgraduate study programs, preparation of conference papers, and access to overseas laboratory facilities.

The partnership project will end in the middle of this year. Most components have been completed but unfortunately there are several programs that remain outstanding, notably the recruitment of a Professor of Mining Engineering.



Chamber Endowment for Chair of Applied Geology

The Chamber is supporting a Chair of Applied Geology in 2013 for Professor Hugh Davies in the Earth Sciences faculty. The University welcomed the offer from the Chamber which is a special event as it is the first of its kind for UPNG and the Chamber understands it is also the first ever in PNG.

The Chamber sees it as appropriate at this stage for an experienced PNG academic to advance to the current position of Professor of Geology but is also vital to retain the services of Professor Davies. His departure would tax the Earth Sciences faculty which is already facing academic staff shortages.

The Chamber believes Professor Davies will continue to perform a vital role in the faculty through teaching of undergraduates both in the classroom and the field, supervision of Honours students, preparation and revision of course materials, and mentoring of young staff in both teaching and research.

Professor Davies will be completing several major publications under the endowment, notably a third edition of "Earth Tok" which is a PNG introductory geology text book for undergraduates. It has been expanded and upgraded and will be printed in May this year ready for the second semester. Publication of the book is being supported by the Chamber and the AusAID Tertiary Education Partnership.

EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI)

The Chamber has publicly endorsed EITI for a number of years. Over the last twelve months industry has continued to participate in the NEC sanctioned EITI State Working Group, established under the auspices of Department of Treasury. This group was tasked to produce an NEC submission to formally adopt the EITI.

The Chamber EITI Committee has been very active over the last twelve months supporting the Government with the implementation of a PNG EITI and establishing an aligned industry position, particularly on a suitable reporting format.

The committee has also contributed to the recent significant progress with EITI. In March, the worldwide head of EITI visited PNG and met with the PM who advised that EITI had been approved by NEC. Recently, documentation has become available to substantiate this.

A civil society EITI workshop, facilitated by TI, is currently underway in Alotau and the international EITI conference will held on May 23-24 in Sydney where it is hoped the PM will announce PNG's application for membership.

GUIDELINES FOR APPLYING FOR A SPECIAL MINING LEASE OR MINING LEASE IN PAPUA NEW GUINEA

The Chamber is currently preparing Guidelines for members to understand the process required for obtaining a Special Mining Lease or Mining Lease in Papua New Guinea. Whilst it will not be a totally comprehensive report, as it may not incorporate some of the secondary procedures or permits required for a particular mining development, we believe it will be of great value to members.



It will be of particular benefit to new members, to junior explorers wishing to understand the processes ahead should they be successful in their exploration, and to new employees of existing mineral producers wishing to familiarise themselves with the system of applying for a Special Mining Lease or Mining Lease in PNG

This document should also be of assistance to other stakeholders including government employees, community leaders, landowners and NGO's who wish to better understand the process involved in mining approvals in PNG.

The intention is to produce a similar document for petroleum.

CONFERENCE AND WORKSHOPS

TWELFTH PNG MINING AND PETROLEUM INVESTMENT CONFERENCE

The 2013 year ended on a highly successful note with a record 1350 delegates attending the 12th PNG Mining and Petroleum Investment Conference in Sydney from December 3 to 5. The opening address of the Prime Minister set the tone for the conference with a welcoming emphasis on the importance of private investment to the PNG economy, and the government determination to only bring about major change after full consultations with the public and with industry representatives.

Keynote addresses were also given on the contributions to PNG by the mining and petroleum sectors over the past two decades. Delegates were provided with updates on all major projects, projects in advanced stages of planning, and advanced exploration projects.

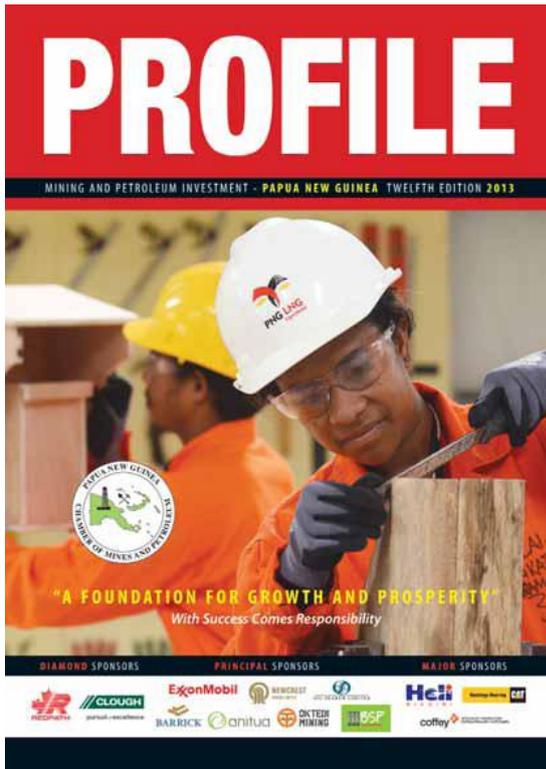
The Finance Seminar on the third day covered topics such as the financing of state equity in resource projects and the planned implementation of the Sovereign Wealth Fund, as well as presentations (largely complimentary to PNG) from international financiers, notably the Commonwealth Bank and from Merrill Lynch.

Chamber representatives received quite a few comments on the high standard of the presentations and on the conference generally. The conference proceedings are available on the conference website for viewing by delegates.

Profile Magazine

The 12th edition of the prestigious biennial Profile Magazine published by the Chamber was launched at the 12th Investment Conference. The magazine focuses on PNG mining and petroleum projects, landowner business activities and support services provided to the industry.

This edition is the largest ever produced, with 308 pages. It has project updates on virtually all resources projects and is a useful and up-to-date reference for authoritative information on PNG mining and petroleum activities, including exploration, advanced projects, current developments and operating projects. Support services provided by some of the Chamber's 220 member companies are also featured.



Trade Exhibition

The trade exhibition held in conjunction with the 12th Mining and Petroleum Investment Conference was expanded to 52 booths over two floors of the Sydney Hilton. This exhibition has become a significant venue for overseas promotion of the PNG resources sector and the wide range of support services.

COMMUNITY AFFAIRS WORKSHOP

The second CA Workshop was convened from 13 – 16 August in Madang. A total of 65 participants attended the workshop which was facilitated again by staff of the Sustainable Mining Institute of the University of Queensland (UQ). Industry presented on initiatives, new concepts and CA frameworks used at the respective project sites. The main part of the workshop focussed on formulating a CA Practitioners Guidelines and Framework and UQ is compiling the first draft based on these discussions.

The fourth day was dedicated to DWU PNG Studies students and Unitech Language for Community Development Studies students. The Chamber made a presentation on the roles and responsibilities of the organisation and industry representatives presented on their respective community affairs programs and initiatives.

MEDIA WORKSHOP

The second Media Workshop convened in Port Moresby from 17 – 18 May was attended by about 60 participants. The Media Code of Ethics was discussed during the workshop and the PNG Media Council advised in their presentation that it has not been updated since it was launched in 2002. The workshop was advised the Code is undergoing revision and the Chamber offered to print the new edition.



The Chamber is aiming to support the workshop with site visits to the oilfields and a major mine site. A visit to Ok Tedi is scheduled for about 10 journalists later this year.

CLOSING COMMENTS

After a decade of growth and supportive finance markets the resource sectors are facing a period of considerable uncertainty. A downturn is already strongly evident in the mineral sector manifested in declining commodity prices, decreasing exploration, and junior explorers unable to replenish exploration funds.

The favourable image that PNG has enjoyed in the world markets in recent years is also being put to the test by a range of domestic issues including the Xstrata decision on Frieda, the Solwara 1 arbitration, the Ok Tedi issue, and the Porgera illegal miners.

The CLRC Issues Paper and the tax review introduce further uncertainties and these will major ongoing issues for the Chamber over the rest of the year. The ownership of minerals issue has gone on the backburner but it is likely to resurface at any time. One of the catalysts for this could be the draft Mining Act for the ABG which proposes sharing ownership of minerals between landowners and the ABG.

In closing, may I thank you all for your continuing support over the last twelve months and we look forward to your support into the future.

My special thanks to the Chamber's dedicated staff and to the Council for their ongoing commitment. I wish to express my special thanks to the retiring President, Dr Ila Temu, whose has been very active in leading the Chamber and providing critical support to the Secretariat over the last three years.

Greg Anderson
Executive Director