



## The New Panguna Project Update

In 2017, Bougainville Copper Limited (BCL) continues to make progress in implementing our staged redevelopment plan for a new Panguna project.

BCL has established a management and operating team in Bougainville and opened an office in Buka. In August BCL held its first board meeting in Bougainville in more than 27 years. BCL continues to respectfully build relationships with a range of stakeholders, including project area landowners and is increasing its presence in central Bougainville through the engagement activities of our local team.

BCL is pleased that it has been informed by the Department of Mineral and Energy Resources of the Autonomous Bougainville Government (**ABG**), that its application for the five-year extension of our exploration licence EL1 covering the Panguna mine area, has now been registered for the tenement renewal process under the *Bougainville Mining Act 2015* (the **Act**). We welcome the commencement of the formal renewal process which includes community consultation.

In the interim, BCL continues to hold EL1 under Section 101(3) of the Act.

### Current activities and challenges

One of BCL's current priorities is to increase the level of community understanding of the new Panguna project, prior to undertaking necessary environmental and social baseline studies and negotiating compensation agreements. This work will require the input and sustained support of project area landowners and other community stakeholders.

BCL remains confident of the strong levels of support among landowners for mine redevelopment with BCL as the preferred developer. This assessment is based on BCL's direct ongoing interactions with landowners, including members of the nine project area landowner associations and other stakeholders, including the ABG.

The process of more formally confirming landowner support has, however, been made more complex by the dispute over the leadership of the Special Mining Lease Osikaiyang Landowners' Association (**SMLOLA**), one of the nine landowner associations, which represents landowners from the total project area. This dispute is the subject of a proceeding in the National Court of PNG brought by Mr. Philip Miriori, who asserts an entitlement to be Chairman of SMLOLA. Although BCL is not presently a party to this proceeding, it continues to monitor developments as they affect BCL's interests.

The leadership dispute involves two cousins, Mr. Lawrence Daveona and Mr. Philip Miriori who have both claimed to be the rightful chairman of the SMLOLA.

The PNG National Court-ordered mediation process remains ongoing with the third mediation session to be held on 21-23 of November. BCL is hopeful that the mediation will resolve the leadership issue.

Mr. Miriori is a vocal opponent of BCL and has a vested interest as a shareholder in an alternative redevelopment proposal involving a joint venture company Central Me'ekamui Exploration Ltd. Mr. Miriori has nominated Perth-based RTG Mining Inc. (**RTG**) as a potential development partner and investor.

This proposal does not have the support of the ABG and BCL believes the proposal does not have the broad-based support of the landowners from the total project area. The proposal also disregards the currency of BCL's exploration licence (EL1) and first right of refusal as confirmed by the ABG.

It is regrettable, however, that while the mediation process continues with the SMLOLA leadership dispute unresolved, Mr. Miriori continues to attack BCL through the media using the title of SMLOLA chairman to convey the misleading impression that there is a united view of opposition to BCL among the SMLOLA membership. BCL does not believe this to be the case.

BCL is also aware of an active misinformation campaign in the project area and in social media that is clearly designed to usurp BCL's position as the preferred project developer, with disregard to BCL's existing project tenure (EL1) and belief that the majority of project area landowners support BCL as the developer.

BCL is countering these activities through a respectful community engagement program that includes providing stakeholders with fact-based information about BCL's redevelopment plans. BCL does not support an approach that creates social disharmony at a critical time for Bougainville as it prepares for a referendum on independence.

As noted above, RTG is being promoted by Mr. Miriori as a suitable development partner for the project. RTG is a junior company that was incorporated in the Virgin Islands on 27 December 2012. RTG describes itself as a mining and exploration company focused on developing gold opportunities in the Philippines.

RTG has limited financial resources with a current market capitalisation of A\$16.5 million, at a share price of A\$0.14 per share (as at 19<sup>th</sup> October 2017). According to its June 2017 half year report RTG has A\$7.084 million in cash, down from A\$11.207 as of 31 December 2016.

RTG has no notable experience of doing business in PNG or Bougainville, and no existing exploration or other tenement rights in Bougainville. RTG itself has not fully developed, owned or operated a mine. Further, the ABG has advised that there will be no government engagement with RTG. BCL has raised concerns with RTG over certain disclosures it has made in connection to the Panguna project, including unqualified statements about its development proposal having SMLOLA membership support and being an endorsed landowner initiative. These disclosures have overlooked the serious disputes that have arisen in relation to the status of the leadership of SMLOLA, and the majority of project area landowners that endorse BCL.

BCL believes that the project redevelopment timeframe being promoted by Mr. Miriori and RTG that claims projected cash flow generation within 3-4 years are not achievable and raise unrealistic expectations among stakeholders. This is especially so without any access to or understanding of the critical resource and operational knowledge, which is the intellectual property of BCL.

### **Committed to Bougainville**

BCL is an independently managed PNG company in which the people of Bougainville have a significant stake, with the ABG a major shareholder.

BCL has a respected board that will be further enhanced by the recent appointments of two new directors, prominent Bougainvillean Mr. Mel Togolo and Mr. Peter Graham, former managing director of the successful ExxonMobil PNG LNG Project. The BCL management team is highly



experienced in Bougainville and PNG, and understands the pathway required to earn social licence to develop the new Panguna project.

BCL has also appointed well-regarded Bougainvilleans to key positions within our local engagement team and remains committed to supporting local employment and training, business development and community infrastructure.

BCL has always maintained positive relationships in Bougainville, including honoring its commitment to pay the outstanding 1990 compensation, which is now 94% complete. Another long-standing initiative is the Bougainville Copper Foundation, which has provided educational scholarships for more than 1,000 Bougainvilleans since 1997. BCL also sponsors a range of medical, cultural and sporting projects and events.

BCL has existing project tenure through EL1 and is committed to maintaining constructive relationships with its major shareholders as well as keeping all shareholders well-informed. Landowner and broader community involvement in development decisions is also essential.

As project proponent, BCL has been fully transparent in presenting a staged redevelopment plan, with four distinct stages and realistic timeframes. BCL estimates that it is mid-way through the first stage and has sufficient financial resources to advance to full feasibility study stage.

BCL expects that it will need to secure finance to conduct a bankable feasibility study and thereafter to proceed with building the mine and associated infrastructure. The introduction of a project development partner is a future option but stakeholder engagement and building enduring community support are BCL's current priorities.

BCL remains steadfast in its commitment to advancing the new Panguna project through respectful engagement to earn the social licence required to redevelop and operate the mine.

BCL recognises and is committed to supporting the Bougainville Peace Agreement.

