

Thursday, 18 January 2007

The Honourable Sam Akoitai, MP  
Minister for Mining  
Parliament House

Dear Minister,

**Re: CMCA review – Core Group response to the current Shareholders offer**

We thank you for your participation in the CMCA review to date and for tabling the Shareholders offer at Working Group 4 in November 2006 in Tabubil. The delegates of the Core Group have spent the last week reviewing the offer in order to:

1. Understand each element of the shareholder offer;
2. Identify questions for clarification relating to each element of the offer; and
3. Develop proposals and recommendations for Working Group and shareholder consideration that might improve the offer for the CMCA regions.

We have had regard to our earlier presentation to you and other shareholders of our perspective of the challenge and our future, in which we made some of the following observations.

We noted the common fact that increased environmental and livelihood impacts are likely to continue 100-200 years post mine closure.

We noted the huge social and economic development gap with very little to show for since the mine began 25 years and whether this trend will continue.

We said that we are worried about our future and this process presented an opportunity for the communities to put the past behind and with the other stakeholders create a better future by resetting the balance between benefits and impacts, and to have a say in the outcome and "a new way forward" but it could be our last opportunity

We noted that it will mean nothing if our expected outcomes are not met. We stated what we expected as our minimum outcome; a fair and just compensation. We identified the CMCA & Development Outcomes and defined what we expected for each outcome and provided cost estimates for CMCA outcomes which formed the justification for the package we are seeking.

These deliberations have led us to our ultimate opinion that the offer as it currently stands is insufficient to compensate for current and predicted environmental damages nor to meet our developmental aspirations. We make this statement with due respect

to the considerable effort you and the other shareholders have made to bridge the gap between what was previously provided under the CMCA package to what is currently on the table. In presenting this counter-proposal we also make clear the following points:

- o The Core Group does not supersede the working group but is empowered to make recommendations that advance the cause of the working group and the objective of seeking a fair and just deal;
- o The acceptance of the current and any further offers made by the shareholders remains the prerogative of the Working Group and not the Core Group.

With this in mind the Core Group makes the following counterproposals:

*The Governments offer relating to the 5% of the Western Province People fund:*

- a) We understand that without a resolution to the pyrite extraction problem, ARD levels will become unacceptable and the mine may be forced to close. However, we request that conditions associated with Bige pipeline be removed and that the 5% share of the Western Province People's Fund be paid regardless from 2006 until mine closure whenever that may be;
- b) We also request that the 5% be paid directly to the new entity;

*The Shareholding/50% increase in CMCA's offer*

- c) OTML's contribution to a resolution is insufficient and should be doubled from the current 2.5% equity offer to 5%.

*The PNGSDP offer*

- d) We seek a guarantee from PNGSDP that the new CMCA entity will have the leading role in decision making for the funds committed to the new entity and, if possible, those funds should be paid directly into the proposed new entity;
- e) As a successor entity for the social and economic sustainable development benefits of the Ok Tedi Mine, we request that PNGSDP guarantee the K18 million per annum [and or more] for the planned 40 year lifespan of the PNGSDPL;
- f) Financing for projects already planned, should not come from the 18 million per annum committed by PNGSDP. For example, PNGSDP's Board Chair has already committed to maintain and improve the highway and we would anticipate this funding to come from PNGSDP's other sources of funds.
- g) Unused funding should accumulate and be set aside for the new entity when it is ready;
- h) We ask that PNGSDP provide additional annual funds for the operating expenses of the new entity beyond mine closure.

*Other*

- i) We ask that Government establish a realistic contingency fund or insurance fund for major environmental or health disasters;

- j) We understand an additional 1.25% may be available from the Tax Credit Scheme and request that those monies be committed to the affected corridor.
- k) We request that government and OTML identify increased contract opportunities for Landowner companies.

In our discussions, it has now become clear that Lower Ok Tedi region has requests which are different from the rest of the group. Their representatives will present a separate submission to you.

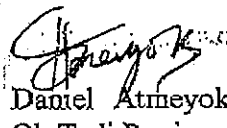
Your prompt response to these questions and proposals will allow for finalisation of the Working Groups position on the shareholder offer. We would hope to hear from you before the planned Working Group-5 meeting that is scheduled to commence on February 15<sup>th</sup>, 2007.

For clarification on any of the matters raised, please contact us through Mr. David Masani at OTML.

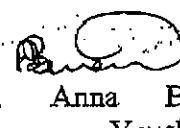
Sincerely,



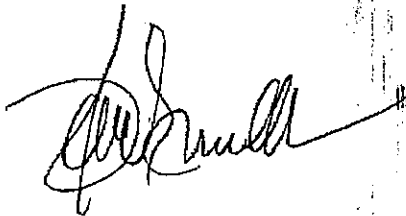
Michael Gen - Highway  
Region



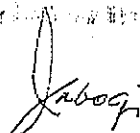
Daniel Atneyok - North  
Ok Tedi Region



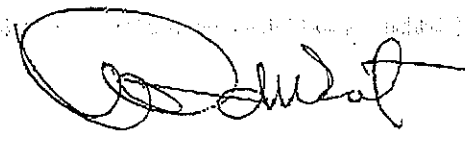
Rev. Anna Bisai -  
Women, Youth and  
Churches Representative



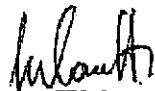
Kime Sumai - Dudi  
Region



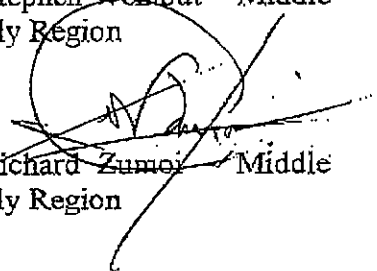
Jacob Kabogi - Suki Fly  
Gogo Region



Stephen Wembut - Middle  
Fly Region



Ume Wainetti - Women  
and Youth Representative



Richard Zumoi - Middle  
Fly Region

CC: Robert Igara, CEO PNG Sustainable Development Program Limited

Keith Faulkner, Managing Director - OTML

Sir Arnold Amet, Legal Advisor to the CMCA Delegates

Peter Adler (Keystone) and Martin Brash (Tanorama), Independent Facilitators

John Kawi and Beno Boeha, Independent Observers

All Delegates - CMCA Review Working Group