

# The Horse Breeder, the Novelist and the \$60 Billion Mine

**B** bloomberg.com/news/articles/2020-01-27/the-horse-breeder-the-novelist-and-the-60-billion-mine

Aaron Clark

Subscriber Only

Markets

By

[Aaron Clark](#)

January 28, 2020, 7:00 AM GMT+11 Updated on January 28, 2020, 6:25 PM GMT+11

- Entrepreneurs try to revive one of the world's bloodiest mines
- Panguna mine could help fund independence for Bougainville



The Panguna Copper mine, which halted operation in 1989. Photographer: Friedrich Stark/Alamy

*Australia has some big decisions to make about its future. For insight into the stories that matter, [sign up for our new weekly newsletter](#).*

John Kuhns has been many things: an investment banker, a silicon smelter operator in China and a novelist. His sights are now set on an abandoned mine with an estimated \$60 billion of gold and copper.

Kuhns is among a handful of people exploring for minerals and courting landowners on the Pacific island of Bougainville. His rivals include an Arabian-horse breeder, a hedge fund investment manager who keeps wallabies on his estate and a former Australian defense minister.



The Panguna Copper mine, which halted operation in 1989.

The involvement of such an eclectic mix of entrepreneurs is a reflection of the fact that this is no ordinary mineral reserve. Rio Tinto Group operated the Paguna mine for 17 years through subsidiary Bougainville Copper Ltd. The global mining behemoth shut it in 1989 as local protests over mine revenue degenerated into a civil war that killed as many as 20,000 people.

The mine has been in limbo ever since. But that may be about to change as the Autonomous Region of Bougainville moves toward independence from Papua New Guinea after a referendum showed an overwhelming majority of the population on the small group of islands wants to establish a new nation.

While the political uncertainty may deter major mining companies from making an immediate investment, the mine's riches attract entrepreneurs hoping to develop the asset to a point where they can deliver it to a big operator for a fee, said Peter O'Connor, a Sydney-based analyst at Shaw and Partners Ltd. "They have to create a story with a vision," he said.

Success will depend on earning the trust of thousands of poor, customary landholders, many of whom remember the civil war that was triggered by communities demanding greater compensation from the mine.

## Buried Treasure

---

Prospectors and developers are seeking to restart the abandoned Panguna mine

Source: Natural Earth

“The landowners want to reopen the mine but they are divided by the interested developers,” said Sam Akoitai, a member of the island’s parliament who represents central Bougainville, an area that includes Panguna. “It’s really up to the landowners to come together to understand that the land belongs to the clan and not to some individuals.”

Bougainville Copper, which is no longer associated with Rio, has estimated it would take seven to eight years and \$5 billion to \$6 billion to rebuild the mine and resume full operations. The company is blamed by many locals for contamination attributed to the mine.

“We retain strong levels of support among customary landowners within the project area,” Bougainville Copper said in a statement. “We have a trusted local team on the ground that continues to engage with project area communities.”

The [Bougainville Mining Act 2015](#) strengthened landowner control and was designed to increase compensation to local communities and the island’s government from future mining to avoid a repeat of the bloodshed of the 1980s and 1990s. The government also decided not to renew Bougainville Copper’s exploration license, which the company is challenging in court.



Abandoned vehicles in the Panguna mine.

In June 2019, Kuhns flew several landowners to the U.S. to meet potential investors, including representatives from Barrick Gold Corp. At the [Harvard Club](#) in Midtown Manhattan, where stuffed moose, bison and even an elephant head adorn the rooms, the

landowners heard Kuhns deliver a PowerPoint presentation introducing potential investors to Bougainville.

Barrick declined to comment.



John Kuhns

“Panguna mine can be rejuvenated and can be resuscitated for a couple of billion dollars,” said Kuhns in a follow up phone interview. “It’s going to take a major to do that.”

Among those also interested in Panguna is Jeff McGlinn, who made his fortune in mining and construction services through Western Australia-based NRW Holdings Ltd., which he co-founded. McGlinn, who resigned from NRW in 2010, is part of the glamorous world of Arabian horse breeding, mixing with models and celebrities at parties on the French Riviera and promoting luxury brands. He once gave an Arabian colt to Italian opera singer Andrea Bocelli.

McGlinn’s roots in mining give him valuable experience for Panguna -- one of NRW’s businesses was constructing dams that hold mining waste. He’s also linked to a recent effort by the island’s government to kick start development, when it created Bougainville Advance Mining. The government’s Executive Council proposed last year an amendment to the 2015 mining act that would give all available mining rights to the new company, in which McGlinn’s Caballus Mining would hold a stake.

That amendment drew criticism from landowners, as well as Bougainville Copper, the former mine operator, which says the proposal undermines its rights to mine Panguna. The bill was later shelved. A representative of Caballus said McGlinn was unavailable to comment.



Richard Hains

Another interested party is Richard Hains, son of the Australian billionaire David Hains. Richard, famous for keeping wallabies on his Gloucestershire estate, has helped develop mines in some of the world's most difficult places. He's the largest shareholder of RTG Mining Inc., whose management team has financed, built and operated mines across Africa and Asia, including the Boroo gold mine in Mongolia.

"Some of the best opportunities in the mining business in the 21st century are now in the more difficult commercial environments," Hains said in a phone interview.

RTG believes it can restart production at Panguna through a staged process in as little as 18 months for about \$800 million.

"It's far smarter to start with a smaller footprint," said RTG Chairman Michael Carrick. "Then in consultation with the community, we can turn up the mine's operation."

RTG operates a joint venture with the Special Mining Lease Osikaiyang Landowners Association, a Panguna landowners group. The JV employs 15 people, including Philip Miriori, the chairman of the landowners group.

#### Why a Part of Papua New Guinea Is Eyeing Independence: QuickTake

There are bigger fish too. Fortescue Metals Group Ltd. said in an emailed statement it has sent representatives to Bougainville to learn about the region and potential opportunities, confirming earlier reports. Founder Andrew Forrest is Australia's second-richest person with a \$10.2 billion fortune, according to the Bloomberg Billionaires Index.

Shaw and Partners' O'Connor said Chinese miners may also have a chance of redeveloping Panguna because they have a greater risk appetite and access to cheap financing.

But the Panguna landowners group Chairman Miriori said the people he represents aren't interested in working with Chinese developers because of their poor environmental track record.



Bougainville residents gather for the referendum vote in Buka in November.

If anyone wins the right to develop Panguna or other parts of the autonomous region they will need to do so cautiously. Violence remains a constant threat in a community that is still fiercely divided.

A geologist working for Perth-based Kalia Ltd. was killed and seven others were injured in an attack in northern Bougainville in December, according to the local government and the company, whose chairman is former Australia Minister for Defence David Johnston. Authorities subsequently suspended Kalia's exploration expeditions and geological field work.

There's also a moratorium on work at Panguna because of sensitivity to restarting the mine, said Raymond Masono, Bougainville's vice president and minister for mineral and energy resources.

"We are no longer talking with any investors about Panguna until the moratorium is lifted, and we don't know when" that will be, he said by phone. "The government is trading very carefully on this particular mine."

Bougainville Copper lost 5% to close at 28.5 Australian cents in Sydney trading on Tuesday.

But prospects for restarting Panguna and allowing for the development of new mines are bolstered by the idea that Bougainville would need revenue to have any chance of financing an independent state. Many hope the mineral wealth could ultimately help reduce poverty for the region's 300,000 people where estimated per capita GDP is only about \$1,100.

That would depend not only on clearing the way to restart production, but a government able to make sure that enough of the proceeds are used to fund development. "Given the failure of mining in PNG to deliver really anything like sustainable development, those hopes may end up being disappointed," said Luke Fletcher, executive director of Jubilee Australia, a group that has tracked the effect of resource extraction.

But the lure of riches mean miners aren't likely to give up.

"Bougainville had almost no exploration for nearly 40 years," said Mike Johnston, executive director of Kalia. "There's no other place like it on the planet."

— *With assistance by Justina Vasquez*

(Updates with share price in 5th paragraph from end.)