



MINISTER FOR MINING

16th April, 2007

The Leaders
CMCA Core Group and
All CMCA Community Delegates
c/- Ok Tedi Mining Ltd
PO Box 1
TABUBIL
Western Province

Dear Leaders and CMCA Delegates,

FINAL CMCA OFFER BY SHAREHOLDERS AS AMMENDED

Firstly, I would like to thank the leaders of the CMCA Core Group for their response to the revised offer in their letter of 8th March 2007. I am aware the response has been tabled at the CMCA Review Core Group meeting of 6-8 March 2007.

I am grateful that the Core Group has decided to recommend the revised offer from the shareholders to the CMCA Working Group. I note that their recommendation is conditional on a number of matters relating to the expenditure of funds from the 5% dividend. I have asked my department to work with the State Solicitor's office and the Department of Finance to put in place the following arrangements for the implementation of the 5% dividend. These arrangements will also attempt to address the issues raised by the leaders of the Core Group.

- i. **Creation of a separate Trust Fund**
A new Deed of Trust is being drafted and a new Trust Fund set up so that OTML can make payments of 5% of dividend directly to that fund. I expect this to be completed by end of April 2007.
- ii. **Projects to be funded should be guided by the CMCA Development Plan rather than the Provincial Development Plan**
This arrangement is possible, but where there is a conflict between the CMCA Development Plan and the Provincial Development Plan, the Provincial Plan should apply.
- iii. **Approval of the Mining Minister be a one-off approval of the CMCA Development Plan, rather than approval of each individual project**
Approval of the Mining Minister will still be required for each project and will be guided by the recommendations from a new Advisory Committee to be appointed by the Trustees. We have to maintain the spirit and principles provided for under the Re-stated Eight Supplemental Agreement Act, where the State through the Minister for Mining ensures that these dividend funds which are for the benefit of the people of Western Province are to be spent consistent with the prevailing mining policy of that time.
- iv. **A new Advisory Committee be set up**
This has been proposed and will be established accordingly.

v. **Approved projects be implemented through the New Entity**

The Trust Deed is being drafted to recognize the creation of the Ok Tedi Fly River Development Foundation and the role of the Foundation in implementing the projects will be recognized. It may well be that the Foundation does not have sufficient resources and/or expertise to implement all projects, so implementation by other organizations possibly under some contractual arrangement with the Foundation would also be considered.


In closing, I wish to summarise the main components of the offer from the shareholders as amended and following the initial offer contained within the Decision of the National Executive Council no. 272/2006.

1. A new independent entity will be established – to be called the Ok Tedi Fly River Development Foundation – to give communities ownership and control over resources and programs within the CMCA region,
2. One half of the dividends currently paid into the Western Province People's 10% Dividend Trust will be paid into a new Trust for the benefit of the people of the CMCA communities,
3. K90 million, being the 2006 dividend paid to the Western Province People's 10% Dividend Trust will be committed to projects for the benefit of the people of the CMCA communities,
4. OTML will provide a payment to the CMCA communities based on a guaranteed forward sale of gold and copper amounting to an average of K49.808 million each year, which is four times the current CMCA package that would be payable over the remaining years of the mine, and
5. PNGSDP will provide a guaranteed maximum commitment of K21.5 million or 2.5% of PNGSDP's dividend, whichever is the greater, to development projects within the CMCA corridor.

I understand that OTML and PNGSDP will be providing more information and clarification on specific issues relating to their final offers in time for the final meeting of the Working Group.

Finally, as I have previously stated, the final offer I have described has been developed considering the difficulties in reaching a balance between the benefits to communities, environmental impacts and the economic viability of the Ok Tedi project. I commend this package to you and encourage you to do the same to your people. It is now time to move forward together to bring these increased benefits to your people as soon as possible.

Yours sincerely,


HON. SAM AKOITAI, MP
Minister for Mining

cc : Robert Igara, CEO, PNGSDPL
: Keith Faulkner, MD, OTML
: Sir Arnold Amet, Legal Advisor to the CMCA Delegates
: All Delegates – CMCA Review Working Group