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OPPORTUNITIES FOR NORTH QUEENSLAND BUSINESS WITHIN THE PNG MARKET

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EXECUTIVE SUMMARY

The current expansion of PNG's resource-extraction industry has the potential to provide significant opportunities for North Queensland based businesses in relation to the supply of construction material and equipment, skilled workers, and workforce training services.

The strong presence of existing mining services and corporate offices within Townsville provides further scope for it to be considered by PNG mining companies and project proponents as an ideal location for the establishment of additional corporate or head offices.

Although many of the opportunities identified for the region are associated with PNG's resource-extraction industry, other secondary opportunities may be available to the region via triggering of new development opportunities outside of the resource-extraction sector as a result of the overall growth of PNG's economy, (e.g. development of new hotels, commercial premises, etc.), as well as through the attrition of workforce and resources away from these other industry sectors due to the expansion of the resource-extraction industry.

The following report has been developed to identify and summarise the various opportunities available to North Queensland businesses in an effort to enable individual businesses to determine whether or not these opportunities are viable.

Much of the information outlined in this report has been sourced from 'The PNG Investor's Manual – A handbook for investing and doing business in Papua New Guinea', 'Mining & Industrial Services Opportunity Study for Far North Queensland', undertaken by Cummings Economics in May 2010, and the 'Cairns & Tropical North Queensland's Strategy for Business and Trade with Papua New Guinea – June 2010'.

Any business interested in progressing with any of the opportunities identified within this report is strongly encouraged to undertake its own research and seek profession advice before engaging with PNG stakeholders.

BACKGROUND

Papua New Guinea (hereafter referred to as PNG) consists of the eastern half of New Guinea island, the two large islands of New Britain and New Ireland, and more than 300 small islands as the autonomous region of Bougainville.

PNG covers an area of approximately 452,800 square kilometres, sharing a border with Indonesia's Papua province to the west and Australia; Torres Strait and Coral Sea, to the south. PNG also shares a maritime border with the Solomon Islands to the south-east.

PNG's population is amongst the most ethnically diverse in the world and is broadly divided into four groups: New Guineans, Papuans, Highlanders and Islanders. PNG supports a population of approximately 6.4 million, of which 87% live in rural areas outside of the capital city Port Moresby. More than 800 different indigenous languages are spoken throughout the country, with the three official languages being acknowledged as English, Tok Pisin (New Guinea Pidgin) and Hiri Motu (the lingua franca of the Papuan region). English is widely spoken and is the language of government, the education system and business.

PNG's major unit of currency is the kina (PGK), with 100 toea to a kina.

PNG's provinces consist of: Central, Chimbu, Eastern Highlands, East New Britain, East Sepik, Enga, Gulf, Madang, Manus, Milne Bay, Morobe, New Ireland, Northern, Sandaun, Southern Highlands, Western, Western Highlands and West New Britain. The Northern Capital District is an administrative district taking in Port Moresby. Migration from some of these rural provinces to major city centres; Port Moresby and Lae, in the past decade has contributed to urban unemployment and social problems within PNG.

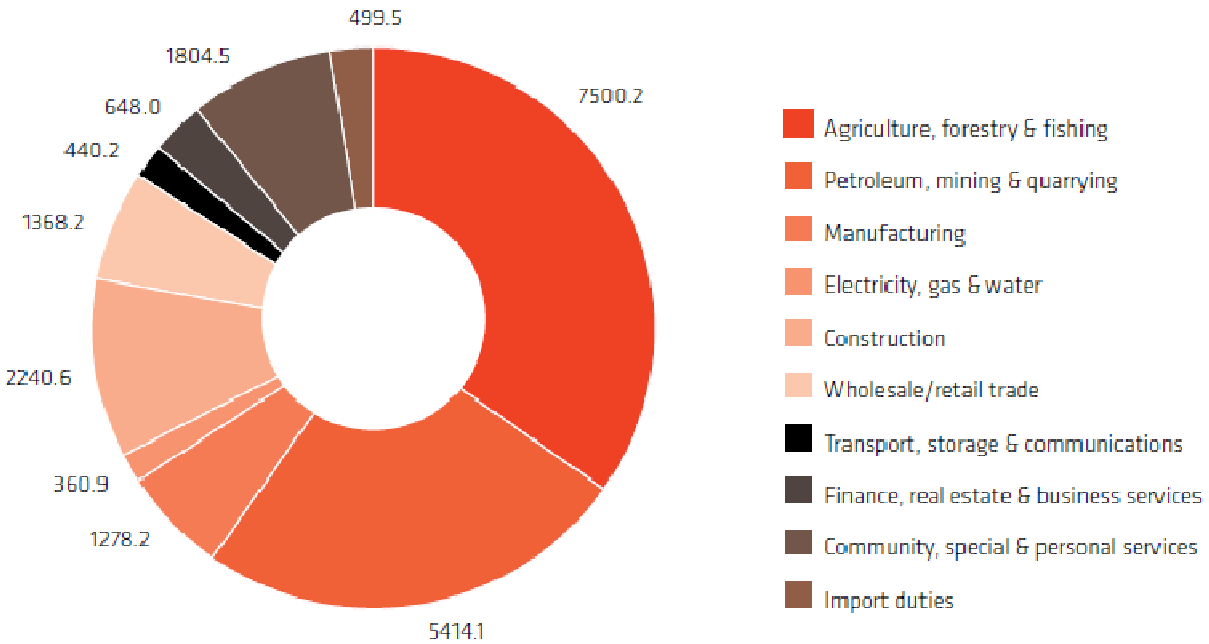
ECONOMIC OVERVIEW

PNG is considered to have a dual economy comprising a formal, corporate-based sector and a large informal sector where subsistence farming accounts for the bulk of economic activity. The formal sector provides a narrow employment base, consisting of workers engaged in mineral production, a relatively small manufacturing sector, public sector employees and service industries including finance, construction, transportation and utilities. The bulk of the population is engaged in the informal sector.

According to the PNG Department of Treasury, PNG's gross domestic product (GDP) was 21.554 billion kina; (US$8.160 billion). Since 2003, PNG's GDP has grown above population growth, reflecting an expansion in its key primary industries of Agriculture, Mining, Petroleum and Gas, Fisheries, Forestry and Manufacturing; refer to Figure 1.

Australia is by far PNG's largest source of imports and is also its number one export market. In 2008, Australia purchased 28% of PNG's merchandise exports, ahead of PNG's second and third largest export partners, Japan and China, on 9.5% and 5.5% respectively. Australia provided 43.1% of PNG's merchandise imports in diverse categories including crude petroleum, civil engineering equipment, specialised machinery and goods vehicles.

PNG's GDP by industry sector in 2008, in million kina



Source: National Statistical Office and Department of Treasury projections

Figure 1 – PNG's 2008 Gross Domestic Product breakdown

In 2009 Australia imported $2.9 billion worth of goods from PNG. Australia's merchandise exports to PNG totalled $1.8 billion. Two way merchandise trade is valued at around $4.7 billion annually, making PNG Australia's 16th largest trading partner.

The resource sector has traditionally been a focus of Australian investment in PNG, particularly gold mining, oil and gas. Key companies in the mining and petroleum sector include Australian listed companies Santos, Oil Search Ltd and Highlands Pacific Ltd.

Currently, PNG is experiencing its longest period of economic growth since its independence in 1975 a total of nine years, which is primarily being driven by a booming resource-extraction sector. A major factor in this growth moving forward is the development of a new resources industry based around liquefied natural gas (LNG).

In May 2011, PNG's Treasurer Mr Peter O'Neil announced that the nation's economy is expected to grow by a staggering 8% for the year with the main driving force identified as the multi-billion dollar PNG LNG Project (PNG LNG).

OPPORTUNITIES FOR NORTH QUEENSLAND

Although other significant mining projects have been identified for PNG (refer to Table 1), the scale of the PNG LNG project in dollar terms and construction activity means that they will dominate the opportunities for North Queensland based businesses. The PNG LNG project will primarily involve two types of activities:

(1) **Construction**, the first phase of which is expected to take place between 2009 and 2013; and

(2) **Production**, which is expected to begin in 2014 and run until 2044.

The PNG LNG project will use major Engineering, Procurement and Construction (EPC) contractors to build the PNG LNG facilities and pipelines. A list of the major EPC contracts and chosen EPC's contact details can be found in Appendix A.

It should also be recognised that these LNG projects will provide major secondary opportunities for North Queensland through their influence in triggering new development opportunities outside of the mining sector via their impact on the growth of PNG's overall economy (e.g. development of new hotels, commercial premises, etc) as well as through the attrition of workforce and resources away from other industry developments within PNG.

The majority of opportunities identified for North Queensland-based enterprises are outlined below and are predominantly associated with the supply of construction material and equipment via direct air and port services, workforce supply, and training services.

North Queensland's already established resource-extraction and support services industry, and close proximity to major PNG ports such as Port Moresby and Lae, make it ideally positioned to be considered as an major supply base for these significant resource-extraction projects and general developments in PNG.

Internal transport difficulties tend to make PNG a series of separate regional economies and it is evident that if the North Queensland region is planning to engage with PNG resource-extraction opportunities, it needs to recognise this fact.

Furthermore, it should be noted that any response efforts by North Queensland to further establish/develop a working relationship with PNG need to be sensitive to PNG's national interests and be coordinated in partnership with the Australian/PNG Business Council and the Queensland/PNG Business Council, preferably with the involvement of North Queensland companies already operating in PNG.

The establishment of a PNG Consulate in Townsville should also be encouraged in an effort to further strengthen the North Queensland/PNG relationship.

PNG MAJOR PROJECTS LIST

Project	Company	Status	Commodity	Location
Kutubu Oil Project	Oil Search*	Producing & exploration	Oil, Diesel & Naphtha production	Provinces of Southern Highlands, Gulf and Western (Fly)
Gobe Oil Project	Oil Search*	Producing	Oil, Diesel & Naphtha production	Gulf and Southern Highlands Provinces
SE Mananda Oil Project	Oil Search*	Producing	Oil, Diesel & Naphtha production	Provinces of Southern Highlands, Gulf and Western (Fly)
Greater Moran / Central Moran	Oil Search*	Producing	Oil, Diesel & Naphtha production	Southern Highlands Province
Hides Gas to Electricity (GTE) Project	Oil Search*	Producing & exploration	LNG	Southern Highlands Province
PNG LNG	Exxon Mobil Corporation*	Advanced Planning	LNG	Provinces of Southern Highlands, Gulf and Western (Fly)
InterOil LNG Project	Liquid Niugini Gas Ltd.	Production planned for 2014	LNG	Elk and Antelope Gas Fields
Talisman LNG Project	Talisman Energy Inc.	Exploration	LNG	Western Province (Fly)
Ok Tedi Mining Limited	OK Tedi Mining Ltd.	Producing	Copper concentrate, Gold	Western Province (Fly)
Tolukuma Gold Mine	Petromin PNG Holdings	Producing	Gold, Silver	Central Province
Morobe Mining Joint Venture	Harmony Gold Mining & Newcrest Mining Ltd.	Producing & exploration	Gold, Silver	Morobe Province
Kainantu Gold Mine	Barrick Gold Corporation	Care & maintenance	Gold	Eastern Highlands Province
Ramu Nickel and Cobalt Project	China Metallurgical Construction Corp.*	Producing mid 2010	Nickel, Cobalt	Madang Province
Yandera Project	Marengo Mining Ltd.	Definitive feasibility study	Copper, Molybdenum, Gold	Madang Province
Porgera Gold Mine	Barrick Gold Corporation*	Producing	Gold	Enga Province
Frieda River Copper Gold Project	Xstrata Frieda River Ltd.*	In pre-feasibility stage	Copper, Gold	Sanduan (West Sepik) Province
Crater Mountain Project	Gold Anomaly Ltd.*	Advanced	Gold	Eastern Highland Province
Simberi Oxide Gold project	Allied Gold Ltd.	Producing	Gold	New Ireland Province
Lihir Gold Mine	Newcrest Mining Ltd and Lihir Gold Ltd.	Producing & expanding	Gold	New Ireland Province (Lihir Island)
Solwara 1 Project	Nautilus Minerals	Mining lease granted 2010	Copper, Gold	New Ireland Province (Bismarck Sea), East New Britain Province
Neptune Minerals	Neptune Minerals	Exploration	Copper, Gold, Silver, Zinc	New Ireland Province (Bismarck Sea, Tabar & Feni Island Group)
Sinivit Mine	New Guinea Gold Corporation*	Producing & exploration	Gold, Silver, Tellurium	East New Britain Province
Coppermoly Ltd & Barrick joint-venture	New Guinea Gold Corporation	Exploration	Copper, Gold, Molybdenum	West New Britain Province (New Britain Island)
Panguna Mine	Bougainville Copper Ltd.	Planned re-commencement 2011	Copper	Solomon Islands (Northern group)
Fergusson Island Gold Project	Gold Anomaly Ltd.*	Advanced	Gold	Milne Bay Province (Fergusson Island)
Woodlark Island Gold Project	Kula Gold Pty. Ltd.	Scoping study completed	Gold	Milne Bay Province (Woodlark Island)
Wowo Gap Nickel Laterite Project	Resource Mining Corporation	Feasibility study completed	Nickel, Cobalt	Oro (Northern) Province
Mambare Plateau	Regency Mines & Direct Nickel	Exploration	Nickel, Cobalt	Oro (Northern) Province

Table 1 – PNG Major Projects List *Primary stakeholder in joint venture. Please refer to Appendix B for more details on these projects.

DEVELOPING PNG OPPORTUNITIES

A number of industry organisations and government agencies within North Queensland have already committed time and resources to developing opportunities within PNG.

The Townsville Chamber of Commerce (TCC) has established a relationship with its counterpart in PNG, the Port Moresby Chamber of Commerce and Industry (PMCCI), and has recently renewed a five year Memorandum of Understanding (MOU) in September 2010, with the aim to facilitate and foster business opportunities between the two organisations.

With support from Austrade the TCC undertook a number of development missions to Port Moresby during 2010 resulting in six locally based enterprises securing commercial outcomes with PNG partners.

In addition, TCC was instrumental in introducing a delegation from the Port of Port Moresby to the Port of Townsville in late 2010, and has since hosted talks between the two entities regarding using the facilities of the Townsville Port for export to PNG.

The current identified opportunities for North Queensland can be summarised into four main themes: Sea Cargo Opportunities, Workforce Supplier and Training Opportunities, Air Services Opportunities, and Relocation/Expansion of Commercial Offices.

SEA CARGO OPPORTUNITIES

As an established key strategic port along Australia's east coast, the Port of Townsville has the capacity and reliability to be considered as a major supply port for goods and service supplies to PNG's booming resource-extraction industry.

With an expected increase in the quantities of construction material and equipment particularly during the PNG LNG construction period, an opportunity exists for North Queensland to expand upon its existing and established direct shipping links with a number of PNG's ports.

With well established road and rail access, good wharf cranage, international port linkages, the ability to handle acid concentrates, and adequate AQIS services, the Port of Townsville has some competitive advantages over other nearby ports such as the Port of Cairns, which offer shorter travelling distances and potentially less congestion.

The PNG Ports Corporation Ltd, which falls under the auspices of the Independent Public Business Corporation (IPBC), manages PNG's 16 declared ports. Of these, Port Moresby and Lae should be considered as the key strategic ports for further investigation of sea cargo opportunities; however other ports such as Kopi, Rabaul, Lihir, Wewak, and Madang, should also be considered for their close proximity to existing and proposed future mining activity.

The Port of Lae is considered PNG's busiest port and is currently undergoing a major expansion expected to be complete by 2014. Long term plans exist to relocate Port Moresby, PNG's second busiest port, to a larger site as it currently sits adjacent to the city centre. A proposed alternative location is the Kairuku-Hiri District, closer to the engineering, procurement and construction facilities for the PNG LNG project.

At present, all three existing major PNG mines, Ok Tedi, Porgera and Lihir, source their mine input requirements from a combination of both the Townsville and Brisbane ports, with the Port of Townsville focusing primarily on the shipping of containers and some mineral products either directly to PNG or as a connecting link with other overseas ports.

It is expected that much of the major materials and equipment needed for the construction of these new resource-extraction projects, particularly for the PNG LNG project, will be imported directly from fabricators overseas, (e.g. China), and shipped mainly into Port Moresby.

Although this may limit North Queensland's capacity to play a major role in the shipping of sea cargo to PNG, the overall expected increase in necessary mine inputs is believed to provide opportunities for the region to either expand upon its current direct shipping services or re-establish direct shipping services to PNG.

To assist in the creation of market demand for these direct shipping services, the North Queensland region needs to promote appropriately and showcase the availability and capability of its already established resource-extraction and support services enterprises, as well as the region's ability to supply construction material and equipment, and others goods and supplies (e.g. vehicles, office equipment and supplies, white goods, safety gear, etc).

Outside of the resource-extraction and support services industry, other sea cargo opportunities for North Queensland could potentially be associated with assisting in the servicing of backlogged products like coffee, corpra, cocoa and timber from PNG ports, due to their increased utilisation as a result of resource-extraction industry demands.

There is also a limited supply of available fresh produce (fruit and vegetables) from within PNG as local growers do not have the capacity to grow sufficient quantities, nor the supply chain support, to supply the expected growth in market demand. With North Queensland's abundant fresh produce supply and well established existing freight infrastructure, an opportunity exists for North Queensland to play a role in the importing and provision of fresh produce to PNG to satisfy this demand.

It should be noted that it is the PNG Government's overall objective to provide opportunities to local suppliers as a priority, before looking outside of PNG to obtain various goods and services.

WORKFORCE SUPPLIER & TRAINING OPPORTUNITIES

The current expansion of PNG's resource-extraction industry is expected to create serious shortages in the supply of available PNG skilled 'national' professionals, which will potentially provide North Queensland with an opportunity to position itself as a point-of-hire (PoH) destination for the sourcing of additional skilled professional labour to PNG.

In an effort to maximise opportunities for PNG, the PNG Government has announced the need for mining companies and project proponents to make use of 'nationals' as a priority for workforce supply, before sourcing addition labour from outside of the country. Whilst a commendable approach, the lack of appropriate training and experience amongst many of PNG's nationals means that this strategy may only assist in securing a national labour force for those jobs with a lower skill prerequisite.

It is therefore expected that PNG mining companies and project proponents will look to overseas destinations such as Australia and the Philippines to source additional workforce supply; particularly to acquire experienced professional and supervisory level staff.

North Queensland has traditionally been a major source of 'fly-in' workers for mines located in North West Queensland, with Townsville in particular being recognised as a leading mining services and base metals processing centre for Australia. Subsequently, an opportunity exists to promote the current availability of skilled professional labour within North Queensland to the various PNG mining companies and project proponents in an effort to establish its reputation as a potential PoH destination.

Based upon a review of the PNG LNG website www.pnglng.com the recruitment for the project will primarily be conducted through the following recruitment agencies on a contract basis.

- Air Energi — www.airenergi.com
- Brunel Energy — www.brunelenergy.net
- Dovre International — www.dovrefabcon.com
- Fircroft — www.fircroft.com
- Link Project Services — www.link-projects.com
- Moody International — www.moodyint.com
- NES Global Pty Ltd — www.nesglobal.com

Other identified agency providers include Bond Personnel, ERM, Orion, Placements, and W.S. Nelson/Campbell & Associates.

In addition, another opportunity exists to promote North Queensland's lifestyle attributes and job availability to existing mining regions within Australia with the aim to encourage the relocation of these workers into North Queensland, thus increasing the supply of available skilled labour within the region.

Townsville is considered to have many advantages in its ability to attract existing highly skilled mine workers currently based outside of the region into the region. These advantages include:

- Lifestyle and Safety
- Established and creditable schools, vocational and tertiary education facilities
- Superior public, family-orientated amenities (The Strand, Riverway, sporting facilities etc)
- Local availability of full-time and/or part-time jobs in industries like tourism, retailing business offices and health services for spouses or other dependants
- Established international airport, with potential for direct air links to PNG.

An expansion in the availability of a skilled workforce within North Queensland through the attraction of new and relocation of existing resource-extraction industry workers will play a significant role in improving the region's perception by PNG mining companies and project proponents as a reliable PoH destination, and improve the region's ability to compete with other PoH through the cost savings and viability of more capacity filled direct flights and use of larger aircraft to PNG destinations.

Faced with the prospects of a diminishing pool of an experienced labour supply, many of the PNG mining companies and project proponents will begin to look favourably at inexperienced 'nationals' who have taken the initiative to undertake appropriate skills training.

In many cases, individual mines choose to undertake their own mining induction training regardless of an individual's prior mining induction qualifications. An exception to this rule occurs when a Registered Training Organisation (RTO) has been reviewed and deemed acceptable by the mine to undertake the necessary induction courses and training on the mine's behalf.

Existing local training institutions within PNG tend to be viewed as under-resourced and are in need of increased government funding for facilities upgrade and new equipment. Some industry operated training centres such as the Star Mountains Training Institute at Tabubil and the Port Moresby and Juni Training Centres, are currently providing skilled workers for the PNG LNG project.

Outside of PNG, the Queensland Government's SkillsTech Australia has also secured the provision of training services and workforce development for the PNG LNG project. As a result, an opportunity exists for North Queensland to play a strategic role in the provision of training services to both PNG nationals via the region's already reputable RTOs and tertiary education institutions (e.g. Great Barrier Reef Institute of TAFE, Tec-NQ, James Cook University).

Courses such as 'Generic Mine Inductions', 'Working in Confined Spaces', 'Working at Heights', 'Heavy Machinery Operation Tickets' and 'Senior First Aid' are considered to be most relevant to the mining industry.

Outside of the resource-extraction industry, other numerous training opportunities in industries such as hospitality, business administration and health services are also expected to become more prevalent as economic activity in PNG increases.

In a similar regard to the provision of mining inductions training, North Queensland should be promoted as an ideal training centre of the up-skilling of PNG's existing national workforce across these industries, as well as the up-skilling of existing trainers based within PNG.

As a result, it is strongly recommended that North Queensland based RTOs and tertiary education institutions work in partnership to approach various PNG Government agencies, mining project proponents and other industry authorities, to promote the availability of various training and up-skilling opportunities within North Queensland in an effort to potentially secure these opportunities for the region, potentially via joint-venture agreements.

AIR SERVICE OPPORTUNITIES

PNG's National Airports Corporation Ltd. currently manages and owns the country's 20 major airports, which are regulated by the Civil Aviation and Safety Authority. PNG's main airport is Jacksons International Airport in Port Moresby, with other significant airports including Lae, Madang, Tokua (Rabaul), Kargan, Gurney (in Milne Bay province, scheduled to become PNG's second international airport), Wewak and Goroka. The Mount Hagen Provincial Airport has been declared an International Point of Entry because of the mining activities in the Highlands provinces, and it is believed that an airstrip has been proposed for development in the PNG Highlands to service the PNG LNG project, capable of taking large freight aircraft such as Antonovs.

PNG's national airline is Air Niugini Ltd. (ANL) which provides the bulk of PNG's domestic air services, and has a codeshare arrangement with QANTAS and other international airlines. Air Airlines PNG is Air Niugini's main competitor, and currently provides domestic services and some travel to Australia through a codeshare arrangement with Pacific Blue, the Pacific Islands division of Australia based carrier Virgin Blue.

In addition to the above major airlines there are a number of smaller companies offering charter services to the mining and petroleum sector, tourist and the general business traveller including Tropicar, Heli Niugini and Hevilift.

At present, Cairns Airport provides flights to a number of PNG's mining centres, including Port Moresby, Lihir, Mt Hagen, Moro, Tabubil and Kiunga.

Whilst no direct air service is currently available from Townsville to PNG, the Townsville Airport is well established with appropriate quarantine and customs processing facilities and additional capacity to accommodate these services.

At present Townsville Airport services a number of mining centres and mines with 'fly-in, fly-out' (FIFO) workers, including Century, Mt Isa, Cloncurry, Ernest Henry, Cannington, Osborne, Phosphate Hill and Ivanhoe.

As previously stated, due to a limited labour supply 'pool', mines often employ workers from a number of different PoH. This create complexities not only in the human resource management of mine personnel, but also in the movement of mine employee's from these points-of-hire to the mine site.

An expansion in the availability of appropriately skilled labour supply volumes within North Queensland, through the attraction of new and relocation of existing resource-extraction workers into the region, will play a significant role in improving the region's perception as a suitable source of workers for PNG, and improve its ability to compete with other PoH locations through the viability of more frequent direct flights and use of larger aircraft.

The ability for a mine to source a larger percentage of employees and goods from a single PoH will be an advantage not only from a reduction in the complexities associated with human resource management but also from an overall cost savings point of view.

A number of chartered services airlines have established themselves as specialist operators in the provision of FIFO workers, and provision of good and services. Many of these airlines, including Alliance Airlines and Strategic Airlines, have recently expanded their capacity to capture more of this specialist market.

An opportunity exists for North Queensland to approach and encourage existing PNG based and Australian based chartered airlines to expand upon their current operations and consider Townsville to PNG services as potentially viable new routes.

RELOCATION / EXPANSION OF COMMERCIAL OFFICES

North Queensland's already enviable reputation as a mining services and base metals processing centre provides strong incentive for it to be considered as an ideal location for the establishment of corporate offices associated with PNG's resource-extraction projects.

With affordable commercial office and housing accommodation, excellent air, road and rail access to all Australian capital cities, and superior lifestyle attributes associated with a vibrant tropical lifestyle, Townsville has the potential to be seen as an attractive city in which organisations associated with PNG's resource-extraction industries can locate their head or regional offices.

Several major mining design and construction companies have already established bases in Townsville, as well as numerous other mining support services companies that supply labour, materials and equipment to mines within Australia. Companies include:

- BMD Group Pty Ltd
- Cardno Pty Ltd
- Aurecon Pty Ltd
- GHD Pty Ltd
- James Technologies Pty Ltd
- Watpac Ltd.
- AECOM Pty Ltd

An opportunity exists to approach existing PNG mining companies and project proponents and encourage them to consider establishing a corporate office in Townsville.

The TCC via its established MOU with the PMCCI is ideally positioned to play a significant role is the distribution of promotional and relocation marketing collateral to potential PNG organisations.

Furthermore, with the expected high disposable incomes of the resource sector workforce, there is an opportunity for North Queensland to position itself as a close and affordable holiday destination for the PNG workforce and residents. Targeted holiday packages should be developed and potentially promoted to this workforce via the PNG mining companies and project proponents.

DOING BUSINESS IN PNG

Like all nations, PNG has laws pertaining to operating a business and employing its citizens and non-citizens. It is important that businesses and/or organisations intending to engage in business within PNG take the time to familiarise themselves with the relevant laws of the Independent State of Papua New Guinea.

To help new businesses better understand their roles in relation to the employment of PNG citizens and non-citizens, the PNG Government has published the *Work Permit Guideline: A General Guide to Foreign Employment System in PNG*, as well as *Work Permit Guideline: A Guide to Foreign Employment Industrial Divisions and Classification of Occupations,* via the Department of Labour and Industrial Relations (DLIR). These publications are available for download from the DLIR's website, www.workpermits.gov.pg at a cost of K25.00.

Once a non-citizen has been issued with a work permit, he/she will need to apply to the Department of Foreign Affairs, Trade and Immigration (DFATI) to obtain an appropriate Entry Permit (Visa). Non-citizens who have been issued with a work permit are granted a specific visa called the Working Resident Entry Permit. DFATI also issues other visa types including Visitor Visa, Business Visa and Student Visa.

A Business Visa may be granted for persons entering PNG to attend business meetings, board meetings, conferences, exploratory business visits or to participate in business negotiations. This type of visa is valid for 12 months and provides multiple entry with 60 days each visit.

PNG is also part of the Asia-Pacific Economic Cooperation body (APEC) and recognises and encourages those eligible to obtain an APEC Visa card for business entries into PNG for non-employment business activities. This visa is a great option to consider as it is less expensive than the Business Visa, and covers multiple visits.

In essence, each non-citizen a business intends to employ to work in PNG will need both a Work Permit and a Visa before commencing employment. Penalties may apply if you have obtained the wrong permit or visa.

For more tips on doing business in PNG, please refer to Appendix C.

SUMMARY

In summary, significant opportunity exists for the North Queensland region to maximise its potential to service the rapidly expanding PNG resource-extraction industry, and in doing so provide substantial economic benefits back to the region's economy.

The new projects associated with this expansion are expected to occur over the next five to seven years, employ thousands of workers, and is likely to represent an additional $30 billion in spending on infrastructure and supporting commercial developments within PNG.

Given North Queensland's close geographical proximity, to PNG, its already established road, rail and port infrastructure, its strong presence of minerals processing and mining support services, and its well established tertiary and vocational training facilities, the region is considered to be well positioned to maximise the opportunities associated with PNG's expanding resource-extraction industry.

USEFUL LINKS AND CONTACTS

Organisation / Agency Name	Contact Details	Website
Townville Chamber of Commerce	(07) 4771 2729	www.townsvillechamber.com.au
Port Moresby Chamber of Commerce & Industry	(675) 321 3077	www.pomcci.com
PNG LNG Project (Brisbane Office)	(07) 3811 9999	www.pnglng.com
Department of Employment, Economic Development & Innovation	(07) 4799 7068	www.deedi.qld.gov.au/
PNG Investment Promotion Authority	(675) 321 3900	www.ipa.gov.pg/
PNG Immigration & Citizenship Services	(675) 323-1500	www.immigration.gov.pg
APEC Business Travel Card	N/A	www.immi.gov.au/skilled/business/apec
Papua New Guinea High Commission (Canberra)	(02) 6273 3322	www.pngcanberra.org
Port of Townsville	(07) 4781 1500	www.townsville-port.com.au
Townsville Enterprise Limited	(07) 4726 2736	www.townsvilleenterprise.com.au
Austrade	13 28 78	www.austrade.gov.au

APPENDIX A

PNG LNG – MAJOR EPC CONTRACTS AND CHOSEN EPC CONTACT DETAILS

Major Contracts include:

1. C1 and C2 Infrastructure contractors include an Early Works component and will build infrastructure needed to provide logistics routes for the subsequent EPC contractors
2. EPC1 contractor will build the telecommunications systems
3. EPC2 contractor will build the offshore pipeline and pipeline landfalls
4. EPC3 contractor will build the LNG facility
5. EPC4 contractor will build the Hides gas conditioning plant and Hides wellpads
6. EPC5 A contractor will build the onshore pipeline
7. EPC5 B contractor will build the Komo airfield (Hides Area)
8. Drilling contractor will drill the gas wells.

PNG LNG

EPC Contact Details

C1 – Clough-Curtain Brothers JV Upstream Infrastructures Dot Obst Area Manager Port Moresby E-Mail: 08185HRPNG@ccjvpng.com Ron Pearce Project Procurement Manager E-Mail: Ron.Pearce@ccjvpng.com	**EPC2 – Saipem Offshore Pipeline** David York Construction/Installation Manager Saipem Singapore Pte. Ltd. 73 Science Park Drive #01-03/22 Cintech I Bldg Singapore Science Park I Singapore 118254 E-Mail: David.york@saipem.com.sg
EPC3 – Chiyoda-JGC JV **LNG Plant** Mr. Susumu. Kumagai National Content Manager Chiyoda-JGC Joint Venture Motukea Island, Porebada Road PO Box 3019, Boroko, NCD Port Moresby PNG E-Mail : susumu.kumagai@cjjvlng.com	**EPC4 – CBI Clough JV** **Hides Gas Plant** Peter Hubert Procurement Director E-Mail: phubert@cbi.com Ian Rigby Sub-contracts Manager E-Mail: ian.rigby@clough.com.au
EPC5 A – Spiecapag Onshore Pipeline Mr. Didier Algalarrondo Procurement Manager (Brisbane-based) Spiecapag Niugini Limited C/O Curtain Bros PNG Limited Motukea Island, Porebada Road PO Box 441, Boroko, NCD, PNG E-Mail: EPC5A-PNGPROCUREMENT@spiecapag.com Mr. Juan Serrano Procurement Manager (Port Moresby-based) Spiecapag Niugini Limited C/O Curtain Bros PNG Limited Motukea Island, Porebada Road PO Box 441, Boroko, NCD, PNG E-Mail: EPC5A-PNG-PROCUREMENT@spiecapag.com	**EPC5 B – McConnell Dowell-CCC Group JV** **Komo Airfield** Rod Ireland Procurement Manager 171 George Street Brisbane QLD 4000 E-Mail: rod.ireland@macdow.com.au

APPENDIX B

OVERVIEW OF RESOURCE-EXTRACTION PROJECTS IN PAPUA NEW GUINEA

Kutubu Oil Project

The Kutubu Oil Project, named after nearby Lake Kutubu, was Papua New Guinea's first commercial oilfield development and is located in the Southern Highlands of PNG. Oil was first discovered at Kutubu in 1986 and commercial production commenced in June 1992. The Kutubu Oil Project is a joint venture between Oil Search PNG Ltd (60.05%), Exxon Mobil (14.52%), Merlin Petroleum Company (18.69%) and Petroleum Resources (Kutubu) Ltd (6.75%).

Production from the Kutubu field peaked in 1993 at 130,000 barrels of oil per day (bopd). 2011 first quarter production was 0.80 million barrels, 7% lower than in the fourth quarter of 2010. Gross production rates averaged 14,725 bopd during the period, down from 15,526 bopd in the previous quarter.

Although still a strong contributor to Oil Search's profitability, the Kutubu Oil Project is in its decline phase due to natural field depletion and increasing gas production.

Please refer to www.oilsearch.com for more information.

Gobe Oil Project

The Gobe Oil Project is located 85kms south-east of the Kutubu Oil Project and comprises of two producing oil fields - the South East Gobe oil field, and the Gobe Main oil field. Oil is exported via an 8km pipeline which adjoins the Gobe Processing Facility to the Kutubu Export Pipeline and marine loading facilities in the Gulf of Papua. The first crude oil flowed from both the Gobe Main field and South East Gobe in 1998, with production peaking in March1998 and September 1999 respectively. Both fields are now in their decline phase but active well management and facility optimisation is ongoing to mitigate the fields' natural decline rates.

Please refer to www.oilsearch.com for more information.

SE Mananda Oil Project

The SE Mananda Oil Project is located 10kms north-west of the Kutubu Oil Project. While the field is very close to the Kutubu facilities, it is on the other side of a very deep gorge and, consequently, for a number of years was deemed to be uncommercial. Following the PNG Government's introduction of a marginal field tax regime to encourage the development of smaller oil fields, and the transfer of Operatorship, detailed technical and engineering studies on the SE Mananda field took place during 2003. This work confirmed that the field was economic based on a low cost development and incorporated an appropriate fiscal regime. A development plan was sanctioned in 2004 and the fiscal and regulatory framework agreed with the PNG Government in early 2005. The SE Mananda development commenced production in early 2006.

As at 31 December 2010, the SE Mananda Project had produced a total of 2.63 million barrels and the gross proved plus probably ultimate recovery was estimated at 3.5 million barrels of which 0.8 million barrels are yet to be recovered.

Please refer to www.oilsearch.com for more information.

Greater Moran Oil Project

The Greater Moran Oil Project is located in the Southern Highlands Province, 480 kilometres north-west of Port Moresby. The first Moran well was drilled in June 1996 and oil was discovered in September 1996. In late 2003, NW Moran, an extension of the Moran field, was discovered. In September 2005, an Extended Production Test (EPT) of the NW Moran well commenced, following the construction of a 23 kilometre pipeline linking NW Moran to the Agogo Production Facility (APF). This, together with infrastructure debottlenecking, additional infill wells, and success in re-pressurising the Moran reservoir due to improved facilities and reliability, has resulted in an increase in production rates in recent years.
As at 31 December 2010, the Greater Moran Oil project had produced 66.3 million barrels. The gross proved plus probable ultimate recoverable reserves are 110 million barrels with 43 million barrels remaining.

Please refer to www.oilsearch.com for more information.

Central Moran Project

In March 2001, the Central Moran Unit Agreement between two Joint Venture partners was executed, and full field development of the Central Moran Project was completed in September 2002.
The Central Moran Oil Field was developed as a single Unit. The Central Moran Project was designed and installed based on:

- Oil production capacity of up to 24,000 barrels of oil per day
- Gas injection capacity of up to 105 million standard cubic feet per day
- Oil recovery by injection of Moran solution gas supplemented by Agogo gas to maintain reservoir pressure.

Please refer to www.oilsearch.com for more information.

Hides Gas to Electricity (GTE) Project

The Hides gas field was discovered in 1987. It is a large anticlinal structure, approximately 30 kms long and five kms wide. Four wells have been drilled on the structure to date. Gas production commenced in 1991 with the development of the Hides GTE project, which consists of a pipeline connecting wells to a small gas conditioning plant at the Hides Production Facility (HPF) located in the Tagari River Valley. Sales gas is then used by the Porgera Joint Venture to generate electricity in an adjacent facility and transmitted to the Porgera Gold Mine by overhead wire. Condensate produced along with the gas is distilled into naphtha and diesel which is sold into local markets and used as back-up fuel for the power station. Oil Search owns 100% of the Hides GTE project and is the operator. The gas is sold under a gas supply contract, which expires in October 2011, but is likely to be extended in line with the Porgera Mine life.

Up to the end of 2010, approximately 87.9 billion cubic feet (bcf) had been produced under the Hides GTE project. As at 31 December 2010, the reserves attributable to the Hides GTE Project were 59.6 bcf and 1.4 million barrels of condensate. The remaining volumes are committed to the PNG LNG Project.

Oil Search has an exploration portfolio of 20,600km2 which is relatively underexplored and highly prospective, particularly for gas. In August 2009, Oil Search was awarded seven mineral exploration licenses covering 17,500km2 in PNG's Foreland area of the Western (Fly) Province. The purpose of these licences is to investigate the potential for Coal Seam Gas.

Please refer to www.oilsearch.com for more information.

PNG LNG Project

The PNG LNG Project is a 6.6 million tonne per annum (mtpa) integrated LNG project operated by Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation. The gas will be sourced from the Hides, Angore and Juha gas fields and from associated gas in the Kutubu, Agogo, Moran and Gobe Main oil fields.

All of the contributing fields are located in the Southern Highlands and Western Provinces of PNG. Over 9 trillion cubic feet of gas and 200 million barrels of associated liquids are expected to be produced over the Project life. The gas will be conditioned in the PNG Highlands and then transported by gas pipeline to an LNG plant located approximately 20 kilometres northwest of Port Moresby. The gas will then be liquefied at the LNG plant prior to loading onto ocean going tankers to be shipped to international gas markets.

In 2006, Oil Search undertook extensive studies into the potential for developing an LNG project based on the substantial resource existing in PNG. As a result of these investigations, it was clear that, with increasing demand for LNG globally and in the Asia Pacific region in particular, LNG offered the highest value opportunity to develop Oil Search's large PNG gas resources

In 2007, studies on the potential for a LNG development culminated in a decision to move into the Front End Engineering Design (FEED) phase in May 2008.

The PNG LNG Project commenced full execution in March 2010 after a number of milestones had been reached. Project activities ramped up significantly during 2010. By the end of the year, some 5,000 people were engaged on the Project, of which approximately 80% were PNG nationals.

Please refer to www.oilsearch.com for more information.

InterOil LNG Project

The InterOil LNG Project will be similar to the PNG LNG Project, however LNG will be drawn from Elk and Antelope gas fields over a shorter land and sea pipeline to an LNG plant next to their existing oil refinery near Port Moresby.

Apart from the pipeline, the project involves a $6 billion two train LNG facility capable of producing up to 8 million tonnes of LNG per annum. Current plans are for the first production of LNG towards the end of 2014 or the beginning of 2015. InterOil currently has about 60 staff in Cairns; it also operates service stations throughout PNG.

Please refer to www.interoil.com for more information.

Talisman LNG Project

Talisman is a Canadian company that is involved in energy developments but does not get involved with retail.

There has been a series of small gas finds in the Western Province and it has been negotiating arrangements with the smaller companies involved with a view to bringing together the output for a possible third LNG plant in that area. Talisman is reported to be planning to base an office in Cairns.

Please refer to www.talisman-energy.com for more information.

Ok Tedi Mining Limited

The Ok Tedi mine, operated by Ok Tedi Mining Limited (OTML), started operations in 1984, and has become the single largest business contributor to the economies of both the Western Province and PNG. In 2008, 70% of Ok Tedi's revenue was from copper and 30% from gold. In 2007, Ok Tedi's export earnings represented approximately 32% of PNG's export earnings.

The mine site is located on remote Mount Fubilan, 18 km from the PNG/Indonesia border. OTML headquarters are in the town of Tabubil. OTML employs about 2 000 people directly (95% being PNG nationals) and a further 1,500 contractors. The mine operates 24 hours per day 365 days a year, with the mill treating 78,000 tonnes daily.

OTML is owned by the PNG Government (30%), PNG Sustainable Development Program Limited (SDPL) (52%), and Inmet (18%). The PNG Government's 30% consists of direct equity (15%), on behalf of Western Province (12.5%) and on behalf of the landowners from the mine area (2.5%).
In 2002, BHP Billiton divested its 52% shareholding in OTML by transfer of its shares to the Papua New Guinea Sustainable Development Program Limited (PNGSDPL). The OTML dividends paid to P PNGSDPL are being used to generate sustainable development projects for the benefit of the people of the Western Province and Papua New Guinea.

The PNG Government, in November 2009, announced its decision to approve OTML's purchase of Inmet's equity in OTML for consideration of nett smelter return and a cash payment. The transaction allows the State and the PNGSDPL to push ahead with exploring the options for mine extension beyond the predicted closure date of 2013.

The two scenarios currently under assessment include:

- A feasibility study of an extension of the Ok Tedi Mine life to 2020 and
- The possible development of Tabubil as an educational centre of excellence post 2013, a study of which is being undertaken by PNG Sustainable Program Limited.

Please refer to www.oktedi.com for more information.

Tolukuma Gold Mine

Petromin PNG Holdings (PNG Government owned entity) acquired 100% of the Tolukuma Gold Mine in February 2008. The current production is sourced approx 92% from underground mining and 8% from a small open pit. The mine is low capacity, high grade operation and employs 650 people including 130 contractors.

The Tolukuma Mine is in a remote area and is serviced by helicopter only. Power is supplied by both diesel driven generators and 1.5 Megawatts of hydro generation.

The Tolukuma Mine produced 44,181 ounces of gold in 2006/07. According to the previous owners, Emperor Mines, the resources were estimated at 410,000 ounces in June 2007. Silver production has not been detailed in recent years but output in 2000 shows the silver component to be four times greater than gold.

Please refer to www.petrominpng.com.pg for more information.

Morobe Mining Joint Venture

The Morobe Mining Joint Venture (MMJV) is a 50:50 joint venture between Harmony Gold Mining Company and Newcrest Mining Limited. MMJV has three join ventures in the Morobe Province - Hidden Valley, Wafi-Golpu and an exploration program.

Hidden Valley is the first joint venture project to enter into production and is PNG's first major new gold mine development in 15 years. The capital cost estimate is approximately A$605 million. Given current estimates, annual production at Hidden Valley mine is expected to be around 255,000 ounces of gold and 4 million ounces of silver over a 10 year life span.

Hidden Valley is located in a highly prospective area with a resource development drilling program currently underway to support potential resource expansion.

The Wafi-Golpu project has focused on defining additional mineral resources and expanded its footprint during the 2008/09 financial year to include the Nambonga copper/gold prospect. Together with Wafi (gold) and Golpu (copper-gold) the project now contains 11.1 millions ounces of gold, 47 million pounds of molybdenum and 4.1 billion pounds of copper. Concepts studies to investigate development alternatives were a priority in 2010.

Please refer to www.harmony.co.za for more information.

Kainantu Gold Mine

Barrick Gold Corporation purchased the Kainantu Gold Mine in December 2007 from Highlands Pacific for A$141 million. The mine was put on care and maintenance in January 2009 due to low ore grades. The deposit is estimated to contain 5 million ounces of gold.

Please refer to www.barrick.com for more information.

Ramu Nickel and Cobalt Project

The Ramu Nickel and Cobalt Project is a US$1.4 billion project and is premised on mining and beneficiating the nickel and cobalt ore at Kurumbukari, 75km southwest of Madang. The upgraded ore will be pumped as slurry through a 134km pipeline to a high pressure acid leach processing facility at Basamuk Bay on the Rai Coast. The resulting high value product will be exported for smelting and refining to produce saleable nickel and cobalt product.

The current known reserves will sustain a minimum 20 year mine life with the potential to increase the mine life by a further 15-20 years.

The current ownership structure is:

- 85% a Chinese syndicate- MCC Ramu NiCo Limited (a subsidiary of China Metallurgical Construction Corporation)
- 8.56% Ramu Nickel Limited (a subsidiary of Highlands Pacific)
- 3.94% Mineral Resources Ramu Limited (a subsidiary of MRDC)
- 2.50% Mineral Resources Madang Limited (a landowner company)

MCC Ramu NiCo Limited is the operator. Its parent company China Metallurgical Construction Corporation (MCC) is a major Chinese owned construction and operating company with over 70 subsidiaries and 50,000 employees.

During operation the Ramu Nickel and Cobalt Project is expected to employ 1,300 people directly, with 70% being PNG nationals. More than 3,000 people will be indirectly employed in project related businesses such as catering, security, camp service, good suppliers etc.

Please refer to www.ramunico.com for more information.

Yandera Project

Marengo Mining Limited is an international mineral exploration and development company listed on the Australian and Toronto Stock Exchanges. The company's principal asset is the Yandera copper-molybdenum-gold-project.

Phase 1 of the Definitive Feasibility Study (DFS) was completed in April 2008 and Phase 2 commenced in May 2008. The cost of completing the DFS is currently estimated at $12.5 million. Marengo Mining is also planning an exploration program to identify any discoveries that could increase the Yandera resource. Depending on exploration results, amounts allocated to exploration may be re-allocated to the DFS.

Marengo Mining will require further capital from external sources to develop any newly discovered mineral deposits, and/or if the DFS is positive, to develop the Yandera Project. Commodity price fluctuations may significantly affect the ability to fund the development of the Project and impact the economic viability once mining commences. Marengo intends to raise funds through debt and/or equity financing.

Please refer to www.marengomining.com for more information.

Porgera Gold Mine

The Porgera Gold Mine is a joint venture between Barrick Gold Corporation (95%) and the Enga Provincial Government and the local Ipili landowners who own the land contained in the mining lease. The open pit and underground mine is located 680 km from the Port of Lae from which all materials are freighted. Porgera has proven a probable mineral reserve of approx 8.2 million ounces, allowing a mine life to 2020. Over the life of the mine it is estimated that Porgera will account for 12% of PNG's national export earnings.

Since the mine commenced in 1990, there has been a very significant in-migration to the Porgera Valley and an escalation in crime and violence. The population in the valley during this time has increased from 10,000 to about 40,000. Frequently, illegal miners enter the mine site prepared to come into direct conflict with security personnel. Society and the lack of law and order represent the greatest risks to the operation but steps are being taken to address the problems.

Please refer to www.barrick.com for more information.

Frieda River Copper Gold Project

The Frieda River Copper Gold Project is one of the world's largest undeveloped copper and gold resources. The project owners are Xstrata Frieda River Limited (76.3%), Highlands Pacific (16.95%) and OMRD (6.75%). An 18 month pre-feasibility study due was undertaken on the project and was due to be completed in the third quarter of 2010, to be followed by a proposed feasibility study. Studies to support an Environmental Impact Assessment are nearing completion.

The results of an extended scoping study were released in early 2009 and envisaged 40 mtpa plant with production over an initial 27 year mine life. The scoping study envisaged construction commencing in 2012 and production commencing in 2017. Xstrata is the manager of the project and has appointed Bechtel to provide technical services in relation to the overall project evaluation.

Please refer to www.xstrata.com for more information.

Crater Mountain Project

The Crater Mountain Project in the Eastern Highlands Province (50 km south west of Goroka), is currently 51% owned by Gold Anomaly but a further expenditure of A$900 000 will increase its equity to 70%. Crater Mountain is an advanced exploration project with the potential to host a world class gold deposit. One of the four prospects (Nevera) has the potential to produce five million ounces of gold. Road access commenced in January 2010 which will significantly reduce logistics cost incurred by the current helicopter only access. Road access will also enable channel sampling and geological mapping to precede drill target selection. Following test work, Gold Anomaly will make an application for a mining lease enabling initial small scale gold production.

Please refer to www.goldanomaly.com.au for more information.

Simberi Oxide Gold Project

Allied Gold Limited is an Australian based company listed on both the Australian Stock Exchange and the London Stock Exchange. Allied Gold's Simberi Oxide Gold Project commenced gold production in February 2008, producing 72,609 ounces of gold in 2008/09. Pre-Feasibility Study aims are lifting gold production to 200,000 ounces of gold per annum by 2012. The expected resource upgrade and expansion plans should result in a mine life of 10 years.

Allied Gold currently holds 100% of Simberi and 100% of exploration licences on the nearby Big Tabar and Tatau Islands. During 2008 Allied Gold entered into a A$20 million farm-in to Allied Gold's exploration licence over Big Tabar and Tatau Island with Barrick Gold Corporation. Barrick will earn 50% once it incurs A$8 million, then 70% once a total of A$420 million is incurred. Until these milestones are achieved Allied Gold retains 100% of the exploration licences on these islands.

Allied Gold has had samples analysed by Australian laboratories and has a charter arrangement with Airlines of PNG.

Please refer to www.alliedgold.com.au for more information.

Lihir Gold Mine

The Lihir Gold Mine on Lihir Island in the New Ireland Province commenced construction in 1995 with the first gold pour in May 1997. The mine was managed by a subsidiary of Rio Tinto until late 2005 when it was operated directly by Lihir Gold until September 2010 when a merger between Newcrest Mining Ltd and Lihir Gold Ltd took place.

Material moved in 2008 was more than 50 million tonnes. The processing plant is currently capable of treating more than six million tonnes of ore per annum to produce in excess of 800,000 ounces of gold. Mining is scheduled to continue until 2021 at current rates with processing of lower grade stockpiles to continue beyond 2030. The Lihir Gold Mine has produced 7.09 million ounces of gold since operations began in 1997.

In 2008 Lihir Gold Limited approved a major expansion of the Lihir processing plant to increase annual gold processing capacity to approximately one million ounces of gold per year. Annually ore processing will increase to a maximum of 11 to 12 million tonnes of ore. The mine life will continue until well after 2030.

The Lihir Mine generated US$4.5 million in revenue in 2008 by selling Certified Emission Reductions on the global market. The Lihir Mine is located in an inactive volcanic caldera which retains remnant geothermal energy in the form of steam. Lihir Gold harnesses this steam to generate 56 megawatts of electricity, approximately 75% of the mine's needs. Lihir Gold's geothermal power plant was the first project in Papua New Guinea to be registered for carbon trading under the Clean Development Mechanism of the Kyoto Protocol.

Please refer to www.newcrest.com.au for more information.

Solwara 1 Project

Nautilus Minerals is proposing to develop the Solwara 1 Project, the extraction of ore from a Seafloor Massive Sulphide (SMS) system in the Bismarck Sea of New Ireland Province. SMS deposits produce high grades of copper, gold, zinc and silver and scientists estimate that thousands of SMSs exist. The Project is the first full scale deep water mineral extraction project in the world and its successful start will launch a new industry. The first generation of deepwater mineral extraction projects will focus on mild ocean conditions such as those experienced around Papua New Guinea.

The Solwara 1 Project is a high grade copper/gold resource that lies in 1,600 metres of water 30 km from New Ireland. Nautilus will use existing offshore oil technologies to cut ore from the seafloor and pump it to the surface as seawater slurry. Once the ore is dewatered it will be shipped off shore for processing. Processing is conventional froth floatation and smelting/refining, all of which will be contracted from existing facilities. Phase 1 of the Project will barge ore to the shore for stockpiling and export. Phase 2 is the processing of the ore on shore and the export of concentrate. Nautilus has a contract to purchase a 1 500 ha inactive plantation at Lassul Bay, which has a natural deep water port for bares and concentrate export.

The Environmental Permit was granted in December 2009 and the Mining Lease was granted in 2010. Engineering is advanced with world class contractors and suppliers.

Please refer to www.nautilusminerals.com for more information.

Neptune Minerals

Neptune Minerals is a UK registered public company founded in 1999 to explore, develop and commercialise Seafloor Massive Sulphide deposits. Neptune Mineral's operations office is based in Sydney.

Neptune Minerals has exploration leases in Papua New Guinea, New Zealand, Vanuatu and the Federated States of Micronesia. In June 2007 Newmont Mining invested two million pounds in Neptune with plans to place staff and provide technical expertise to assist Neptune's exploration activities. Neptune submitted its first mining licence application for Kermadec in New Zealand in July 2008.
Neptune has 14 granted exploration licenses within the Territorial Water and Exclusive Economic Zone of Papua new Guinea.

Please refer to www.neptuneminerals.com for more information.

Sinvit Mine

The Sinvit Mine is an open pit, vat leach, oxide gold mine that has not yet produced expectations. The original envisaged production was up to 36,000 ounces per year however, the highest annual produced total has only been 14,153 ounces in 2009. This target is unlikely to be achieved on a consistent basis without a change in the processing method. The vat leach method has been shown to have significant shortcomings in difficult terrain and high rainfall areas. The New Guinea Gold Corporation is considering converting the processing route to Carbon in a Column, the capital and operating costs are still being assessed.
A recent review of historic exploration reports has revealed details about the presence of metal tellurium within the Sinvit system. About 80% of the tellurium produced globally is a by-product of copper smelting and electrolytic refining. Tellurium is the scarcest of all by-product metals except for gold.

Please refer to www.newguineagold.ca for more information.

Coppermoly Limited and Barrick Joint Venture

New Guinea Corporation has as 23% interest in Coppermoly Limited, an Australian based company listed on the Australian Stock Exchange. Barrick Gold Corporation can earn 72% of Coppermoly's three existing projects (Mt Nakru, Simiuku and Talelumas) by spending A$20 million within the eight years. Barrick is currently establishing its own office and staff at Kimbe on New Britain Island and has begun preparations for the upgrade of the track access to the Mt Nakru site. All three projects are close to essential infrastructure including roads, an airfield and an operating deep water port at the provincial capital of Kimbe.
Please refer to www.barrick.com for more information.

Panguna Mine

During his recent visit to Cairns, the head of the Bougainville Government (PNG) indicated that his government was paving the way for reopening the Panguna Mine; he wished to re-establish direct flights to Cairns and was seeking Australian help in the development of the Bougainville economy. The Australian-run gold and copper mine was shut down during a violent civil war by villagers, who now want to reopen the mine.

Fergusson Island Gold Project

The Fergusson Island Gold Project consists of two gold deposits - Wapolu and Gameta, which are located 30km apart on the north west and north east corners of Fergusson Island. Both properties are accessible by low cost water access due to their close proximity to the coast. Landowners are supportive of the Project and its potential development.

In July 2010 Gold Anomaly executed an agreement to acquire 100% of the Fergusson Island gold project in Papua New Guinea, subject to certain terms and conditions. All parties agreed that Gold Anomaly owning 100% of the project was the best corporate structure to advance the project. This was due Gold Anomaly larger presence and technical expertise in Papua New Guinea following the takeover of Anomaly resources in 2009.

Please refer to www.goldanomaly.com.au for more information.

Woodlark Island Gold Project

Woodlark Mining Limited owns 100% of the Woodlark Island Gold Project. The parent company is Kula Gold Pty Ltd, a private Australian company.

The three gold deposits of Kulumandau, Busai and Watou on Woodlark Island have an estimated 1,385,000 ounces of gold. The Scoping Study is complete and a Feasibility Study and EIS have been initiated.

Woodlark Island already has key infrastructure in place, including a network of roads and tracks that were constructed by logging operators, an airstrip, a 75 man exploration camp and a deep water harbour capable of accommodating coastal shipping.

Please refer to www.kulagold.com.au for more information.

Wowo Gap Nickel Laterite Project

Niugini Nickel Limited is 100% owned by Resource Mining Corporation, which is listed on the Australian Stock Exchange. In February 2010, Resource Mining released a prospectus with the aim of raising $2.6 million. The funds raised will be applied towards the Exploration and Feasibility Study update of the Wowo Gap Project, the generation of new exploration projects and working capital.

The preliminary results of the Feasibility Study into the Wowo Gap Nickel Laterite Project were completed in February 2010 as a requirement for the 2008 renewal of tenement.

Please refer to www.resmin.com.au for more information.

APPENDIX C

TIPS ON DOING BUSINESS IN PAPUA NEW GUINEA

The following information has been sourced from the Cairns & Tropical North Queensland's Strategy for Business and Trade with Papua New Guinea (June 2010), and provides a general overview of various tips for doing business in PNG.

The Do's:

- It is not wise to assume that what works in other developing countries will work in PNG. If new to doing business in PNG, it is recommended that you check with the local Chamber of Commerce, (e.g. PMCCI) or professional service company if you are unsure of the credentials of anyone or any business you are proposing to meet.

- You can travel to PNG under a multiple-entry Business Visa for meetings, which will allow you travel in PNG for up to 60 days at a time; however, for cost savings apply for an APEC Business Travel card.

- If you are doing business in PNG, then you should register your company with the PNG Investment Promotion Authority.

- Consideration should be given to undertaking business in PNG through a joint-venture/s with a PNG locally-based partner.

- Get to understand the Nationals – there may be the odd one or two who will take advantage of an unsuspecting foreigner.

- Research the market and register your interest on appropriate sites (e.g. www.pnglng.com).

- With AusAID work, get to know how the "Managing Contractors" work – could be a good source of business if you understand their functions.

- Make sure you have your payment terms carefully worked out - understand the tariffs for your goods, and manage the risks of working in a foreign company.

- Make sure you know how your products will be transported (air/sea/land) before committing.

- Allow plenty of time for delays – travelling around PNG by air or road usually goes to plan, but be prepared for the odd hiccup.

- Catch a taxi from a reputable company or organise transport in advance – the Australian High Commission for example recommends Scarlet Taxis in Port Moresby. Self-driving yourself is not recommended unless you know where you are going.

- Check your businesses eligibility for Export Market Development Grants.

- Have a good sense of humour, be patient and persevere.

The Don'ts

- Don't expect everything to go smoothly or quickly and certainly don't expect it to be just a quick way to make a profit – be there for the long haul.

Other Challenges

- Security – common sense should prevail at all times – generally, one should be safe staying in PNG if you follow a few basic rules: be aware; don't expect to walk to meetings, - arrange transport; never walk around at night; adopt the right solution to manage the risks for your particular circumstances.

- Business rules: legislation in PNG is similar to Australia and should be familiar; however, be aware that actual processes in individual cases may not measure up to Australian standards.

- Exchange rates: be aware of the potential for exchange rate fluctuations – you can mitigate against this by having contracts written and paid in Aussie dollars.

- Money: major hotels and businesses will take credit cards, but take sufficient cash to pay for cabs, bottled water, a drink at the bar and so on. Many businesses will provide receipts, but pre-warn your financial controller that you probably won't get receipts for everything.

- Corruption is a potential pitfall to be wary of – avoid getting caught up with this as there should be no need to pay for favours (or however else you'd like to put it).

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