



**DEPARTMENT OF PRESIDENT & BEC  
OFFICE OF THE PRESIDENT**

Telephone No : 973 9061  
Facsimile No : 973 9057

Box 322  
BUKA, ARoB, PNG

**Hon. Mr. Peter O'Neill MP  
Prime Minister of Papua New Guinea  
Office of the Prime Minister  
Morauta Haus  
Waigani, NCD**

**10 December 2015**

My dear Prime Minister,

**RE: Proposals for Purchase of Rio Tinto Shares in BCL**

I refer to the Monday 8 December discussions in Kokopo with you, and other Ministers concerning proposals for National Government purchase Rio Tinto's equity in BCL. The focus of your proposals concerned the commercial opportunities involved in purchase of the shares. You emphasised a need for urgent purchase for fear that Rio Tinto might otherwise sell the equity to some other entity.

For Bougainville, the key issues are quite different. They relate to the fact that the injustices involved in the impacts of the Panguna mine were at the heart of the terrible Bougainville conflict. Despite being closed for over 25 years, the mine continues to be a source of division and tension amongst Bougainvilleans. Since 2011, the ABG has explored the possibility of re-opening the mine, with a majority Rio Tinto owned BCL re-established as the operator. One aim is to generate badly needed revenue for Bougainville. Another has been to ensure remedying past injustices (a goal seen as more likely achieved if BCL returned, as it accepted responsibility for the impacts of the mine).

The situation since 2011 has changed. Commodity prices have dropped dramatically. The problems involved in getting consensus on the future of Panguna have added to sovereign risk assessment issues. As yet no announcement has been made of the outcome of the review Rio Tinto initiated into its investment in BCL in August 2014. If Rio's decision is to divest itself of the equity then the ABG's considered view is that it is most unlikely that any potential responsible developer will be able to find the US\$6 to 7 billion needed to re-open the mine. It is therefore most unlikely the Mine will re-open in the foreseeable future.

In these circumstances, if Rio Tinto does announce a decision to divest, the most significant issues do not concern purchase of shares. Rather they involve remedying environmental and other impacts of the mine. It is these issues, in my view, that are the most urgent ones to discuss with Rio Tinto. I seek your support for a joint approach that focuses on those issues.

In relation to the transfer of the Rio Tinto equity in BCL, given the tortured history of the Panguna mine, it would be completely unacceptable to virtually all Bougainvilleans if that 53 per cent equity were to be transferred to the National Government. It would be political suicide for the ABG, and potentially a source of conflict, if the ABG were to agree to the National Government becoming the majority shareholder in BCL.

In my view, if Rio has decided to divest, then the equity should be transferred to the ABG. I have no objection to the National Government continuing to hold its 19 per cent. Indeed, if at some time in the future, the possibility of re-opening Panguna become more likely, the ABG would welcome National Government involvement as 19 per cent shareholder.

What I am proposing will come as no surprise to Rio Tinto, as I made the same proposal to their executives when I met them in Singapore in July this year. The Rio representatives made it clear to me that they were prepared to negotiate such issues with the ABG.

Concerning your emphasis on the need for urgency on decisions on purchase of equity, it seems quite unlikely that having now spent almost 18 months in undertaking its review of the investment in BCL, that Rio Tinto would now regard sale of its equity as a matter of grave urgency. I see no reason for haste in making decisions on the issues involved here.

I must also emphasise two points concerning the effect of the Bougainville Mining Act 2015. The first is that under section 367 of the Act, BCL now holds nothing other than an Exploration Licence over the area of its former Special Mining Licence at Panguna. That Licence is taken to have been granted on 8 September 2014, and has a term of 2 years. The second point is that section 112 provides that where 25 per cent or more of the shares of a company holding an Exploration Licence are transferred or otherwise dealt with within 24 months of the licence being granted, the Secretary to the ABG Mining Department must initiate action for cancellation of the licence.

These provisions are intended to provide protection for the ABG and for Bougainville more generally in such situations. The ABG policy position has not changed. So if the shares were to be transferred to the National Government, or to any other entity that you fear might purchase the shares, then the ABG would move to cancel BCL's Exploration Licence.

In conclusion, the proposal put by you in Kokopo does not take account of the realities of the Bougainville situation. Instead, I propose that the two governments jointly consider the ABG's preferred position. I see no need to engage urgently with Rio Tinto, and would oppose any engagement involving the proposals that you and Mr. Micah put to me.

Yours sincerely,



**Chief John L. Momis**  
**President, ARoB**