

Woodlark Island Kula Gold Project Papua New Guinea

Sectors: Mining

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By: BankTrack



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[Project website](#)

Sector	Mining
Location	
Website	https://www.facebook.com/groups/alotauenvironment.nominatingpollution/
	This project has been identified as an Equator Project

About Woodlark Island Kula Gold Project

The Woodlark Island Goldmine Project mine is a proposed and approved open cut mine in the centre of Woodlark Island. The island is isolated and has a mainly subsistence population of 6000 people. The project will be operated by Woodlark Mining Limited (WML), a company owned by Kula Gold Limited, and was granted a Mining Lease in July 2014. This lease and two adjacent exploration leases cover half the land area of Woodlark Island. The PNG Government acquired a 5% interest in the project with the option to undertake a further acquisition of up to 25%. Proceeds from this interest are expected to be distributed between local landowners and the Milne Bay Provincial Government. During the exploration phase, the mine supported a workforce of approximately 350 people. During operation it is expected to be between 300 and 500. It is estimated that 60% of the workforce will be PNG locals. Various levels of PNG government and local communities have expressed concern about the opportunities to maximise local employment. Sources of conflict are yet to be fully realised but the principal concerns are described below. These concerns are amplified by delays in the EIR process, poor consultation practices, a lack of transparency and participation and the inexperience and small size of the company when compared to the size of the project.

Latest developments

Woodlark Island

Apr 23 2015

Woodlark Island

Dec 10 2014

What must happen

Similar to other mines in Papua New Guinea the Woodlark project is expected to deliver poor social outcomes for local communities and a legacy of terrestrial and marine destruction.

- It should not be funded by any responsible financial organisations
- The project should be redesigned and reassessed with proper consultation on Woodlark, throughout the Milne Bay Province and with external stakeholders.
- The disposal of mine waste into the ocean should be rejected by PNG and the host countries of mining and/or finance companies.

Impacts

Social and human rights impacts

Potential health impacts: Mental problems including stress, depression and suicide, Health problems related to alcoholism, prostitution, Occupational disease and accidents, Infectious diseases, Deaths.

Visible social impacts: Displacement, Land dispossession.

Potential social impacts: Increase in violence and crime, Loss of traditional knowledge/practices/cultures, Specific impacts on women, Loss of landscape/sense of place, Loss of livelihood.

Stakeholder engagement was conducted for an Environmental Impact Statement (EIS) which was published in January 2013. Policies underlying stakeholder engagement were stated as generic principles which include respect and recognition of cultures and values, transparency and consultation and seeking to create lasting, but temporally unspecific, relationships built on trust and mutual respect. To this end, WML considers that local communities have been consulted and 'informed' of planned mining and mine-related activities. A number of global environment Non-Governmental Organisations (NGO's) and religious organisations are listed within the EIS as being potential stakeholders, but the EIS gives no indication that any NGO groups have been involved. The Mineral Policy Institute requested involvement before the EIS was released for public consultation in July 2013. This was ignored and numerous subsequent requests for the EIS were rejected by Kula Gold directors.

Impacts upon local communities were considered to be 'direct', 'indirect' or 'minimal'. This assessment appears based solely upon geographical proximity to the mine itself. The only village considered to be directly impacted by the mine was Kulumandau. In this case, direct impact consists of relocating nearly 10% of the population of Woodlark Island. WML have indicated that it will facilitate communication with the local communities by 'credible' and 'trusted' representatives, but it is unclear how these representatives were selected and how the qualities of credibility and trustworthiness were measured and whether they were assessed by WML, the local communities or both. Key potential points of conflict involve the lack of specific plans for relocation and compensation of these affected villagers. Relocation will mean that land has to be retitled and returned to traditional owners. These concerns are magnified because of uncertainties about the time-frame of the project and exploration activity associated with adjacent leases.

The proposed marine mine waste disposal has further potential for conflict involving both local communities and those bordering the Solomon Sea. There are specific concerns about the impact on the marine environment and fishing activities in particular. Marine mine waste disposal has proven to be very controversial in PNG and was the subject of a series of court cases involving the Ramu Nickel mine and Basumuk Bay refinery.

Environmental and climate impacts

Potential: Air pollution, Biodiversity loss (wildlife, agro-diversity), Floods (river, coastal, mudflow), Loss of landscape/aesthetic degradation, Noise pollution, Soil contamination, Waste overflow, Deforestation and loss of vegetation cover, Surface water pollution / Decreasing water (physico-chemical, biological) quality, Groundwater pollution or depletion, Reduced ecological / hydrological connectivity, Mine tailing spills, Soil erosion, Large-scale disturbance of hydro and geological systems

Governance

Applicable norms and standards

1972 Convention on the Prevention of Marine Pollution by Dumping Wastes and other Matters

AA1000 Series of Standards

Equator Principles

Extractive Industries Transparency Initiative

International Council on Mining and Minerals (ICMM)- 10 Principles

OECD Guidelines for Multinational Enterprises

Brief history

The project has a complex and chequered history of ownership, which dates back to 1988. It started as joint venture between BHP Utah and Nord Resources. During this period, regional exploration, a drilling program and a prefeasibility assessment were undertaken. In 1989, the project was taken over by Highlands Gold, which was subsequently acquired by Auridium Gold. In 1996, Auridium Gold prepared a number of reports including another feasibility study. From 1998 to 2004 the project was undertaken as a joint venture between Auridium (PNG) Ltd. and Battlefield. In 2004 the project was acquired by BDM Mining Limited (which wholly owned WML 2005-7) until it was bought by Kula Gold in 2007. The project is currently operated by Woodlark Mining Limited (WML), which is wholly owned subsidiary of Kula Gold, an Australian company that listed on the [Australian Stock Exchange](#) in November 2010.

Timeline

Woodlark Island

Apr 23 2015

Proponents Kula Gold released their 2014 Annual Report on the 30th March 2015. In it the Chairman, David Frecker, acknowledges that finding the finance to construct the mine will be a challenge at current gold prices.

Woodlark Island

Dec 10 2014

In December 2014, another request by the Mineral Policy Institute (MPI) for a copy of the Environmental Impact Statement was made directly to CEO Stuart Pether, once again MPI was denied access. Note: Since mid 2013 Kuld Gold has persistently denied MPI access to the EIS indicating a very low commitment to transparency.

Financiers

Banks

[HSBC](#) United Kingdom [profile](#)

Details ▼

Equity – share owner/manager
2.15%

[JPMorgan Chase](#) United States [profile](#)

Details ▼

Equity – share owner/manager

Equity – share owner/manager

13.62%

This project is not yet fully funded, and is a no go for banks. It is closely tracked by BankTrack.

Kula Gold has appointed an unknown financial advisor to identify funding options and is seeking \$200 million in project finance. Other options include funding via debt, equity, a corporate transaction or a joint venture.

To date shareholders have provided strong support for capital raising, which includes Equator Principle banks and their associated/subsidiary/nominee shareholding companies.

Related companies