



BANK OF PAPUA NEW GUINEA

REQUIREMENTS FOR A GOLD EXPORT LICENCE

ISSUE NO. 1: ALLUVIAL GOLD EXPORTS

DATE: 17 NOVEMBER 2015

1. POLICY

The provisions of the Central Banking Regulation governing gold¹ dealings within Papua New Guinea (PNG) were de-regulated in 1987 enabling all residents to buy and sell gold within PNG. However, a gold export licence (Licence) must be obtained from the Central Bank to export gold. For alluvial gold exports, a Licence is valid for one (1) year, and a new application must be submitted to the Bank of Papua New Guinea (Central Bank) for its review and consideration after it expires. During the tenure of the Licence, the Licensee is required to comply with the Operational Requirements. For large mining companies the Licence is valid for the duration of the mining lease or special mining lease.

The licensing requirements set out in this document apply to alluvial gold exports.

2. THE LICENSING REQUIREMENTS

The following requirements must be satisfied before the Central Bank could grant a Licence.

2.1 Gold Export Business Plan

The applicant must submit a detailed business plan for its gold exporting business. The plan must set out in full detail the separation of the gold exporting business from other businesses of the applicant; and an organizational and management structure that clearly identifies the gold exporting business. The gold exporting business plan must be no more than five (5) pages, excluding attachments.

The applicant must also submit a cashflow forecast for alluvial gold exports with detailed assumptions, for the ensuing twenty-four (24) calendar months from the date of the application showing all receipts and expenses in Kina with the following information:

- (a) The estimated weight of raw gold to be purchased per month;
- (b) The local purchase price of raw gold per gram or ounce of gold;
- (c) The USD/PGK exchange rate;
- (d) The local assaying and refining costs;
- (e) The price of gold in US dollar per fine ounce, based on the London Bullion Market Association (LBMA) spot price;
- (f) The US dollar gold price discount imposed by the offshore buyer, which should be no more than two percent (2%) of the price of fine ounce of gold.
- (g) The estimated gold export proceeds in US dollar;
- (h) The percentage of fine gold recovered after refining overseas;
- (i) The freight, security and insurance related costs involved to export the gold overseas; and
- (j) Other local and overseas costs.

¹ Alluvial Gold naturally contains some silver, so the requirements may apply to silver.

2.2 **Company Information**

(i) **Company Incorporation**

A court certified copy of the Certificate of Incorporation of the company (Form 5) issued by the Investment Promotion Authority (the IPA).

(ii) **Company Business Registration**

A court certified copy of the Certificate of Registration of the business name (Form 1 and Form 2) issued by the IPA showing that the applicant is a “single” purpose company.

(iii) **Foreign Company Registration**

A foreign incorporated company must provide a court certified copy of the Certificate Permitting a Foreign Entity to Carry on an Activity in PNG (Form 4) lodged with the IPA.

(iv) **Shareholders of the Company**

A court certified copy of the latest Company Extract from the IPA showing names of the shareholders and company directors.

(v) **Share Capital**

A court certified copy of the Consent of Shareholders of Proposed Company (Form 4) and Notice of Issue of Shares (Form 10) lodged with the IPA showing issued and paid up equity capital in ordinary shares of no less than fifty thousand Kina (K50,000.00).

(vi) **Contact Details**

The applicant must provide in full the business and postal address, including any other contact details of the company and its directors. The applicant must also provide information on the physical location of its office in PNG.

2.3 **Performance Bond**

The applicant must deposit a performance bond of no less than fifty thousand Kina (K50,000.00) with a licensed commercial bank in PNG in its first year of operations. The bond must be maintained for a minimum of twenty-four (24) calendar months in favour of the Central Bank and must not be used for any other purpose.

2.4 **Bank Accounts**

The applicant must establish no more than two bank accounts with a licensed commercial bank in PNG for depositing the proceeds from gold and silver exports. These accounts must be strictly used for gold and silver exports only. The accounts must be closed within twenty-one (21) days from the date the Gold export licence is cancelled or upon any direction from the Central Bank.

2.5 **Information on the Overseas Gold Buyer**

The applicant must provide full details of the overseas buyer, including business name, address, and business operations. The buyer must be a refiner.

2.6 **Gold Refining, Sale and Purchase Agreement (the Agreement)**

The applicant must provide an unexecuted draft Agreement substantially in the form of the Annexure 1 between the seller and buyer containing the following:

- (i) a reference to the LBMA spot price in US dollars at which the fine gold will be sold;
- (ii) a price discount of no more than 2% for fine gold, of the LBMA spot price on the day of final outturn of fine gold;
- (iii) the percentage of gold set aside for umpire determination before refining;
- (iv) the offshore refining, assaying, and safe-keeping costs;
- (v) the transportation, security, insurance and other export related costs that will be incurred and the party to the Agreement that will pay for these costs; and
- (vi) a detailed schedule of quotations from valuable or reputable transportation companies.

2.7 Financing Contract

The applicant seeking offshore or onshore financing must provide the following signed and dated financing contracts, where applicable:

- (i) a loan contract which sets out in full,
 - (a) the interest rate appropriate to the currency of the loan, and
 - (b) other fees and charges; and
- (ii) an equity capital contract, which sets out in full the terms and conditions of equity capital.

2.8 Assaying and Refining

- (i) The applicant must provide a copy of the letter from a local assay office confirming the performance of assaying service for the company. The letter should also set out in full the assaying and refining fees, and other charges.

An applicant who wishes to establish its own assaying facilities must provide copies of:

- (a) its assayer's educational qualifications and technical competency certification; and
 - (b) court certified certification from the National Institute of Standards and Industrial Technology (NISIT), or the Department of Mining (DOM), or the Mineral Resources Authority (MRA), or the successor to any one of them.
- (ii) The applicant must provide a copy of letter confirming the provision of offshore gold assaying and refining services. The letter should also set out in full the assaying and refining fees, and other charges.

2.9 Reference Letter and Bank Statement

The applicant must provide following:

- (i) A reference letter from a licensed commercial bank in PNG.
- (ii) A statement of bank account from a licensed commercial bank in PNG showing total funds of no less than one hundred thousand Kina

(K100,000.00). This amount includes the share capital of 2.2(v) and performance bond 2.3.

2.10 **Application Fee**

A non-refundable application fee of Five thousand Kina (K5,000.00) in bank cheque made payable to the Central Bank must accompany the application.

3. **DEFINITIONS**

Authorized Gold Exporter – means a company which has been licensed as a gold exporter for the purpose of Part III of the Central Banking Regulation and section 80 of the Act.

Central Banking Regulation - means the Central Banking (Foreign Exchange and Gold) Regulation.

Licensing Requirements – means the requirements set out under this document.

Operating Requirements – means the requirements set out under a separate document.

The Act – means the Central Banking Act 2000.

The Central Bank – means the Bank of Papua New Guinea established under the Act.



BANK OF PAPUA NEW GUINEA

CHECKLIST

GOLD EXPORT LICENCE APPLICATION

This is intended to assist the applicant in preparing and submitting a complete application, in the form and detail set out under the **“LICENCING REQUIREMENTS”** (Part 2) of the REQUIREMENTS FOR A GOLD EXPORT LICENCE². Place tick in the space (____) alongside each item.

1. Gold Export Business Plan (Part 2.1)

- Full details of foreign exchange business and the objectives, including the business model
- Organisational structure, incorporating the gold export business
- Overall Management structure, incorporating separately the gold the export business management structure
- Full details of sources of financing
- Provide a detail cashflow forecast, which should include information (a) to (j).

2. Company Information (Part 2.2)

- Company Incorporation Certificate - Form 5
- Application for Registration of Business Name - Form 1
- Certificate of Registration Business Name - Form 2
- Foreign Company Registration Certificate – Form 4
- Company Extract of Shareholders from the IPA
- Consent of Shareholders of Proposed Company – Form 4
- Notice of Issue of Shares – Form 10
- Contact Details

3. Performance Bond (Part 2.3)

- Original bank issued performance bond of K50,000.00

4. Bank Account Details (Parts 2.4)

- Account numbers
- Currency of accounts
- Bank name(s)
- Name of place account(s) held

² Additional information may be submitted (or requested) where appropriate to clarify or supplement the requested information.

CHECKLIST

GOLD EXPORT LICENCE APPLICATION (CONTINUED)

- 5. Information on Overseas Gold Buyer (Part 2.5)**
 Business name
 Postal and other contact details
 Information on nature of its business
- 6. The Unsigned Draft Agreement (Part 2.6)**
 Reference to the London Bullion Association Market Spot Price
 Price discount for gold
 Percentage of gold set aside before refining
 Schedule of offshore refining, assaying and safe-keeping costs
 Schedule of domestic and international transportation, security, insurance and other export costs
 Name of party paying transportation, security, insurance and other export costs
- 7. Financing Contract, if applicable (Part 2.7)**
 A loan contract for onshore or offshore borrowing
 Equity capital contract
- 8. Assaying and Refining (Part 2.8)**
 Letter confirming provision of local assaying and refining services
 Local assayer's educational qualifications, certified by district or higher courts
 Local technical competency certificate, certified by district or higher courts
 Letter confirming provision of offshore assaying and refining services and charges
- 9. Reference Letter and Bank Statement (Part 2.9)**
 A commercial bank reference letter
 A printout of bank account statement
- 10. Application Fee (Part 2.10)**
 A bank cheque of K5,000.00
- 11. Other**
 Domestic and international quotations from valuable transportation companies/providers
 Complete GEL-FORM 2
 Complete GEL-FORM 3



GEL- FORM 2

BANK OF PAPUA NEW GUINEA

**APPLICATION FOR A GOLD EXPORT LICENCE, UNDER SECTION 80 OF THE
CENTRAL BANKING ACT (2000) AND PART III OF THE CENTRAL BANKING
(FOREIGN EXCHANGE AND GOLD) REGULATION**

Application Date: _____

Name of Applicant:

Operating Location of Applicant's Head Office:

Postal Address of Applicant:

Contact Information:

Name:

Position or Title:

Postal Address:

Telephone/Fax:

E-mail:



GEL- FORM 3

BANK OF PAPUA NEW GUINEA

**DECLARATION
IN RESPECT OF APPLICATION TO EXPORT GOLD**

I/We, the undersigned acting for-and-on behalf of the applicant do hereby certify that:

*All the information and documentation provided as per the **CHECKLIST** in support of this application is true and correct in all respects to the best of my/our knowledge.*

Name and Signatures:

Name of applicant's Director 1

Signature

Name of applicant's Director 2

Signature

Name of applicant's Director 3

Signature

Name of applicant's Director 4

Signature

Name of Chief Executive Officer

Signature

Date: _____