

## A miner's paradise?

Friday, 5 March 2010

**ROBIN Bromby takes some steps into the world's next "hot" mining and exploration area and finds it is remarkably close to home.**

*Published in the February 2010 edition of Australia's Mining Monthly*

Looking to peg somewhere that is not overly explored (such as Western Australia) but reasonably close to home (unlike Togo or Guatemala) and has not yet really been discovered by the punters (unlike Ghana or Namibia)?

Process plant at Lihir

Need another clue? How many places in the world today could you, as happened in January, announce a JORC resource of 8.1 million tonnes of contained copper and 13.3 million ounces of contained gold?

Yes, I am talking about Papua New Guinea, and in this instance the Frieda deposit owned by Xstrata and Highlands Pacific. We are talking the next "hot" area. The country is already in the throes of a new exploration wave. Soon the place will be crawling with explorers. It may be a case of get in now or miss out.

To put the Highlands Pacific announcement into context, years went by with scant mention of that company's two elephants, Ramu and Frieda. This correspondent was one of the few who harped on about the company's potential.

However, even with the development decision on the huge Ramu laterite nickel-cobalt there was little media or investor interest in the stock. In fact, at one stage the company had cash greater than its market capitalisation.

Local punters just have not wanted to know about PNG. One still shakes the head at the almost total lack of interest when New Britain Palm Oil tried to float on the Australian Securities Exchange. It is now listed on the main board of the London Stock Exchange.

It's true that PNG is rife with corruption, violence and AIDS. Also, there are substantial logistical challenges unless you are lucky to be drilling near the coast or on an island. Having to ferry everything by helicopter can be a deal-breaker as successive owners of the Tolukuma gold mine found out.

But, for all its problems, PNG has managed to hold it all together. The government seems stable, the financial authorities have ridden the global financial crisis well, and some commercial operations are doing surprisingly well. Air Niugini is travelling a lot more smoothly than Japan Airlines, for example.

Discoveries over the past year or two have raised the country's profile considerably, helped by the first pour at the Hidden Valley mine as well as the Chinese piling into Ramu.

However, it will probably be the enormous PNG LNG project that will give investors a wake-up call on the country's potential.

Probably, too, the oil and gas sector will continue to make the resources sector run for the next year or two. Eventually, though, bullishness about PNG will flow through to the mineral sector as well.

When you think about it, there have not been too many exploration fizzers in PNG so far as Australian mining companies are concerned. When there have been problems, it has usually been political (Bougainville being the standout), logistics, pollution (Ok Tedi), hysteria (Frontier Resources and the Kokoda track, and then mainly in Australia), or commodity prices. There have been "the natives are revolting" moments, again Bougainville being the obvious one. While cutting power pylons supplying a mine or invading a mine have been tried, these issues have mostly been resolved.

Landowners have proved nowhere near as obdurate as some parties under Australia's native title procedures.

Getting back to Hidden Valley, this has been largely a success story for the Morobe joint venture partners, Newcrest Mining and Harmony Gold. Their confidence was illustrated by the recent decision to invest a further 48 million kina (about \$21.5 million).

Then we had Barrick Gold farming into Coppermoly with a planned \$20 million spend. Allied Gold has been a success story, mining gold and last year raising \$160 million for its PNG operations. Canadians are moving into the country and exploration is ramping up as companies look for gold, copper, nickel, molybdenum and other metals.

There must be some huge and undiscovered deposits in PNG. You cannot recite the well-known names – Misima, Porgera, Lihir, Ramu, Frieda, Panguna – without realising most PNG discoveries tend to be enormous.

What would you rather have – a 50,000oz open pit resource in WA with a two-year mine life, or a world-class deposit in PNG, still one of the great exploration frontiers left?

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