

Bougainville Mining Expectations Rise Amid Peaceful Referendum

By Reuters

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SYDNEY — An independence referendum in Bougainville has reignited interest in copper mining in the South Pacific island, causing a surge in the shares of the former operator of the mine that sparked the region's war to secede from Papua New Guinea.

Shares in Bougainville Copper Ltd (BCL), the former operator of the giant Panguna gold and copper mine, have more than tripled since early last week to trade at above A\$0.40 late on Tuesday. This coincides with the start of a non-binding independence referendum in Papua New Guinea's region of Bougainville that has begun peacefully and will run until Dec. 7.

(Graphic: Bougainville Copper shares surge 350% on referendum breakthrough hopes click, <https://fingfx.thomsonreuters.com/gfx/ce/7/7526/7508/Bougainville.png>)

The vote is a key part of a peace agreement reached in the aftermath of a decade-long war between Bougainville's rebel fighters and Papua New Guinea forces that ended in 1998 and killed 20,000.

The fighting was triggered by disputes over land royalties and pollution in rivers near the now shuttered Panguna project.

BCL's general manager Mark Hitchcock said in a statement to Reuters he believed the investor interest in the company reflected increased levels of confidence in Bougainville's future.

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Formerly controlled by Rio Tinto, BCL now counts the PNG government and Autonomous Bougainville Government as major shareholders.

It is one of at least two companies, alongside a group including explorer RTG, that claims the rights to develop Panguna, with the dispute currently being tested in the PNG courts.

Another Australian company, Kalia, is exploring for gold and copper on land located northwest of Panguna.

The desire to exploit the region's resources to fund Bougainville's potential independence comes amid expectations demand for the base metal will exceed supply in the next few years.

Analysts at J.P. Morgan urged investors in a Nov. 22 note to buy copper through early 2020 because the metal's "tighter supply dynamic" will cause prices to rise on "bullishness" in the overall global economy next year.

The result of the referendum, which offers voters the choice of independence or more autonomy, will go before the PNG parliament in its capital, Port Moresby, and will be subject to negotiation.

How Bougainville would sustain its independence is likely to dominate those negotiations, two PNG ministers told Reuters earlier, given the region is reliant on funds from Port Moresby.

The desire to exploit Bougainville's mineral riches will be tempered by the complexities of re-building a mining sector in a region that descended into civil war over minerals, said Paul Barker, executive director of Port Moresby-based think tank the Institute of National Affairs.

"The one thing they don't want to do is stir up antipathies, and at the same time the government will be desperate to get revenue in," Barker said.

Attempts by some members of the Bougainville government to amend the region's mining laws to give greater authority to the state ahead of the referendum were widely criticised by landowners, and the plans were put on hold.

One group of Panguna landowners, the Special Mining Lease Osikaiyang Landowner Association, has also declared that BCL should "never again" be allowed to develop Panguna, echoing the words of the late Francis Ona, the former BCL mine surveyor who became leader of the resistance.

(Reporting by Jonathan Barrett in SYDNEY; Editing by Richard Pullin and Christian Schmollinger)