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## Daily Newsletter: Panguna Landowners New Deal

January 24, 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 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 shares; Lower Tailings-25%, 7,643,081 shares; Upper Tailings-10%, 3,057,233 shares; Road-5%, 1,528,616 shares; Port-5%, 1,528,616 shares; Arawa Town-5%, 1,528,616 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	3.79	0.05	1.38	882	1,525
Gold USD /Troy ounce	1,678	14.3	0.86	1,251	2,626

Silver USD/troy ounce	32.23	0.59	1.85	1,176	2,505
PGK/USD	0.47	0	0	1,249	1,318
AUD/USD	1.08	0	0.42	1,095	1,382
BOC	0.67	-0.03	-4.29	379	859

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

For example, \$1000 invested in copper a year ago is now worth \$882, representing a fall of 11.8% in the past year. Likewise, \$1000 invested in BCL shares (ASX Code:BOC) a year ago is now worth \$379, a loss of 62.1%. 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	3.79	510	1,934	4,116
Gold	Troy ounce	1,678	0.63	1,060	2,254
Silver	Troy ounce	32.23	2.11	68	145
<b>Total</b>				<b>3,062</b>	<b>6,515</b>

#### ESTIMATED ANNUAL OPERATING COSTS

Description	USD Million	PGK Million
Goods and services from Bougainville	187	395
Goods and services from outside	746	1,581
Royalties	153	324
<b>Total</b>	<b>1,086</b>	<b>2,301</b>

#### ESTIMATED ANNUAL PROFITS AND TAX AT TODAY'S PRICES

Description	USD Million	PGK Million
Revenue	3,062	6,488
Less: Operating cost from Goods and Services from	746	1,581

<b>Outside</b>		
Economic Value Added	2,316	4,907
Less: Operating cost from goods and services from Bougainvilleans	187	396
Less: Royalties	153	324
Earnings Before Interest and Tax	1,976	4,186
Interest	211	447
Profit Before Tax	1,765	3,739
Tax	530	1,122
Profit After Tax	1,236	2,618
Earnings/Dividends per share	US\$3.08	PNGK6.53

### **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	665
PNG Govt	76,430,809	19.06	235
Minority shareholders	108,757,593	27.14	335
<b>Total</b>	<b>401,062,500</b>	<b>100</b>	<b>1,236</b>

### **THREE SHAREHOLDER GROUPS AND ANNUAL DIVIDEND AT FULL CAPACITY**

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

Old BCA

New 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 K685 Million per annum, an increase of 2016 times. The ABG will receive benefits of K1103 million per annum compared with K6.37 million per annum between 1972-89, a rise of 173 times on a higher base.

Description	Old BCA (In Million)		New BCA (In Million)	
	PGK	USD	PGK	USD
Landowners	0.34	0.31	685	322
ABG	6.37	5.79	1103	518
National Govt.	64.0	58.18	563	265
RIO	30.24	27.49	1414	665

Minority Shareholders	15.26	13.87	713	335
<b>Total</b>	<b>116.21</b>	<b>105.65</b>	<b>4479</b>	<b>2105</b>

## ESTIMATED ANNUAL ECONOMIC VALUE ADDED AT TODAY'S PRICES

Within Bougainville

Description	US\$ Million	PGK Million
Goods and services from Bougainville	187	395
Royalties	153	324
Dividends	235	499
Tax	265	561
<b>Total</b>	<b>840</b>	<b>1,780</b>