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HD **Rio Tinto Weighs Bougainville Copper Stake**

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SYDNEY-- Rio Tinto PLC's grip on its closed Bougainville **copper** mine--one of the world's biggest deposits of the metal--remained **firm** in the 1990s throughout bloody independence clashes in Papua New Guinea.

But as the mine edges toward restarting after a quarter of a century and **copper** prices rise, Rio is considering heading for the exit.

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On Monday, the Anglo-Australian miner said it was reviewing its options for its controlling **stake** in Bougainville **Copper** Ltd., the **mining company** that owns the Panguna mine in Bougainville, Papua New Guinea, after the government passed new **mining** laws that may strip the **company** of its lease on the site.

For a country best known for its jungles and tribal society, Papua New Guinea saw in Panguna a path to riches when the mine started up in 1972. The impoverished country was then still under Australian control, and had little industry of its own other than fishing the schools of tuna that swam near its shores.

However, islanders soon became envious of the revenue that was flowing to government coffers in Port Moresby rather than being used for Bougainville schools, health clinics and boosting local incomes. Those frustrations, combined with worries over the mine's poor environmental record, burst into violence in 1989 when militants forced the mine to shut down.

At the time of its closure, the mine was producing around 166,000 metric tons of **copper** and 450,000 troy ounces of **gold** annually. That is enough **copper** for 7.3 **million** typical American-made cars.

Earlier this year, there were signs the mine was on the path to being rebuilt. Bougainville **Copper** had been pushing forward with negotiations in recent years amid a rally in **copper** prices, underpinned by rising demand from **China**, which uses the metal in everything from apartment buildings to electricity grids.

Landowners, officers from both the Bougainville and national governments, and **mining** executives have been working toward a customary reconciliation ceremony known as "bel kol," which Peter Taylor--chairman of Bougainville **Copper** for more than a decade--says is "best translated as a cooling of the heart, or a lowering of the emotional temperature."

What became a decadelong secessionist rebellion on the island, leading to thousands of deaths, ended in a cease-fire in 1998. However, earlier this month new **mining** laws were passed that will devolve the power to regulate **mining** to Bougainville's autonomous government from the Papua New Guinea national government.

Under the legislation, Bougainville **Copper**--in which Papua New Guinea's government holds a 19% interest--would lose its **mining** lease for Panguna, which would be exchanged for an exploration license. The **company** would have to reapply for the lease.

"Rio Tinto has decided now is an appropriate time to review all options for its 54% **stake** in Bougainville **Copper**," said Rio Tinto, which is still reviewing the implications of the **mining** bill.

About 27% of Bougainville **Copper** is owned by private shareholders. Some economists question the viability of the mine if Rio were to decide to walk away.

"Rio Tinto is large enough to have done their sums, looking at the costs of benefits, so I don't know if we will see a new player on the scene" if they can't make it work, said Satish Chand, a professor of finance at the University of New South Wales.

Chinese buyers have proven interested in major **copper** deposits, though, as they look to feed a voracious appetite for the industrial metal in the world's No. 2 economy.

Guangdong Rising Assets Management has been mulling a takeover of PanAust Ltd., an Australian **company** that is about to acquire Glencore PLC's majority **stake** in the Frieda River project, another major **copper** deposit in Papua New Guinea.

Bougainville **Copper** has estimated it would take between five and seven years to reopen the Panguna mine, should it win approvals and secure financing. A 2012 study forecast a capital expenditure budget of US\$5.2 **billion** was needed to get the site back into production.

It also estimated there was at least another 5 **million** tons of **copper** and 19 **million** ounces of **gold** to be mined at the site, sustaining **operations** for more than two decades.

But many landowners oppose the reopening of the mine, and have been demanding more compensation for past environmental damage along the Jaba River.

"At the moment, a lot of income is earned through exports of cocoa, and the government will need to look at the impact the mine, and so-called Dutch disease, may have on agriculture," said Mr. Chand.

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CO bgnvl : Bougainville Copper Ltd | rtz : Rio Tinto PLC | craus : Rio Tinto Ltd

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