

Book review – Greg Roberts

Gold, treachery and warfare – the Mt Kare goldmine affair

'Mt Kare Gold Rush: Papua New Guinea 1988-1994', by Dave Henton and Andi Flower



Andi Flower

In Papua New Guinea, it is not unusual for corporate greed, corruption and governmental mismanagement to derail much-needed economic advancement. Traditional land ownership is often ill-defined and uncertain, so the task of doing business is made all the harder by the legal requirement for developers to pay compensation to far-from-united landowners.

Miner Andi Flower thought his time was up when he was pursued by angry landowners in the PNG Highlands until he was rescued by a company helicopter. "The mob was yelling and screaming behind us, carrying bush knives and spears," the Queensland man writes in a new book. "It wasn't a good time to stop, so we kept driving. The chopper landed on the road. I scrambled aboard. It was a close call."

As the representative for mining giant Conzinc Riotinto of Australia, Flower's job was to forge agreements to operate a potentially lucrative goldmine in the western Highlands. Flower says he had to evade hired killers and being thrown into jail cells.

Flower's self-published book, *Mt Kare Gold Rush*, co-written with teacher Dave Henton, offers an explanation why Australia's resource-rich and nearest neighbour and one of its main aid recipients remains mired in poverty more than three decades after achieving independence from Australia.

Flower was pitted against colourful Brisbane businessman Denis Reinhardt in a bitter struggle for the spoils of the Mt Kare mine. Reinhardt was acting for a Perth-based consortium competing with CRA for the rights to mine the gold. The actions of the two Australians would help determine the future of a big foreign development project in ways that could never work at home.

CRA struck gold on Mt Kare while its geologists were digging a toilet hole in 1987. Word spread quickly and, before long, 10,000 gold-fossicking locals were camped there.

New Zealand-born Flower had worked among the Huli people in the Highlands since moving there in 1965, running trading stores with locals. Landowners approached Flower to negotiate a mining agreement with CRA. While negotiations spluttered along, CRA had a disaster with the closure of its Panguna copper and gold mine on Bougainville Island after it was attacked by secessionist rebels. Flower writes: "It was a very noisy background to the Mt Kare negotiations."

At the first meeting of landowners, in 1989, tempers flared amid rival claims of ownership. A warrior slammed an axe into the table at which Flower was sitting, missing his hand by centimetres. Another meeting at Madang disintegrated into farce, with landowners who were cashed up with gold-fossicking earnings becoming distracted by alcohol and prostitutes. Flower saw them on the beach: "They were rutting like stoats. Suffice to say that rabbits are more modest."

Flower refers to a vigorous debate between landowners at one meeting: "Longstanding rivalries came to the fore and the air was filled with oaths, threats and obscenities in various languages." Finally, at a meeting in Cairns in 1990, the representatives of 6000 landowners under the umbrella of the Kare Puga Development Corporation struck a historic deal with CRA, giving it an unprecedented (for PNG) 49 per cent stake in the mine.

But locals who thought they had been left out of the action enlisted the aid of parliamentarians and foreign consultants. MP Tom Amaiu introduced a bill to stop CRA being granted a lease at the mine. Amaiu had been famously made corrective services minister upon his release from jail some years earlier after serving a term for fraud.

The dissident landowners negotiated with American and Australian companies to counter the CRA-KDA deal, which had the support of the government of prime minister Rabbie Namaliu. One foreigner supporting the dissidents was Australian Peter Walker, whom the PNG National Intelligence Organisation said had enlisted 'PNG stooges' including politicians to try to derail the CRA-KDA deal.

Tensions over who owned what land were mounting. Then minerals minister Patterson Lowa told parliament he had been threatened with death if a CRA prospecting authority were renewed. In January 1992, the mine site was attacked by armed thugs. Managers were forced at gunpoint to pour diesel and kerosene on buildings and equipment and set them alight. With a damages bill of 3 million kina, the mine was forced to close.

CRA's rival, a consortium led by Perth-based Ramsgate Resources, had also become attracted to the Mt Kare mine. On the recommendation of businessman Trevor Kennedy, the consortium hired Denis Reinhardt, whose family had a long history in PNG and who was a close friend of Paias Wingti, then both a former and future prime minister.

Reinhardt was an unlikely mining advocate. The former journalist and student activist was a champion of various left-wing causes in Brisbane in the '70s. He underwent a remarkable transformation, taking over mining companies and cultivating contacts with his erstwhile enemies in Queensland's branch of the National Party. They included former Treasury chief Edward 'Top Level Ted' Lyons and disgraced police commissioner Terence Lewis, who both sank money into Reinhardt's ill-fated gold-mining ventures.

Reinhardt's investments floundered. His goldmine in the rainforests of the Conondale Range, in the Sunshine Coast hinterland, was an environmental disaster. Shortly before moving to PNG, Reinhardt was sued by Standard Chartered Bank for \$11 million owed by his companies. Although a director or secretary of 36 companies, Reinhardt said: "I obviously haven't got any money."

A new PNG company, Oakland, was set up by the Ramsgate consortium to sign an agreement with dissident landowner groups opposed to the CRA-KDA deal. Court actions challenging the legality of CRA's leases were launched and complaints lodged with police alleging that Flower had improperly received KDC payments.

Reinhardt turned up in the Highlands town of Tari with a fraud squad policeman as efforts were stepped up to lobby landowners to join the dissidents. Five KDC directors were put in a Tari jail cell "for their own protection".

Reinhardt served on Flower a court order requiring him to hand over documents relating to Mt Kare. When he refused, Flower was arrested and thrown into a police watch-house with 20 criminals. Flower: "The air was fetid, rank with the smell of dried sweat, recent crimes and the drain at the back."

Reinhardt produced a series of reports for clients which were later leaked to Flower, who has given copies to Inquirer. In one report, Reinhardt boasts that he had convinced a landowners representative to "persuade Andi Flower that he should leave the country".

In one of his reports, Reinhardt tells Ramsgate that a primary purpose was to "keep the pressure on Flower to give up". Apart from litigation, Reinhardt advocated a "form of guerrilla warfare in the media against CRA", for instance by placing advertisements in the Fairfax press in which landowners appealed to CRA shareholders.

At the time, Namaliu was considering deporting Reinhardt. The PNG Foreign Affairs Department told the prime minister in a report that Reinhardt faced civil court actions for "dubious business dealings" in Australia.

Reinhardt's friend Wingti won national elections in June 1992. The new government moved to drop charges against three men over the attack on the mine site five months earlier and to bring in fraud charges against Flower.

In a stick-and-carrot approach, the dissident landowners tried to win Flower over by offering him a K30,000 "retainer" and an end to litigation. He turned the offer down. Soon after, during a visit by Flower to Tari, the dissidents spread a story that he had set up the murder of a man. Flower was pursued by an angry mob and rescued by helicopter. "This lot wanted my blood and I didn't feel even slightly brave."

Reinhardt's endeavours found favour in the Fairfax press. An article in The Sunday Age headed "PNG warns rip-off miners", quoted Ramsgate chief John Morris: "What we are up against is very much the old colonial mentality. We want to share 50-50 with the locals. It's as simple as that." Flower saw it differently, alleging: "They didn't like the idea of dividends being divided among 6000 landowners; they needed to control KDC so they could get their hands on the money."

While working for Ramsgate, Reinhardt was hired as an adviser to PNG mines minister Masket Iangalio. Iangalio went on the attack against CRA, accusing the company in parliament of offering bribes to landowners. CRA responded angrily, with group executive Mark Rayner declaring: "CRA is aware of widespread allegations of bribery and corruption, but it is not CRA offering the bribes."

In a June 1993 letter to dissident landowner leaders and Ramsgate, one man demanded a K250,000 payment for organising the attack on the mine site 17 months earlier. The letter said the man had been approached to organise a gang to get rid of CRA at Mt Kare and that "me and my gang carried our contractual duties". The letter warned that if the money were not paid, the plot would be revealed.

Ramsgate eventually prevailed in the courts, with a key ruling vindicating the appointment of a KDC chairman. An exhausted CRA pulled out of Mt Kare in 1993, and Flower finally agreed to join the dissidents, working side-by-side for several months with Reinhardt: "The long and short of it was that I entered the belly of the beast."

MP Moi Avei told parliament that Reinhardt stood to profit because Ramsgate had offered him 1.3 million paid and optional shares conditional on a satisfactory outcome at Mt Kare. But Wingti lost a parliamentary no-confidence motion in 1994 and new prime minister Julius Chan moved quickly to deport Reinhardt. Ramsgate had control of the mine but, like CRA, found itself mired in litigation amid competing claims of land ownership. With nothing to show for its efforts but a \$8million loss, the now defunct Ramsgate Resources finally quit Mt Kare in 1998.

Reinhardt went off in search of greener pastures. In the late 1990s, an Australian company, Ross Mining, was developing the Gold Ridge goldmine on the island of Guadalcanal in Solomon Islands, with the support of landowners under what the then prime minister, Solomon Mamaloni, described as a "beautiful agreement".

In 1997, a consortium including a Reinhardt company, Merthyr Holdings, was importing diesel generators to lease to the Solomons government as a temporary measure before building the Lungga Hydro Scheme. The consortium wanted the Gold Ridge mine to be supplied by the generators, but Ross Mining insisted it would use its own power.

At the time, dissident landowners backed by Slater & Gordon were launching court action against Ross Mining, challenging the Gold Ridge mine on constitutional and environmental grounds. Fresh from court successes in tackling CRA over PNG's Ok Tedi mine, the Melbourne law firm saw itself as a protector of the interests of Melanesian landowners.

Ross Mining hit back, alleging in a Solomons High Court claim for damages against Slater & Gordon that Reinhardt and the law firm were working together against it. A court affidavit sworn by landowner David Thuguvoda claimed Slater & Gordon told him "they were experts in using newspapers and television ...". The damages claim alleged the firm had commenced proceedings against Ross Mining in the name of landowner Nelson Tave without his consent. The matter was settled out of court, with Slater & Gordon issuing a statement saying it "regrets ever becoming involved in proceedings".

The Gold Ridge mine was ransacked during the Solomons' 2000 civil conflict and has not reopened. Prime minister Mekere Morauta told his parliament in 2001 that divisions between landowners had led to slayings and the destruction of property. Then Australian Liberal MP Ross Cameron told his parliament in 2003 that the mine was idle after Ross Mining lost millions of dollars, "very largely because of the actions of an Australian law firm acting in support of an unscrupulous businessman, Denis Reinhardt".

Slater & Gordon managing director Andrew Grech told *Inquirer* that the allegations by Morauta and Cameron were baseless: "We invited them to repeat their comments other than with the protection of parliamentary privilege. They declined to do so."

Grech said the claim that Tave had not given his consent for proceedings against Ross Mining was untrue. Slater & Gordon also disputed claims by Thuguvoda, which had never been tested in court.

Reinhardt, now operating Brisbane timber importing company Endeavour Timbers, dismisses many of the claims in Flower's book. He tells *Inquirer*: "Flower has always had a vivid and reconstructive imagination ... His selective rakings of ancient history can only be seen as promoting a self-published tome." Reinhardt says he had no knowledge of the 1992 armed attack on the Mt Kare mine and that he "absolutely" condemned it.

Reinhardt says he gave advice to Slater & Gordon, but the Solomon's litigation was unrelated to either the diesel contract dispute or the demise of the Gold

Ridge mine. "The loss of the mine was for similar complex landowner-government relations issues as in Bougainville. Resource projects in Melanesia must constantly adjust to meet landowners' raised expectations. Otherwise the landowners will resort to direct action."

John Morris, who headed the Ramsgate consortium, also says he had no prior knowledge of the 1992 attack at Mt Kare. Morris says he regrets hiring Reinhardt.

"Andi was not straight up and down either, so what you had were two pretty unsavoury people having it out. On the surface, the project looked brilliant, but when we got there, we quickly learned just how difficult it was."

Today, KDC has an agreement for a 10 per cent cut of the mine with companies Madison Enterprises and Buffalo PNG, which are continuing exploration at Mt Kare 21 years after gold was first discovered there. Meanwhile, about 800 locals are fossicking for alluvial gold at the site.

Flower now lives on Queensland's Sunshine Coast, where he is battling skin cancer.

There were no winners from the Mt Kare imbroglio, just plenty of losers, especially thousands of subsistence villagers.



Mt Kare Gold Rush: Papua New Guinea 1988-1994, by Dave Henton and Andi Flower, is \$48 by order, plus \$14.95 postage, in Australia and New Zealand. Orders via www.mountkaregoldrush.com or PO Box 678, Cotton Tree, Qld 4558.

Source: 'How PNG gold lost its lustre' by Greg Roberts, The Australian, 16 February 2008