



PACIFIC ECONOMIC COOPERATION COUNCIL

MINING ECONOMY: DEVELOPMENT AND ENVIRONMENTAL PROTECTION

Plenary III-2: Restoration of Mineral Sites and Community Building

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1.0 INTRODUCTION

Solomon Islands (as with most of Melanesia) is part of the geological Pacific rim of fire where the Pacific plate is subducted beneath surrounding plates causing crustal growth, volcanism and earthquakes. World class deposit of gold, silver, copper and other metals have been deposited within this environment. A detailed knowledge of geoscience and an understanding of geological processes are fundamental to community negotiations and attempts to re-open the country's only gold mine.

Solomon Islands has tremendous potential with respect to mineral prospectivity and the attraction of a healthy and stable mining industry. Comparisons with other Melanesian countries such as Papua New Guinea, New Caledonia and Fiji are clear demonstrations of this.

The key issue now is how can we restore the immature mining industry Solomon Islands had before the ethnic tensions. Important key questions are: how can we rebuild trust and confidence with foreign mineral investors? How can our local communities participate and contribute significantly to future mining developments.

2.0 AIMS & OBJECTIVES

This paper will outline the various methods, procedures undertaken by the Solomon Islands Government in our effort to re-negotiate and re-open the Gold Ridge Mine. In highlighting the above objectives, this paper will discuss:

1. The recent development process undertaken by stakeholders (the Government-Landowners and Company-ASG) in an effort to restore Gold Ridge Mine.
2. The processes through which the Solomon Islands Government have encouraged community capacity building to be integrated as part of team-work development and more effective participation.
3. What is the Government view in enhancing and facilitating or promoting mineral development and community building.

3.0 THE RECENT DEVELOPMENT PROCESS UNDERTAKEN BY STAKEHOLDERS (THE GOVERNMENT-LANDOWNERS AND COMPANY-ASG) IN OUR EFFORT TO RESTORE GOLD RIDGE MINE.

3.1 Background of Gold Ridge Mine

The Gold Ridge deposit is an epithermal gold deposit. Previous company reports suggest the area has the potential to accommodate three (3) small to medium scale deposits containing a total reserve of 2.5 Million ounces of gold and silver that can be economically mined for 10-15 years at 100,000 ounces of gold per year. During its operation, the Gold Ridge Mine has contributed one-third (1/3) of the country's foreign export revenue.

3.2 Brief History since commencement of production

- August 1998 Commencement of production by Ross Mining
- May 2000 Delta Gold takes over Ross Mining
- June 2000 Civil Unrest in the Solomon Islands results in evacuation of all staff, premature closure of the project
- 2001 Goldfields and Delta Gold merge forming Aurion Gold
- 2003 Placer takes over Aurion Gold
- 2004 Placer receive Political Risk Insurance (PRI) payment with AIG and ownership of the Project transfer to AIG.
- July 2004 AIG sales Gold Ridge to any interest party
- Nov.2004 ASG successfully win the tender for Gold Ridge Mine

The Mine commenced commercial production in mid-1998 and ceased production June 2000: it was open for only two and a half years before ethnic tensions closed the mine down. At the 2nd PECC Meeting at Australia, 2003 our representatives highlighted some of the areas or problems that led to the closure of the Gold Ridge Mine. These included:

- A lack of proper understanding of the Mining Agreement by the Landowners
- Communities outside the Mining Lease areas felt insecure and not included in original agreements
- Landowners complained about unfair treatment by the previous company with regard to landowner payment issues.
- Eventually the whole issue become entangled in its own history where socio-economics and ethnic factors are fuming up and finally law and order escalates to certain level and the mine was closed on June 2000.
- The primary cause of mine closure was not due to community discontent about mining operations. In fact the Government and companies made strenuous efforts to engage the local community (see for example Tolia and Petterson's Geological Society of London paper (in press). The main cause of mine closure was due to factors beyond Gold Ridge: namely the racial and ethnic tension between the indigenous peoples of Malaita and Guadalcanal.

3.3 Australian Solomon Gold (ASG)-to re-open Gold Ridge Mine

Australian Solomon Gold (ASG) won the tender to re-open the Gold Ridge gold mine. The ASG is a consortium that comprise of:-

- Resources Capital Fund (an equity investment company)
- Societe Generale (a Global Bank)
- Ausenco (a Mining Engineering Company)
- Michelago (Australian Resources Company) and
- Sashmo (a mine management company)

With those background and expertise, the ASG is has a 12 month time frame for planning, negotiation and re-development of the Gold Ridge gold deposit.

3.4 Current Development

The Government has welcomed new investors: Australian Solomon Gold (ASG) a consortium of five different entities with a wide professional background in mining. ASG has recently continued its consultation meetings with the government and landowners and is slowly building confidence and trust with the local community. The company has re-habilitated the mine site.

The Government has established a Task Force comprising key Government officials and landowners. The Government is fully-committed to re-opening Gold Ridge and has given this project the highest priority with the objective of reinvigorating the Solomon Island economy. The Government has also engaged local legal and technical advice to assist the community.

3.5 Update Activities on the Restoration of Gold Ridge Mine

3.5.1 Solomon Islands Government Roles

Recently confirm that the Former Mining Agreement or Lease (ML) between the Gold Ridge Mine-Government and Landowners are valid and legal bidding. The Government ensure that the Landowners Issues (demands) must be address through consultation with all stakeholders.

Solomon Islands Government signed an Assignment Agreement with Australian Solomon Gold Pty Ltd. The Assignment Agreement provide for various steps to be undertaken within the re-opening process.

To ensure that ASG provide as required a financial plan, mining plans, environmental management plan. This plans together with the metallurgical results from the drilling program become part of the Bankable Feasibility Study.

Upon receipt of the Bankable Feasibility Study, the Government will certainly request technical advice from other organisation usually the Special Advisory Services Division of the Commonwealth Secretariat.

The Government has also established the Tripartite Committee that consists of the Company, Landowners and the Government (National and Provincial). We have assigned officers from the key government department to coordinate the re-opening process in negotiation with all stakeholders. The re-opening process includes continued consultation meetings, awareness program in the local community etc.

3.5.2 Australian Solomon Gold (ASG) Roles

ASG has so far commences drilling programs at Gold Ridge since April 2005 (so far has drilled 6 diamond hole), re-assess Gold Ridge drill log samples in order to re-confirm the previous Gold Ridge Mining ore reserve calculation including

ASG has undertaken an environmental assessment study on the Gold Ridge river catchment areas, water and sediments sampling at the tailings dump including an environment impact assessment on the vegetation overgrowth and the geo-technical stability of the mining sites.

ASG understand the landowners issue and address such issue through consultation with the landowners. The company has also express their view to insert in clause, provision as supplementary to the existing Mining Agreement where they see fit and proper. ASG also realised that there are no proper consultation prior to signing of ML. The company thus has recently carryout awareness within the local community.

3.5.3 Community (Gold Ridge Landowners Council) Roles

The local community (Gold Ridge Landowners Council) has re-established itself with newly appointed members to facilitate and represent their communities in this re-opening process. The Community in their capacity are positive for the mine to be re-open.

The Community (Gold Ridge Landowners Council) have so far:

- Elected new committee including a Chairman and his executives
- Being provided with an office for daily consultation
- Review all landowners issues and claims and submit to the Government and Company
- Ensure that their community effective participation to the restoration of the Gold Ridge Mine is vital in its re-opening process.
- Ensure that community awareness and consultation is very important at this early stages.

4.0 HOW DO WE FACILITATE AND ENCOURAGE COMMUNITY CAPACITY BUILDING AND INTEGRATE COMMUNITY PARTICIPATION AND TEAMWORK?

The Government has learned a lot from the socio-economic struggles it has been through. The Government has established the clear principle of involving and empowering the community and written this in statute under the Mining Legislation.

Key Participatory and Inclusive Strategies include:

- Community Building-Community participation is significant since the community consists of tribal groups who owned customary or tribal land. About 85% of lands in the Solomon Islands are owned by the Community (15 % are crown or government lands).
- A bottom up approach – the Community must be recognised by all negotiation actors and that their participation in mineral development is vital for the long-term benefit of all stakeholders and the Solomon Islands.
- The Gold Ridge Landowners Council and the Bugotu Landowners Association (of the Buguto Laterite Nickel) are legal associations formed by the Community representing their own people with respect to mining development.
- There is a good example of community participation (the Tubi Pilot project at San Jorge Islands where Environment, Conservation and Exploration stakeholders have successfully interacted).
- Another good example of best practice relates to Savo volcano, where the community of Savo island have been closely involved in eruption mitigation strategy development.

5.0 WHAT IS OUR GOVERNMENT VIEW IN ENHANCING AND FACILITATING OR PROMOTING MINERAL DEVELOPMENT AND COMMUNITY BUILDING.

Solomon Islands acknowledge the general support received both the technical and financial support from Development Partners. The Country also understands that we cannot keep on begging for assistance.

Hence the government is positive that under our recovery path, we are governed by the following principles:

- Future mineral development should ensure that community participation is vital.

- The Government will ensure that other potential areas for Mining in the country must follow a similar example where community building, participation and awareness is of paramount importance.
- Government will provide the community (village people) the grassroots support they require to empower them to participate effectively in stakeholder negotiations.

6.0 SUMMARY & CONCLUSIONS

- The Governments effort to re-open the Gold Ridge gold mine on Guadalcanal is slowly progressing with a high degree of commitment given by all stakeholders.
- Solomon Islands has realised that Community Building or Participation at the earliest stages of any mineral development project is absolutely essential.
- Illiterate is one of the many factors that contribute to the slow progress of any major Mining Activities. 80 % of the country's population (estimate <580,000) lived in the rural areas where natural resources are found.
- Awareness-raising, prior to any development, is vital. This includes the need for the Community to understand as many aspects of the impending development as possible.
- Political Interference in any key project is dangerous and can lead to corruption and project failure.
- There is a need for the Solomon Islands Mining Legislation (Mines and Mineral Act 1990/1996 and its Mining Regulation 1996 to be reviewed for the benefit all stakeholders.
- As a young country with unexplored mineral resources, Solomon Islands will continue to seek technical and financial assistance in its effort to established and promote its key mineral potential according to the concepts of sustainable development.

7.0 ACKNOWLEDGEMENTS

Thanks to the Pacific Economic Cooperation Council (PEEC) for funding our presentation and to the China National Committee for the invitation.

Our participation to the meeting is very important and we hope to obtain professional ideas on how to progress further with our Mining Industries.

We look forward to acquiring more information and practical examples through which we can gain new ideas to assist Solomon Islands and the

contribution mineral development can make to the country's economy and social progress.