



Singapore Company No.: 200106898W PNG Company No.: 3-44724  
PO Box 1786, Port Moresby, NCD Papua New Guinea

*“Promoting development that meets the needs of the present generation  
and establishes the foundation for continuing progress for future generations of Papua New Guineans”*

---

## **PUBLIC STATEMENT**

**Monday April 23 2018**

### **Explanatory comments on media coverage of Cloudy Bay Sustainable Forestry Ltd**

PNG Sustainable Development Program Ltd has been drawn into a dispute between the former business partners who purchased its subsidiary, Cloudy Bay Sustainable Forestry Ltd, in 2014.

PNGSDP purchased Cloudy Bay as a run-down company in 2007. It then invested almost K300 million in a major redevelopment initiative. Cloudy Bay was re-equipped with new facilities to create some 400 jobs, and a community development program delivered roads, bridges, school classrooms, housing, a police station and dormitories and other infrastructure to a rural area desperate for development.

These good works came to an abrupt halt shortly after the O'Neill Government expropriated the Ok Tedi mine when the threat of further expropriations resulted in the forced sale of Cloudy Bay to Lifese Engineering Limited. That sale was driven by a prominent businessman who, at that time held a role with PNGSDP and, in that capacity, was appointed to the Cloudy Bay board. A down-payment on the purchase price was made at that time with the balance financed by way of a vendor loan in keeping with normal commercial practice.

It was while in that position of influence that the person in question surreptitiously obtained money and other benefits to which he was not entitled. When the purchase of Cloudy Bay was agreed to in 2014, Lifese granted a 25 percent carried interest to OPPA Limited, a British Virgin Islands company owned by a Nick Roniotis and associates including the person in question. He did not reveal his involvement in OPPA, nor his relationship with its principle shareholder, to PNGSDP at any point during the sale process despite the clear conflict of interest.

PNGSDP was under the impression that the sale had been satisfactorily transacted until 2015, when Cloudy Bay stopped making its scheduled loan repayments as required under the vendor finance arrangements. Upon making demands for the outstanding monies, PNGSDP was advised by Lifese that, after assuming control of Cloudy Bay, it discovered valuable assets were missing and a series of damaging contracts signed shortly before settlement and that these actions had significantly eroded the value of the company. Lifese therefore threatened a counter claim to recover its losses.

PNGSDP takes its responsibilities as a good corporate citizen very seriously and immediately launched an internal investigation into the matter. This revealed extensive corruption including substantial payments in exchange for arrangements whereby PNGSDP was supposed to forgive its loan to Cloudy Bay. The business man was acting without authority. Furthermore, PNGSDP board was unaware of that arrangement and would never have consented to it.

As soon as the internal investigation was finalised, the findings were tabled before the PNGSDP audit committee which, in view of the seriousness of the matter, decided to commission an independent investigation. That was duly finalised and verified the fact that very serious misdemeanours had in fact taken place and that the prominent businessman referred to above had been at the centre of this corruption. He was given an opportunity by the PNGSDP board to refute the allegations against him, but he failed to do so satisfactorily.

In response to these developments, PNGSDP took the following actions. Firstly, findings from the investigation were reported to relevant authorities, secondly with the consent of the courts the person in question was dismissed from his role with PNGSDP, and thirdly further legal actions against him and his associates are being mounted in multiple jurisdictions.

PNGSDP then continued its efforts to recover the monies owing to it and to settle the claim for damages by Lifese arising from the thefts. After protracted negotiations over two years, a compromise settlement was reached. However, the current Cloudy Bay shareholders (Lifese and OPPA) are now in dispute before the PNG Courts as the businessman in question and his associates seek to extract further gains from the Cloudy Bay situation. As a consequence, the negotiated settlement has stalled.

However, PNGSDP continues its efforts to fully recover the monies owing to it and, to that end, recently initiated moves to exercise its mortgage rights over the shares in Cloudy Bay. Shortly thereafter Nick Roniotis approached the media and this led to publication of a Sydney Morning Herald article of 22<sup>nd</sup> April 2018. PNGSDP has nothing to hide in this messy affair and so, in the interests of accountability and transparency, it is making this public declaration.