

# TRANSACTIONS

World Trade Finance, Inc., 875 N. Virgil Avenue, Los Angeles, CA 90029  
Phone: (323) 660-1277 Fax: (323) 660-1470 [www.wtfinc.com](http://www.wtfinc.com)

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## Gold mining in the throat of a volcano – fueled by hot air power?

Lihir Gold Mine in Papua New Guinea had a problem: Because of its remote location on the island of Lihir, it had to import all of its power in the form of diesel fuel to operate its gold mine. At the same time, the mine, which operates in the caldera of an extinct volcano, had to drill geothermal wells to vent hot steam and water to reduce pit temperature and increase safety in the mining operation. Why not use the hot water and steam to generate power for the mine?

To accomplish this, Lihir called upon one of World Trade Finance's ("WTF") clients, Geothermal Development Associates ("GDA") in Reno, Nevada. GDA had a long history of designing, engineering and building geothermal power plants in the US and abroad. After winning the competitive bid, GDA signed a contract in mid 2002 to supply the mine with a 6 MW geothermal steam turbine generator. GDA's turbines and design are ideal for these type of location where the equipment must function in a very rugged operating environment. (Think earthquakes caused by mine blasts as well as tropical climate with two monsoon seasons per year).

Although the contract called for scheduled progress payments, it also required a large performance bond up-front.



Geothermal wells are drilled to help reduce pit temperature

GDA had no problems in the past, procuring these bonds for U.S. jobs. After searching its traditional sources for a lender to issue the required performance bond, GDA called upon World Trade Finance to provide a solution. WTF arranged and issued the required bond through an Exim Bank working capital guarantee within 10 working days and GDA was able to start and complete the entire job in the tight time frame set by the mine. The equipment was shipped in December 2002 and will be ready for power generation in April 2003.

**Please contact Bernd Hermann for your export working capital needs, even if your jobs take to places as remote as Papua New Guinea.**

### Facts on Papua New Guinea:

#### **ECONOMY:**

- GDP: \$ 12.2 billion (2001 est.)
- Per capita: \$ 2,400 (2001 est.)
- Monetary unit: Kina
- Real growth rate: -2.5%
- Inflation: 3.7%

#### **INDUSTRIES:**

- Oil, copper, gold
- Tourism, plywood
- Palm oil processing

#### **EXPORTS:** \$ 1.8 billion (f.o.b.)

- Crude oil, cocoa, logs, palm oil
- Metals, prawns, crayfish

#### **IMPORTS:** \$ 1.024 billion (f.o.b.)

- Machinery and equipment,
- Foods, chemicals, fuel

#### **MAJOR TRADING PARTNERS:**

- Australia, Singapore, Japan

#### **POLITICAL FACTS:**

- Constitutional monarchy with parliamentary democracy

#### **GEOGRAPHY, POPULATION, CULTURE:**

- Area: 462,840 sq km, slightly larger than California
- Population: 5.2 Mill. est.
- Capital: Port Moresby
- Language: Over 750 indigenous languages, English 1%-2% , pidgin English widespread

- Religion: 66% Christian
- 34% indigenous

Source: CIA World Fact Book