MINING INVESTMENT IN PAPUA NEW GUINEA

24 April 2018
MINING PROJECTS IN PNG

Ok Tedi (Cu-Au)
Frieda R (Cu-Au)
Porgera (Au)
Ramu (Ni-Co)
Wafi Golpu (Au-Cu)
Hidden Valley (Au)
Simberi (Au)
Lihir (Au)
Solwara (Cu-Au, Ag)
Panguna (Cu-Au)
Wafi Golpu (Au-Cu)
Woodlark (Au)
Misima (Au)
Approved Mine
Proposed Mine
OK TEDI MINING OVERVIEW

• Operating since 1984
• Ownership - 67% State, 33% WP Entities
• Open cut mine at Mt Fubilan; 1,600 masl
• 8 - 11 metres rain/year
• 1,650 employees, including 150 trainees
• 90 Mtpa TMM; 20-24Mtpa ore processed
• 440Ktpa copper-gold concentrate
• Concentrate by 156km pipeline to Kiunga Port
• Shipped to Japan, Korea, Philippines, Germany, India and China
GLOBALLY COMPETITIVE (12th ‘LE)

Ok Tedi - One of lowest cost producers 12th percentile
C1 costs <$1.00/lb = good margin

Source: Wood Mackenzie Ltd. Dataset: 2017 Q4
INVESTMENT- SUSTAINMENT & GROWTH

- Replacement SAG Shell
- New Mine Workshop
- Replacement Mill Switchroom
- SAG Mill Variable Speed Drives
- New Diesel Generators
- Tabubil Power Station
- New Transformers
COMMUNITY RELATIONS

Education

Infrastructure

Health

Social & Economic Development
HIGHLIGHTS OF 2017 PERFORMANCE

• Best safety performance in 15 years – 1 x Lost Time Injury (contractor)
• Compliant with environmental criteria; spent USD 56.3M on programs
• Generated USD 242M cash net of investing activities
  o USD 118M free cashflow distributed as dividends to shareholders
• Generated Profit After Tax of USD 266M
• Revenue USD1B
• Costs - C1 USD 0.93/lb
• Strong balance sheet
  o Cash on hand USD 180M
  o No borrowings
  o Retained earnings USD 1B
PROFITABLE GROWTH

• Market fundamentals positive for price outlook and increasing demand

• Ample reserves, resource and exploration potential

• Clear strategy and plans with disciplined execution

• Strong employee, community and shareholder support

• Competitive C1 cash costs; strong balance sheet

• Continuous improvement through people and process
KUMUL MINERALS INVESTMENTS

• Kumul Minerals established to hold State’s mining assets, including Ok Tedi

• Preparing to invest in exciting new mining projects
  o Wafi Golpu
  o Frieda River

• Kumul Minerals has right but not the obligation to take up to 30% equity in new mining projects
  o Share of Past Costs + Project CAPEX

• Exploring options for financing equity and debt in 2018/19
  o Government demonstrated capability to support mega projects
  o Legislative and regulatory environment stable
  o Joint financing for State’s interests in LNG and Mining projects
APPROVED
Ok Tedi (Cu-Au) – Grant Date 1981; Contained metal – Cu 1.462Mt, Au 5.685Moz
Porgera (Au) – Grant 1989; Contained metal Au 2.2Moz
Ramu (Ni-Co) – Grant Date 2000; Contained metal Ni 1Mt, Co 0.1mt
Lihir (Au) – Grant Date 1995; Contained metal Au 56moz
Hidden Valley (Au) – Grant Date 2005; Contained metal Au 3.17moz, Ag 55.85Moz
Simberi (Au) – Grant Date 1996; Contained metal Au 2.21Moz
Woodlark (Au) – Grant Date 2014; Contained metal Au 0.766 Mt
Solwara 1 (Cu, Au, Ag) – Grant Date 2011; Contained metal Au 0.37Moz, Ag 1.905Moz, Cu 0.15Mt

PROPOSED
Wafi Golpu (Au - Cu) – SML Lodged 2016 – Contained metal Au 12.4Moz, Ag 19.7Moz, Cu 5.44mt
Frieda River (Cu-Au) – SML Lodged 2016 – Contained metal Cu 12Mt, Au 19Moz, Ag 49.1Moz
Yandera (Cu, Au, Mo) – Contained metal Cu 2.397Mt, Au1.593Moz, Mo 0.072Mt
Misima (Au, Ag) – Contained metal Au 0.38moz, Ag 3.25moz
Panguna (Cu – Au)
Wafi-Golpu Project

• Located 65km SW of Lae, Morobe Province, PNG
• 50:50 JV between Newcrest and Harmony. State has right to acquire 30% which would reduce each company’s share from 50 to 35%
• Deposits includes Wafi epithermal gold deposit, Golpu and Nambonga copper-gold porphyry
• Golpu current Reserve estimate is 6.2Moz of contained gold and 2.7mt contained copper; Mineral Resource 500Mt estimated to contain 10Moz gold and 4.5Mt of copper
• Development proposes 3 block caves, including an initial 16Mtpa cave
• Average mine production over 28 year mine life is 161Kt of copper and 266Koz gold
• C1 cash costs 26c/lb of payable copper or negative USD 2128/oz on a gold all-in sustaining cost basis
• Capital costs USD 2.82B – 140MW power plant for a 170Mtpa Watut plant, deep-sea tailings placement, new port facilities at Lae, a water treatment facility, access road, 1400 -person accommodation and a surface workshop.
• Free cash flow generation over the life of mine is expected to be USD 13.1B
• Economics – NPV USD 2.6B and IRR 18.2% and a payback period of 9.5 years
• First production around 4.75 years after grant of SML
Frieda River Project

- Located 70km south of the Sepik R on the border of Sanduan and east Sepik Provinces some 500km upriver of the coast.
- 80% PanAust Ltd (100% owned by Guangdong Rising Asset Management Co. Ltd of China), 20% Highlands Pacific. State has right to acquire 30% reducing PanAust to 55% and Highlands to 15%.
- Indicated Mineral Resource 1.86Bt (av 0.47%Cu and 0.28g/t Au). Total ore Reserve 686Mt avg 0.5% Cu and 0.28g/t Au
- Average mine production of metal in concentrate of 175Kt copper and 240Koz of gold with mine life of 18 years.
- C1 cash costs 69c/lb of payable copper and all-in sustaining cost of USD1.22c/lb of copper
- Capital costs pre-production USD 3.6B and an additional USD2.4B on development and sustaining capital.
- Economics – NPV 7.8% of USD 1.13B and IRR 10.8% (copper USD 3.30/lb, Au USD 1,455/oz and Ag USD 23/oz)
- First production around 6 years after grant of SML
COPPER - BALANCE DRIVES PRICE

- Copper prices likely to remain volatile
- Demand prospects look positive, but political risks remain
- Environmental developments in China to alter raw material mix
- Return to growth in production
- Pace of development of new projects needs to increase

Global Refined Copper Balance and Copper Price

Positive Outlook for Copper Price

Source: Alfonso Gonzalez, INCOMARE Ltda.
MINING INVESTMENT IN PNG

- Fraser Institute 2017 Survey of Mining Companies
  - 91 jurisdictions; 360 responses; >55% Presidents or VP’s
- Investment Attractiveness Index combines Best Practice Mineral Potential Index and Policy Perception Index
  - PNG’s geology encourages investment (BPMPI 75)
  - PNG’s mining policies moderately attractive (PPI 47)