

## Indonesian Govt May Cancel Archipelago Resource Gold Project

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JAKARTA (Dow Jones)--A project to develop a gold deposit in Indonesia's North Sulawesi province by Australia's **Archipelago Resources** Plc (AR.LN) may be canceled over environmental concerns, Indonesian government officials said Tuesday.

The head of the environmental impact limitation department at the North Sulawesi provincial branch of the environment ministry, Olvie, who goes by one name, said local governor S.H. Sarundjang has sent a letter to the central government requesting that environmental approval be revoked, as the project may damage the surrounding area or put local residents at risk.

Archipelago owns 85% of the **Toka Tindung** gold project through its local units, PT **Meares Sopotan** Mining and PT **Tambang Tondano Nusajaya**, and has been developing the site since February 2002.

Archipelago estimates that the site contains about 1.7 million ounces or 48.2 metric tons of extractable gold and says it intends to explore for more gold at **Toka Tindung** and four satellite deposits.

The environment ministry in Jakarta has the power to approve or reject the project's continuation pending assessment of the concerns raised by the provincial government, Olvie said by phone.

**Toka Tindung**'s location on a peninsula poses risks to the environment and community, she said.

"There are three main problems: it doesn't guarantee the safety of people in surrounding areas, there has been resistance from the community, and there are other environment-related activities occurring in the area, including tourism," she said.

Dasrul Chaniago, assistant deputy for law enforcement at the environment ministry in Jakarta, said Archipelago's plans to dispose of mine tailings in the soil of the peninsula have generated concern that the health of villagers in the area may be adversely affected.

Chaniago said if certificates of environmental approval - known locally as AMDAL - granted to Archipelago's Indonesian units are revoked, Archipelago won't be able to develop the project until it renegotiates to address the provincial government's concerns.

"If the AMDAL are revoked, automatically all other approvals (for the investment) will be rejected," Chaniago said.

Officials at the environment ministry's environmental impact department, which holds direct

jurisdiction to revoke or uphold approval for the project's continuation, couldn't be reached for comment.

Colin Loosemore, Perth, Australia-based managing director of Archipelago, said he couldn't comment on the future of the **Toka Tindung** project when made aware by Dow Jones Newswires that the North Sulawesi governor had requested the project be denied approval.

"I've received no (information) to that effect at all," Loosemore said.

To finance development at **Toka Tindung**, Archipelago announced a syndicated loan of \$38.5 million with a \$4 million cost overrun facility from four banks in March last year and in May placed about 38,000 shares on the London Stock Exchange to raise around a further \$11 million.

The company bought a used gold processing plant in Chile in 2004 to be reassembled at **Toka Tindung** and has said production may begin in the third quarter of this year and at satellite deposits within three years.

Several other foreign mining companies, including a local unit of Newmont Mining Corp. (NEM), have encountered legal troubles with provincial governments in Indonesia, a fact industry officials and analysts have attributed to a lack of legal certainty following a push for regional autonomy that began in 1998.

Archipelago said on its Web site that it plans to treat mine tailings in accordance with international standards.

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