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Daily Newsletter: Panguna Landowners New Deal

January 12, 2012

MAJOR TENETS OF NEW DEAL

1. National Government to transfer its 76,430,809 shares in BCL to LABG [Landowners and ABG]
2. Proposed BCL shareholding split-40% Panguna Landowners (30,572,324 shares) & 60% ABG (45,858,485 shares). The 40% UPLA shares or 30,572,324 million shares to be split based on the total number of Block of adult land holders of each lease area. The 6 groups are SML-50%, 15,286,162 million shares; Lower Tailings-25%, 7,643,081million shares; Upper Tailings-10%, 3,057,233 million shares; Road-5%, 1,528,616 million shares; Port-5%, 1,528,616 million shares; Arawa Town-5%, 1,528,616 million shares.
3. Landowners to receive royalties computed as 5% of sales. Royalties to be paid direct to landowners, each holding a unique ID.
4. Tax of 30% paid by BCL to be shared equally (50%) by National Govt and ABG.
5. 20% of BCL's operating costs to be spent on goods and services including employment of Bougainvilleans including landowners.
6. K1 Billion to be committed by BCL, National Government, Australian Government etc. from date of signing of New BCA. About half of this to be spent on capacity building and skills development of Bougainvilleans so they are able to provide goods and services as per 5 above. The rest to be spent on relief and rehabilitation for landowners.

MAJOR PRICES OVERNIGHT

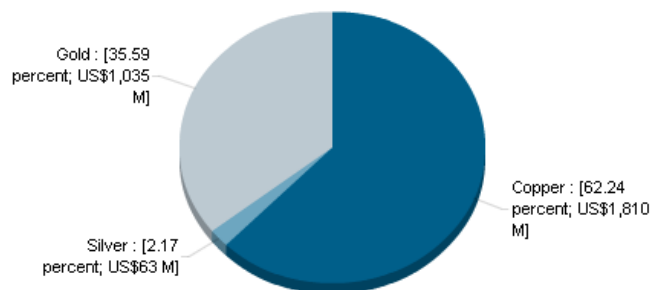
Description	Last	Absolute Change	% Change	PV\$1000 (1Yr)	PV\$1000 (5Yrs)
Copper USD/ lb	3.55	0.05	1.3	818	1,347
Gold USD /Troy ounce	1,639.2	8.2	0.5	1,184	2,645
Silver USD/troy ounce	29.86	0.08	0.25	1,012	2,402
PGK/USD	0.47	0	0.21	1,244	1,319
AUD/USD	1.06	0.01	0.67	1,069	1,359
BOC	0.71	-0.01	-1.39	373	959

* Key PV\$1000 Present Value of \$1000 invested in the past

For example, \$1000 invested in copper a year ago is now worth \$818, representing a fall of 18.2% in the past year. Likewise, \$1000 invested in BCL shares (ASX Code:BOC) a year ago is now worth \$373, a loss of 62.7%. A third adverse factor is the rise in the PNG Kina. The present value of US\$1000 invested in the Kina a year ago is now worth US\$1,244, a rise in the Kina of 24.4%. If copper prices fall, the available benefits will be lower. Economic Value Added (EVA) is heavily dependent on prices of copper, gold and silver. Also, the rise in the PNG Kina of 24% in the past year has further reduced the benefits available to Landowners/ABG.

ESTIMATED ANNUAL REVENUES OF BCL AT TODAY'S PRICES

Description	Unit	Price per unit	Production (Million)	Revenue (US\$ Million)	Revenue (K Million)
Copper	Pounds	3.55	510	1,810	3,850
Gold	Troy ounce	1,639.2	0.63	1,035	2,202
Silver	Troy ounce	29.86	2.11	63	134
Total				2,908	6,187



ESTIMATED ANNUAL OPERATING COSTS

Description	USD Million	PGK Million
Goods and services from Bougainville	187	398
Goods and services from outside	746	1,593
Royalties	145	310
Total	1,078	2,302

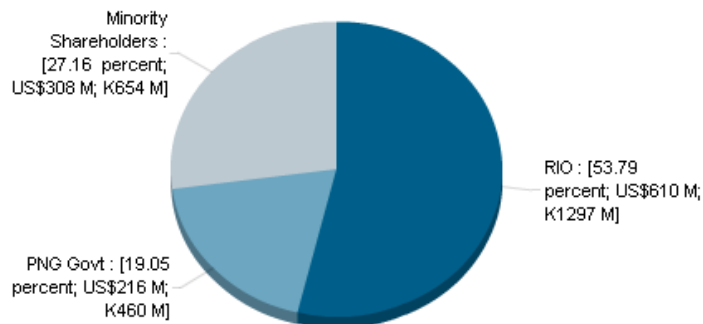
ESTIMATED ANNUAL PROFITS AND TAX AT TODAY'S PRICES

Description	USD Million	PGK Million
Revenue	2,908	6,207
Less: Operating cost from Goods and Services from Outside	746	1,592
Economic Value Added	2,162	4,615
Less: Operating cost from goods and services from Bougainvilleans	187	399
Less: Royalties	145	310
Earnings Before Interest and Tax	1,830	3,906
Interest	211	450
Profit Before Tax	1,619	3,456
Tax	486	1,037
Profit After Tax	1,133	2,419
Earnings/Dividends per share	US\$2.83	PNGK6.03

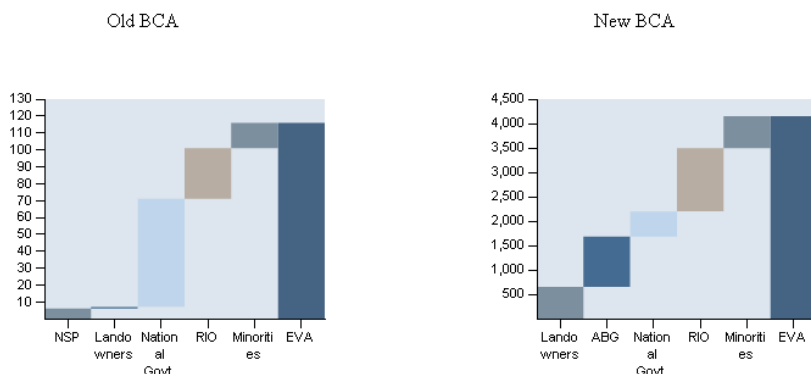
BCL SHARE REGISTER AND ESTIMATED ANNUAL DIVIDENDS AT TODAY'S PRICES

Description	Number of Shares	Share in Annual Earnings/Dividends %	(US\$ Million)
RIO	215,874,098	53.8	610
PNG Govt	76,430,809	19.06	216
Minority shareholders	108,757,593	27.14	308
Total	401,062,500	100	1,133

THREE SHAREHOLDER GROUPS AND ANNUAL DIVIDEND AT FULL CAPACITY



ANNUAL CASHFLOW COMPARISON: OLD BCA AND "NEW DEAL" BCA



As per the old BCA, Landowners received an average of K340,000 per annum in the period 1972 to 1989. As per the New Deal Landowners will receive a whopping K652 Million per annum, an increase of 1919 times. The ABG will receive benefits of K1031 million per annum compared with K6.37 million per annum between 1972-89, a rise of 162 times on a higher base.

Description	Old BCA (PGK Million)	New BCA (PGK Million)
Landowners	0.34	652
ABG	6.37	1031
National Govt.	64.0	517
RIO	30.24	1297
Minority Shareholders	15.26	654
Total	116.21	4152

ESTIMATED ANNUAL ECONOMIC VALUE ADDED AT TODAY'S PRICES

Within Bougainville

Description	US\$ Million	PGK Million
Goods and services from Bougainville	187	398
Royalties	145	310
Dividends	216	461
Tax	243	518
Total	791	1,688