

OZMINE 2011

*Australian Mining
Juniors in Indonesia:*

Strategy for Success



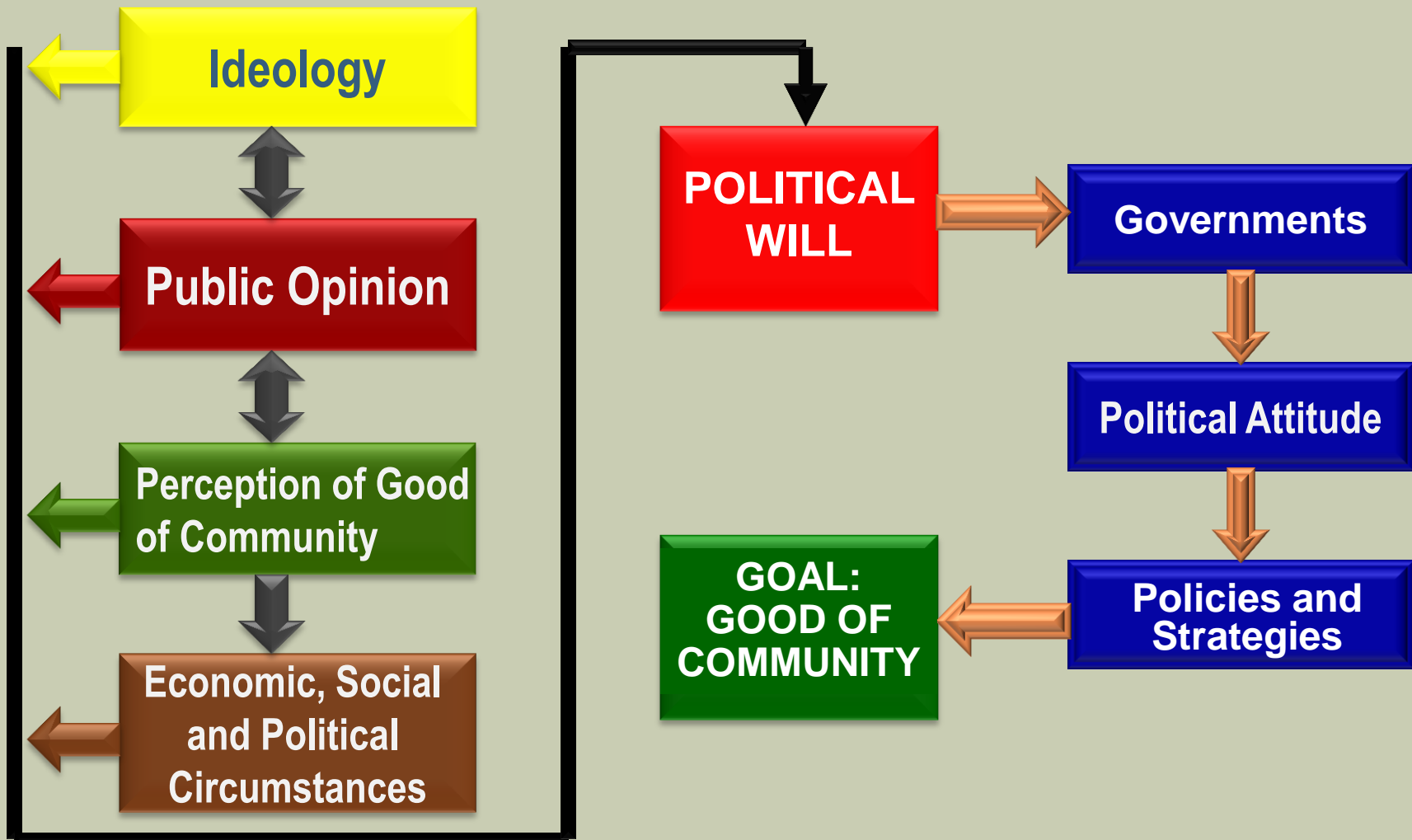
NOKE KIROYAN

Session Four

Jakarta, March 30, 2011

National Policy-Making Process

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Main Domestic Factors Influencing Political Will



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The economic system and general state of the national economy

Domestic political factors, such as the position of different political parties with regard to foreign investments in general and foreign mining investments in particular

Government priorities and objectives

Internal pressure originating from public opinion and expectations

National ideology and/or philosophy

The personality of those in power

The history of previous dealings with transnational mining companies (TMCs)

The political system

Political Will Toward Mining

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Year	Era	Political Will
1945-1950	Revolution	No, fighting a war
1950-1957	Proto-democracy	No, pressing concerns with nationhood
1957-1966	Guided Democracy	No!
1966-1998	New Order	Yes!
1998-2005	Reformation	Basically yes, but more important issues need to be prioritized
2005-now	(?)	We're trying to make up our mind

Producing mines 2005 excluding coal

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Company	Mineral	Country
PT Aneka Tambang Tbk	Nickel, gold, others	Indonesia (SOE)
PT Timah Tbk	Tin	Indonesia (SOE)
PT Freeport Indonesia	Copper, gold, silver	U.S.A.
PT Koba Tin	Tin	Malaysia
PT INCO Tbk	Nickel	Brazil
PT Karimun Granit	Granite	Indonesia
PT Kelian Equatorial Mining	Gold, silver	U.K.
PT Indo Muro Kencana	Gold, silver	Australia
PT Newmont Nusa Tenggara	Copper, gold, silver	U.S.A.
PT Nusa Halmahera Mineral	Gold, silver	Australia
PT Galuh Cempaka	Diamond	Australia
PT Avocet Bolaang Mongondow	Gold, silver	U.K.

Article 33 of Indonesian Constitution

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1. The economy shall be organized as a common endeavor based upon the principles of the family system

2. Sectors of production that are important for the country and affect the life of the People shall be controlled by the State

3. The land, the waters and the natural riches contained therein shall be controlled by the State and exploited to the greatest benefit of the people

Mining and Socio-political factors

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Mining is an industry that more than any sector of the economy reflects and is directly impacted by the political and social conditions in a country

Socio-political factors are the single defining complex of issues that determine the success or failure of a mining operation in emerging economies and developing countries

It follows that mining companies, including juniors, need to acquire sufficient understanding of the social and political situation at national and local levels prior to committing resources to explore and develop assets

Junior Mining Companies

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- No set definition
- Little or no revenues from production
- Exploration, not mining companies
- High percentage of technical people
- It's fun!

Hans Smit, Ascot Resources Ltd., April 2008

Companies engaged in the earlier and/or smaller scale stages of exploration, development or production. They are inherently more risky than other types of investments.

Brian Tang, MINING.com, March - April 210

- Rely on financing from capital markets and private financing sources
- Not unlike other venture capital firms or even small, startup technology companies

Mike Palios, International Speculator, 2011

Land compensation issues

Environmental issues

Community relations

Governance issues

Ethnic conflict

Intercommunity rivalry and jealousy

Intra-community rivalry and jealousy

Employment

Demands of local government

Choice of local partner

Insufficient legal, social and political advice

Stakeholder Identification

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To whom does the organization have legal obligations?

Who might be positively or negatively be affected by the organizations activities or decisions?

Who manifested concern about the issues or impacts?

Who has been involved in the past when similar concerns need to be addressed?

Who can help the organization address specific impacts?

Who can adversely affect the organization's ability to meet its important objectives?

Who would be disadvantaged if they were excluded from the engagement?

Who in the value chain is affected?

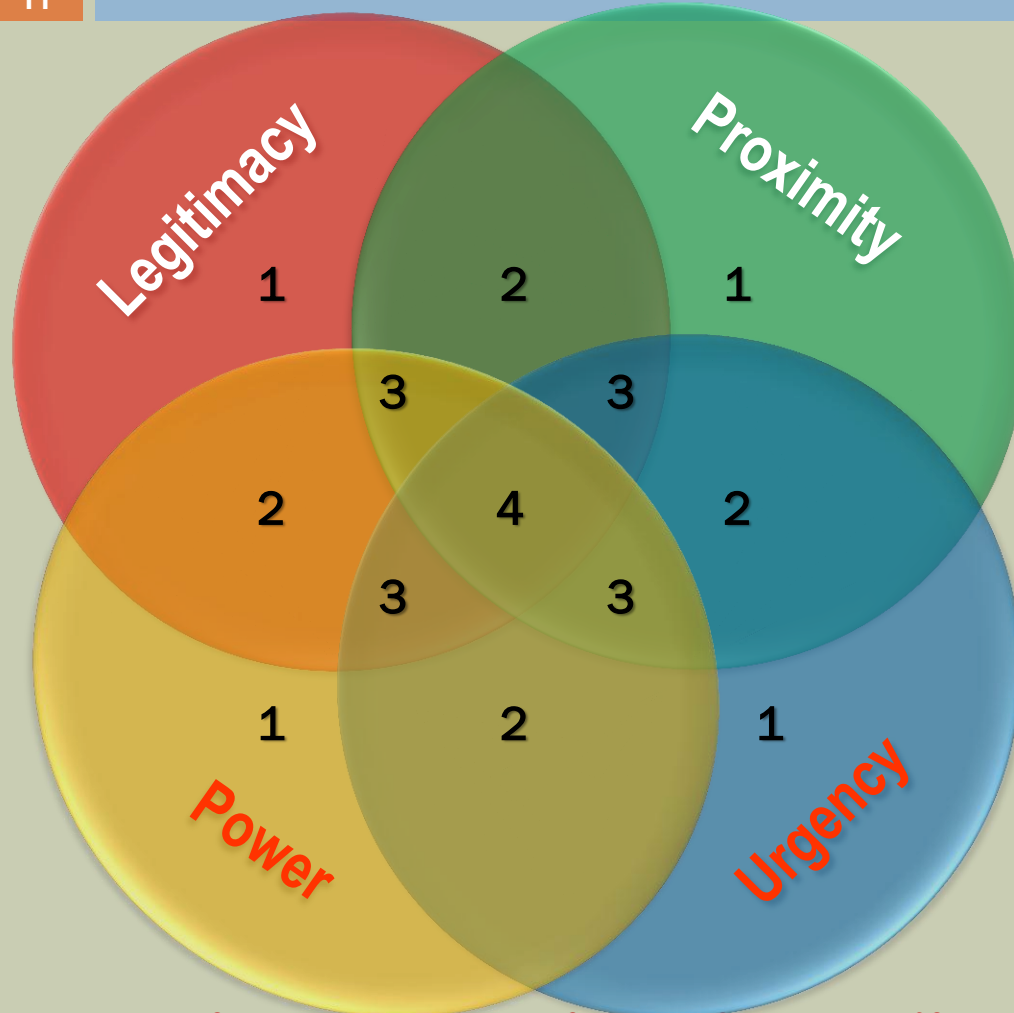
Who may have an impact on the reputation of an organization?

Who may influence the policy and regulatory environment in which the organization operates?

Who may impact on the value of the organization?

Stakeholder Attributes and Typology

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- 0 = Non-Stakeholder
- 1 = Latent Stakeholder
- 2 = Expectant Stakeholder
- 3 = Definitive Stakeholder
- 4 = Primary Stakeholder

("The Primordial Stakeholder: Advancing the Conceptual Consideration of Stakeholder Status for Natural Environment," - Driscoll, C. and Starik, M. Journal of Business Ethics, Vol. 49, 2004)

("The Natural Environment as a Primary Stakeholder: the Case of Climate Change," - Haigh, N. and Griffiths, A. Business Strategy and the Environment, Aug 2007)



Example of Stakeholder Analysis

Stakeholder	Category	Power	Legitimacy	Urgency	Proximity	Main Score (/20)	Vulnerability	Real Impact	V+R Score (/10)
Bupati (Regent)	pr	5	5	5	5	20	3	5	8
Regency Planning Bureau	pr	4	5	5	5	19	2	2	4
Land Admin. Agency	pr	4	5	5	5	19	3	5	8
Provincial EPA	pr	3	5	5	5	18	3	5	8
Gunung Village	de	2	4	5	3	14	5	5	10
Wira (informal leader)	de	5	5	2	3	15	3	1	4
Clan-based organization (Jakarta)	la	1	1	1	2	5	1	1	2
Village youth organization	de	4	5	1	5	15	0	1	1

THANK YOU

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