



PRESIDENT'S REPORT ANNUAL GENERAL MEETING, 26 APRIL, 2013

Introduction

- Welcome remarks on behalf of Council and the Executive Director and his team of dedicated staff
- This time last year, with a Constitutional Crisis and a looming National Election, we were expecting the worst
- As a country, common sense prevailed and the elections delivered a new Government with changing alliances that no one could have predicted.
- With the exception of the noise and chaos that goes with PNG elections, it was pretty much “business as usual” for many of us in the industry.

2012 in Review

- Resource ownership debate and industry response in terms of a position paper and political lobby
- Increase in TCS 2% but only for emergency repairs on the Highlands Highway
- Successful counter of the Mining (Amendment Bill) 2012 and the Oil and Gas (Amendment Bill) – The Kondra Bills
- Attempted cancelation of the Simberi license
- Chamber push on EITI adoption by PNG
- Chamber Media Workshops in May 2012
- Chamber CA workshop in August 2012
- Launch of the Chamber PR campaign via vi newspaper adverts, talk back on radio and Resources PNG program
- Active participation in a number of key Government committees and industry coalition groups e.g Impediments to Business Working Group

- ICCM Toolkit Country study for PNG resources sector
- Chamber sponsorship of PNG Resources program
- Development of Chamber Information Pack and distribution to all new MP's
- MRA Board representation issues with Mining Minister visa vi the MRA Act
- Collaboration with AusAID in support of Tertiary Education
- Chamber funding for Chair of Geology, UPNG
- Sydney Investment Conference to cap off a very successful year

Continuing the Chamber Strategy

- Must persist with the strategy developed in 2011
- Some success but more needs to be done with focus on emerging issues
- The Five key Issues and challenges for the Strategy:
 - Positioning and promotion of the Chamber – branding, image, profile, connected and influential
 - Building corporate capacity – partnerships, research and industry knowledge and messaging
 - Effective government and government agencies relationships – engagement, access and being heard
 - Legislation and policy – consulted, contributing and being heard
 - Building industry capacity – skill development, infrastructure, health and safety
- The focus in the past 12 months has been on the PR campaign. The newspaper adverts on industry contributions and did you know?, sponsorship of Resources PNG on EMTV and the documentaries also with EMTV to be finalized later this year.
- The resources sector in PNG has a good story to tell but we have not done a good job telling this story and telling it more widely. Individual projects must tell their story but the Chamber must pull all this together to tell the Industry story as well.

Challenges and Issues Going Forward

- The resource ownership debate has gone quiet but is not dead. It will re-surface as we have leaders who lend support for this position without fully understanding the total implications.
- The boom is definitely over as the global resources sector enters a period of downturn. This will have big impact on capital spend, exploration expenditure and financing for many projects, both existing and planned.
- This will also impact the 2013 National Budget and put upward pressure on the deficit. The current tax review must take these global developments into account. This is not the right time to increase taxes. It is a good time to review expenditure as well, to cut unnecessary government spend.
- The big question for me. How will PNG fair in this new environment?
 - No question PNG is a highly prospective and has attracted global players
 - Multitude of juniors have also responded during the boom
 - Oil and Gas exploration has seen increased action in the last few years
 - But PNG is a high cost operating environment, resulting from additional issues like law and order, landowner stoppages, inadequate infrastructure, permitting delays, bureaucratic red tape etc etc.
 - These diminish any comparative advantage that PNG has resulting from its resource prospectivity
 - The risk-reward balance will definitely shift under this scenario, resulting in reduced activity and investment.
 - PNG must “work harder” to support the progress of projects currently under development.
 - “Work Harder” means government being more proactive in resolving issues that can impact progress on these projects so that someone like Anderson Agiru does not issue a 30 day ultimatum to stop the LNG project.

Conclusion

- It is tough times ahead for the resources sector in PNG. The global downturn is already here and will impact.
- With the looming budget pressures, the sector will be targeted for the additional tax revenue.
- The government must be aware of the global downturn and it must also be aware that the sector makes an additional development contribution over and above the taxes that it pays.
- In this environment, the onus is on government to proactively manage the issues that have the potential to derail and or stop projects under development and assisting with the smooth operations of the existing projects that currently pay the bulk of the revenue.

Ila Temu

President

Chamber of Mines and Petroleum