



CORPORATE PROFILE





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1. Senior Management & Director's Profiles

Board of Directors

The Board consists of nine members comprising four members representing the public sector and four members from the private sector with the Managing Director being the ninth person. The composition is as follows:

Title	Name, (Age), Profession	Management Experience
Board Chairman	Mr Robin MOAINA (54) – Geologist	General Manager Corporate Relations, OkTedi Mining Ltd (7 years) Former Secretary of the Department of Mining (8 years)
Deputy Chairman	Ms Nellie JAMES (39) – Lawyer	Acting Secretary – Department of Mining (2006-present) Registrar – Tenements branch, Department of Mining (1996-2006)
Managing Director	Mr Kepas WALI (50) – Petroleum Engineer	Managing Director – PNG Ports Ltd (2003-2007) Consultant – SOFRECO (2001-2003) Petroleum Engineer – Chevron Niugini Ltd (1990-2001)
Director	Mr Simon TOSALI (49) – Economist (Alternate – Ms Nino Saruva)	Secretary – Department of Treasury (6 years)
Director	Mr Gabriel YER (48) – Accountant (Alternate – Ms Doriga Henry)	Secretary – Department of Finance (2 years)
Director	Mr Joseph LELANG – Economist (Alternate – Ms Julian Kubak)	Secretary – Department of National Planning & Monitoring
Director	Mr Anthony SMARE (33) – Lawyer	General Manager, Legal & Corporate – Barrick (PNG) Ltd (2005-present) Director – Telikom Ltd (2006-present)
Director	Mr David TOUA (43) – Insurance/Economics	Country General Manager – AIG Assurance Ltd (1999-present) Finance & Admin Manager – Datec (PNG) Ltd (1990-1992)
Director	Mr Greg ANDERSON (57) – Geologist	Executive Director – PNG Chamber of Mines & Petroleum (1989-present) Chief Geologist – Department of Mining (1985-1989)

The members of the MRA Board have an in-depth and extensive managerial experience drawing from their respective responsibilities in both the private and public sector. Almost half of the members have, during some period in their working life, worked in the predecessor organization to the MRA which is the Department of Mining and who are therefore familiar with the roles, responsibilities and challenges of this new entity. The Board's affairs is managed by a Board Secretary.

Senior Management

The organizational structure comprises five (5) divisions each headed by an Executive Manager (EM) who are as follows:

Title	Name	Management Experience
EM - Geological Survey	Professor Hugh DAVIES (72) – Geologist	Head of Geology Department - UPNG (15 years). Chief Government Geologist – Department of Mining (10 years).
EM - Corporate Services	Mr Steven MAKEN (Age 46) – (Accountant)	Acting Managing Director – Small Business Development Corporation (1 year) Corporate Secretary/Manager Business Development - Small Business Development Corporation (12 years)
EM - Regulatory Operations	(vacant)	(vacant)
EM - Information & Marketing	(vacant)	(vacant)
EM – Development Coordination	Mr Ron KUK	Executive Manager – National Fisheries Authority Board membership on several government and industry bodies

The executive managers bring with them an equally impressive array of corporate managerial exposure and experience ranging from geology, engineering and legal to project management. Reporting to the above executive managers are a number of branch managers within each of the divisions.

Relationship between the Board and the Minister

The relationship between the Board and Minister is one of consultation and collaboration with the goal of maximising the benefit to the State from the management and utilization of the State's mineral resources (refer figure 1). The Board will ensure that there is an efficient and well run institution to carry out the work of administering the Mining Act to support the work of the Minister.

The Minister will ensure that the Board is informed of the Policy initiatives of Government and has the power to provide advice and direction to the Board relating to Government Mineral Policy (provided it is consistent with existing law) and any focus of activities which the Government may wish to see implemented.

The Board has no direct regulatory role, and as such the Ministers directions on Policy and Regulatory issues go directly to the Managing Director for implementation through the Mining Advisory Council.

The Minister will receive regular reports from the Board on the activities and achievements of the Authority.

The Board will be required by law to provide an annual report and annual audit report to the Minister for presentation to Parliament.



2. Corporate Profile

The Establishment of the Mineral Resources Authority

On 19th August 1998, the National Executive Council (NEC) considered a Policy Submission requesting approval for the creation of the Mineral Resources Authority through an Act of Parliament. Approval was granted through Decision No.179/98. Since then, the drafting of instructions for a Bill to establish the MRA and the preparation of a Management and Operational Plan for the MRA to be submitted to NEC for approval has been worked on.

On 9th November 2005, the National Executive Council by an absolute majority certified the Mineral Resources Authority Act 2005 and which came into force on January 1, 2006.

The importance of the mining industry to PNG

Mining products have continually been PNG's leading primary export commodity and will continue to be so well into the future. In 2006, gold, copper and silver exports amounted to K7.5 billion in value, being 59% of total exports for the year.

In addition to Government revenue from mining activities, substantial indirect benefits in local rural areas come from mining activities, such as employment, development of skills, individual and public income and access to social services and infrastructure. Of greater magnitude still are the spin-off businesses and linkages to other sectors of the economy.

In view of the positive contribution mining makes to PNG's balance of trade, and also to the significant economic returns to the Government and the people of PNG through revenue, employment creation and the development of human skills, the success of the PNG mining sector underpins the short to medium term wealth and prosperity of the country.

The current state of the PNG mining industry

The success of PNG's mining industry is not sustainable if low levels of mineral exploration continue. Exploration is needed to find mines of the future, and so guarantee maintenance of almost one quarter of the country's economy and over half of its exports.

Many countries which compete directly with PNG for exploration investment have developed strong industry research and regulatory functions, and are able to present a positive outlook and investment climate to investors.

The former Department of Mining did not have the institutional capacity to effectively manage the next phase of mining developments in Papua New Guinea. As evidenced by the situation in Ok Tedi, Ramu and Porgera, the Department's internal capability to undertake necessary technical assessment of mining operations is very limited. It is now experiencing critical shortage of qualified staff, and will continue to rely on costly

consultants to do basic assessment that should be done by local experts. Currently the technical and coordination staff involved in managing the mining industry in the Department has sunk to one third of its designed strength with only 6 out of a staff ceiling of 45 on strength. There is no immediate prospect of recruitment of new staff. The budget available to the Department to manage the industry is currently less than one quarter of what it was in 1995. This is despite the fact that there are more mines in operation now than in 1995.

The establishment of the Mineral Resources Authority (MRA) at this juncture of the development of the mining industry in Papua New Guinea is strategically crucial. Given the experiences of Bougainville Copper, Mt Kare, and more recently Porgera, the current institutional capacity is clearly inadequate to respond to critical issues that arise from the development of mining projects. Many of these issues are complicated, and without resolution, they pose considerable long-term costly implications to the State and the people of Papua New Guinea.

Through strengthening the technical management of the mineral sector, the Government will be able to achieve stability, industry growth and a degree of assurance of future revenues from the mineral industry. More effective management of issues concerning landowners and their participation in the development process will allow for the development of a more settled investment climate and industry development.

The MRA is an appropriate vehicle to accomplish these objectives. As a Statutory Authority, the MRA will have a degree of flexibility to allow management to attract, motivate and retain qualified staff and undertake its responsibility with adequate financial resources.

Functions of the Authority

The functions of the MRA are as follows:

- a) to advise the Minister on matters relating to mining and the management, exploitation and development of Papua New Guinea's mineral resources, and regulatory and administrative decisions relating to such matters; and
- b) to promote the orderly exploration for and development of the country's mineral resources; and
- c) to oversee the administration and enforcement of the Mining Act 1992 and the Mining (Safety) Act (Chapter 195A), the Mining Development Act (Chapter 197), the Ok Tedi Acts and the Ok Tedi Agreement, the Mining (Bougainville Copper Agreement) Act (Chapter 196) and the agreements that are scheduled to that Act, and any other legislation relating to mining or to the management, exploitation or development of Papua New Guinea's mineral resources; and

- d) to negotiate mining development contracts and Memoranda of Agreement under the Mining Act 1992 as agent for the State; and
- e) to act as agent for the State, as required, in relation to any international agreement relating to mining or to the management, exploitation or development of Papua New Guinea's mineral resources; and
- f) to receive and collect, on its own account and on behalf of the State, any fee, levy, rent, security, deposit, compensation, royalty, cost, penalty, or other money or other account payable under the Mining Act 1992, the Mining (Safety) Act (Chapter 195A), the Mining Development Act (Chapter 197), the Ok Tedi Acts and the Ok Tedi Agreement, the Mining (Bougainville Copper Agreement) Act (Chapter 196) and the agreements that are scheduled to that Act, or any other Act the administration of which is the responsibility of the Authority from time to time; and;
- g) on behalf of the State, to receive and collect from persons to whom a tenement has been granted under the Mining Act 1992 the security for compliance with the persons obligations under the Mining Act 1992 required to be lodged with the Registrar, and to hold such security received or collected; and
- h) on behalf of the State, to administer and be responsible for the administration of any public investment programme relating to mining or mining impacted communities; and
- i) to conduct systematic geoscientific investigations into the distribution and characteristics of Papua New Guinea's mineral and geological resources, located on, within or beneath the country's land mass, soil, subsoil and the sea-bed; and
- j) to provide small scale mining and hydrogeological survey data services, and occupational health and safety community awareness programs; and
- k) to collect, analyse, store, archive, disseminate and publish (in appropriate maps and publications) on behalf of the State geoscientific information about Papua New Guinea's mineral and geological resources; and
- l) to carry out such other functions as are given to the Authority by this Act or by any other law; and
- m) generally to do such supplementary, incidental, or consequential acts and things as are necessary or convenient for the Authority to carry out its functions.

The list of functions covers the principal regulatory operations and mining industry management functions required of the Government under the Mining Act 1992. The functions of the Authority also include the important coordination and development facilitation role carried out by Mining Project Coordinators. Promotional and industry development functions are

also included in terms of geological data development by Geological Survey and information services divisions. Community resource development functions are also included in the form of small scale mining extension services and groundwater resource evaluation and development.

The Organizational Structure of the MRA

The principal structural framework comprises the establishment of:

- a) a Board of Directors;
- b) a Managing Director; and
- c) five (5) functional divisions

The organisational structure of the MRA is as follows -

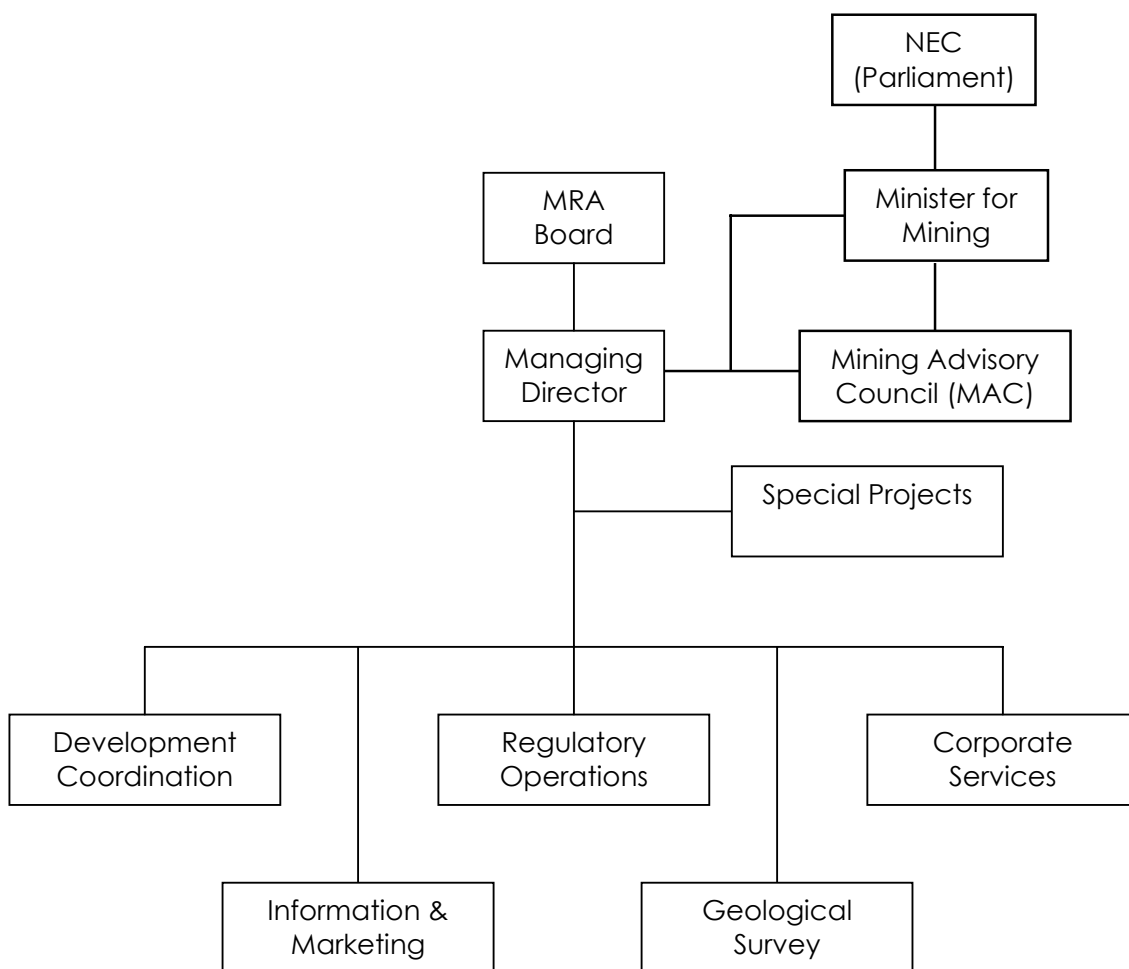


Figure 1 – MRA Organizational Structure

The structure addresses the need to:

- establish a Board to provide strategic direction to the MRA,
- establish the position of Managing Director to provide leadership and management of the MRA,
- separate policy and regulation functions from investment promotion functions,
- focus on attracting new mineral sector investment to PNG by establishing a marketing function (**Information and Marketing Division**) incorporating all the functions required to promote prospectivity, deliver products and services to potential investors, and to effectively deal with public relations issues,
- improve stakeholder consultation, project facilitation, and management of mining benefit streams including small scale mining, from exploration to mining phases of development, by formation of a project facilitation function . (**Development Co-ordination Division**),
- efficiently implement existing legislation, and continuously improve operational processes by establishment of a regulatory operations function (**Regulatory Operations Division**) and establish a working partnership with the Department of Mineral Policy and Geohazard Management's Policy and regulation division,
- document, manage and provide regional geological, geophysical and geological resource information by formation of modified geological mapping function (**Geological Survey Division**),
- provide ongoing human resource, financial, and information technology services and support to the MRA and its Board by the establishment of a small corporate support function (**Corporate Services Division**)
- establish on-going development and support function for the European Union Sysmin, World Bank and other donor funded projects (**Special Projects group**)

The Authority retained the services of a consultant for a period of 2 years (2006 & 2007) whose responsibility was to assist the managing director and executive management to coordinate advertising and appointment of staff and to assist to organize the Authority, including development of key performance indicators and to engender a new corporate culture in the MRA to ensure high levels of productivity are achieved with a strong commitment to meeting service-level and production targets (**Implementation Advisor**).



3. Industry – Mines, Production & Clientele

Mineral dependent economy

The mining industry has been the most significant single contributor to the national economy since 1973. PNG still remains a mineral dependent economy. Therefore, there is a need for the implementation of policies that will lead to a diversified national economy. However, until such time as government revenue from other sectors mirrors that of the mining sector, the government needs to maintain an investment environment that is conducive to mineral exploration and development.

The conversion of the Department of Mining into a statutory authority (MRA) will strengthen the government's ability to deliver an efficient and consistently improved service to the mining industry through better fiscal provisions, diversification of PNG's mineral products, improved competition by attracting new investors and developing future prospects and frontiers to sustain and enhance the growth of the industry in the country for the benefit of existing and future generations.

Mineral Commodity Exports

PNG has traditionally exported gold, copper and silver since the commencement of Bougainville Copper mine. The development of the Ramu mine within the next three years will for the first time introduce two additional metals in nickel and cobalt.

The currently operating mines are OkTedi, Porgera, Lihir, Tolukuma and Kainantu. Two smaller mines, Simberi and Sinivit have just started operations this year with Ramu and Morobe expected to commence production within three years.

The historical mineral production and export figures for existing mines from 2003 - 2006 and forecasted production and export figures for 2007 - 2015 are presented in *Annexure A*.

Mineral Export receipts are currently at record levels buoyed by the favourable market conditions and it is envisaged that this present levels will continue to be enjoyed beyond 2007. PNG is forecasted to enjoy even higher record levels of export production and revenue should Bougainville and Wafi copper operations come on stream commencing 2010.

Small Scale Mining

Approximately 60,000 persons are estimated to be engaged in widespread, largely informal, but legal, small-scale gold mining. The majority of alluvial miners, comprising about 90% of the sector use pans, shovels, rudimentary sluices & shaking boxes and sometimes, small water pumps. Mining practice and gold recovery are both inefficient.

Simple mechanised mines account for some 9% of the sector. They use portable equipment such as pontoon dredges, hydraulic sluice pumps and riffled sluices. Gold recovery is more efficient but there are problems with pumping & overburden stripping.

Medium-sized mechanised registered mining companies have earthmoving and high capacity ore processing equipment. Gold recovery is reasonably good and the mercury used for amalgamation is fully contained in specialised equipment. They represent 1% of the sector.

The main alluvial mining districts are Wau/Bulolo in Morobe Province, the Highlands, especially around Mt. Kare & Porgera in Enga province, Yodda in the Oro Province and Maprik in East Sepik. However, alluvial and placer gold is found almost everywhere in Papua New Guinea.

The total output of the sector is difficult to quantify. MRO (Metals Refining Operations Ltd), the only legal end-buyer of gold, estimates that only about 40% of the alluvial gold is sold to them for refining & export. The remaining 60% is sold and exported illegally. In this case, the 1.9 tonnes of legally refined gold from the SSM points towards a total yearly output of some 4-5 tonnes. For the SSM miners, the average earnings are estimated at 250 Kina/month. The sector generates some K180 million – nearly 3% of PNG's 1997 GDP.

Additional Mines

The latest additions to the existing operating mines are Simberi, Sinivit and Hidden Valley gold mines. Simberi is expected to produce 60,000 ounces of gold per year for 10 years commencing December 2007. Similarly, Sinivit is expected to produce 50,000 ounces of gold per year for between 2-5 years and commenced October 2007. The Hidden Valley project will be producing 310,000 ounces of gold per year for between 7-10 years commencing mid 2009.

Another large mining operation in Ramu is expected to diversify PNG's mineral base by producing 33,000 tonnes of nickel and 3,300 tonnes of cobalt for 20-plus years commencing 2010.

The Wafi gold project is projected to commence production in 2010 producing 300,000 ounces of gold per year for 10 years.

One or two other mines are also projected to come on stream within the next 5 years.

Offshore Mines

PNG created history in 1999 when the government issued the world's first offshore Exploration Licence to Nautilus Minerals to explore for gold, copper and silver in the Bismarck Sea at depths in excess of 1,000 metres.

Trial mining has been conducted and looks promising allowing Nautilus to contract companies specialising in offshore dredging that is building the next generation of autonomous underwater vehicle, complete with robotic arms that will serve as the primary miner. A commercial cutter suction dredge would mine sulphide chimneys 1.6km below sea level at a rate of 1.8 million tonnes annually, making it a world first by late 2009. The ore averages 8% copper and 7 g/t gold. Nautilus has previously flagged annual

production of 500,000 ounces of gold and 160,000t of copper. The company said it was considering an initial production rate of 1 million tonnes per annum by 2011 with the capacity to double throughput to 2Mtpa.

The Challenge

With record metal prices, coupled with an improved fiscal and policy environment and a government generally supportive of the mining industry it is imperative that exploration activity is increased with an emphasis to turn advanced exploration projects into operating mines and existing mines encouraged to maintain an exploration program that runs in parallel with their operations to extend their mine life. The challenge is for the government through an effective and capable institution, such as the MRA , to nurture and implement the above goal.



4. The MRA Act

The MRA Act

The Mineral Resources Authority Act 2005 will establish a new governance and administrative structure to assist the Government to effectively administer and manage the mining sector.

The MRA Act will not replace the Mining Act 1992, which remains substantially unchanged by this proposed legislation. A copy of the Act is attached as *Annexure B*.

The Authority will take over all of the technical and operational roles relating to the administration and management of the Mining sector which are currently carried out by the Department of Mining. This includes the regulatory operations, such as mineral tenements management under the Mining Act, and responsibility for administration of mining safety under the Mining Safety Act. Other technical and coordination functions include the project coordination and liaison, and geological survey and mineral potential promotional activities.

The Department of Mineral Policy and Geohazard Management will retain responsibility for the development and maintenance of the policy and regulatory environment within which the mining industry operates. It will also continue to provide the public service function relating to the monitoring and management of volcanic and earthquake hazards throughout the country.

A Board of Directors will direct the administrative affairs of the MRA. The Board, in the exercise of its functions, will be required to give effect to any lawful policy directions given to it from time to time by the Minister and also from a specially constituted Government Policy Advisory Committee.

It is important to note that the Board has strictly limited powers relating to issues of a mining regulatory nature and plays no role in the issuing or renewal of any mining or exploration Licences.

In this respect the Board of the MRA is unlike any of the existing Boards of Statutory Authorities. In other Boards such as Fisheries and Forestry, the Board also performs regulatory functions such as issuing permits and licences, and thus have the potential for conflicts of interest to arise when there are private sector representatives on the Board.

This proposal retains the management of the State's mineral estate purely in the hands of the Minister for Mining under the Mining Act 1992 as it was prior to the establishment of the MRA. Mining and exploration tenements will continue to be issued by the Minister for Mining after receiving a recommendation from the Mining Advisory Council (currently called the Mining Advisory Board) which is constituted under the Mining Act 1992.

The MRA Board is established and empowered only to oversee the governance and management of the operations of the institution which administers the Mining Act. The Board does not have any direct powers with respect to the Mining Act itself.

Governance processes of the MRA

Governance processes contained within the legal structure of the MRA include:

- a) clear processes for the appointment and termination of the Managing Director with limits to terms and conditions of appointment and limits to any contractual compensation on certain grounds of termination;
- b) a requirement for skill sets and experience to be prime determinants of Board appointments;
- c) contracts for all MRA employees;
- d) a strong requirement under the legislation for the maintenance of accounting records and audit procedures, and the preparation of financial statements and annual reports.
- e) State controlled processes on budgetary matters through the approval of budgets by Departmental Head for Treasury matters, and;
- f) clear mechanisms for the communication of policy directives from the Government to the Board.

The Managing Director is responsible solely to the Minister relating to the implementation of the provisions of the Mining Act 1992, and any mining regulatory or policy matter and not to the Board of the MRA.

The Managing Director is solely responsible to the Board for matters relating to the administration of the institution of the MRA including its staffing, budgeting and the general management of its day to day operations and activities.

This arrangement is consistent with existing Government policy to reduce undue political interference in the operations of the various agencies of Government. The Board will oversee the issues relating to institutional governance, and the Minister will continue to oversee issues relating to the regulation and governance of the Mining Act 1992 and the State's mineral resource estate.

The Act provides specific provisions which strictly prevent the Managing Director or the Board from making any payment to a Managing Director or any other employee who is terminated for any reason, including non-performance or breach of Contract of Employment. Payment is limited by law to only paying what has accrued up to the point of termination and prohibits payment of the balance of any contract. This provision also prevents any form of *ex gratia* payments and individual "fixing" of employment contracts to employees.

Concern has also been raised that some of the existing Authorities have become renegades and are unable to be brought back in line with Government Policy. The Act once again has specific provisions for intervention by a government policy advisory committee chaired by the

Secretary for Treasury to provide advice and direction to the Board of the Authority on the policy orientation to be taken by Government agencies.

The objective of all of these mechanisms is to limit the potential for the abuses experienced in other Authorities in the past and for the MRA to be a model statutory authority in setting operational and management excellence.

A copy of the MRA Act 2005 can be obtained from the Corporate Secretary.



5. Financial Information

Funding of the Authority

The principal funding mechanism for the MRA is a production levy in respect of all minerals produced from mining activities by the holder of a mining lease or special mining lease, as well as any alluvial gold produced which is to be exported. The production levy is proposed at a maximum rate of 0.5% of the assessable income of the relevant producer of minerals, and at a maximum rate of 0.5% of the value of alluvial gold which is to be exported. Currently, the production levy is applied at a rate of 0.25%.

The mining industry has been consulted and is supportive of the MRA funding mechanism as they believe that this mechanism will provide the organisation with sufficient resources to effectively manage industry issues and contribute to the maintenance of an attractive investment climate.

It is recognised that the Government wishes to minimise its financial commitment to Statutory Authorities and as such has made it a general policy that Authorities should where possible be self sufficient with respect to funding. This proposal recognises this objective and has structured its financing plan to be able to operate independently of allocations from Consolidated Revenue under the National Recurrent Budget.

The MRA recognises that there will continue to be significant social service functions and regulatory obligations carried out by the MRA. These functions do not service the mineral industry and are provided to fill a social need in PNG such as ground water supplies and mineral resource based rural community development and poverty alleviation programs. The Government may wish to support or enhance such activities and may in certain cases need to financially support special projects. Under such circumstances the Government may wish to provide either a one-off Grant or annual appropriations for such activities. This is not predicated on any budgetary allocations being available in the short to medium term.

The MRA will continue to manage and implement mining sector related Public Investment Programme (PIP) projects approved and appropriated under the Development Budget on behalf of the State.

Foundational Budget

2007 was the foundational year for the Authority having commenced operations in June followed by the recruitment of employees and the accumulation of capital assets.

Funding anticipated is based on an anticipated revenue of K18 million sourced primarily from the production levy of 0.25% of accessible income from the existing operating mines.

The MRA anticipates increased levels of revenue in 2008 with the addition of 2 small operating mines (Simberi & Sinivit) on the back of continuing strong performance of all mineral commodity prices.