

BARRICK (NIUGINI) LIMITED RESPONDS TO PM MARAPE

PORT MORESBY, PAPUA NEW GUINEA – THURSDAY 27 AUGUST, 2020 – Barrick (Niugini) Limited (“BNL”), majority owner and operator of the Porgera Gold Mine in Papua New Guinea (PNG), provides the following response to comments made by Prime Minister James Marape in a statement released on 25 August 2020, regarding the reopening of the Porgera Mine.

The Prime Minister’s statement that BNL will not enter into negotiations regarding the re-opening of the Porgera Mine is not true. BNL has been ready to start negotiations since it lodged the SML extension application three years ago. As the Prime Minister well knows, Barrick CEO Mark Bristow, representing BNL, has met with him multiple times and sent him numerous direct communications stating BNL’s willingness to commence ‘without prejudice’ discussions without preconditions to find a mutually beneficial solution. Since June 2019, BNL has been waiting for negotiations promised by the Prime Minister, which have never materialized despite numerous requests from BNL. In addition, BNL has been prepared at all times to participate constructively in court-ordered mediation, which the Government has resisted.

The PM is correct that BNL still owns the plant, assets, infrastructure and ore stockpiles at Porgera valued at over Kina 3.5 billion (USD 1 billion). Even assuming those assets were all for sale, the PM has no way to pay for them. Moreover, BNL has invested over Kina 1.9 billion (USD 550 million) in Porgera since 2015 in the reasonable anticipation of an extended mine lease and good-faith negotiations with the government.

The PM is incorrect in claiming that when a lease expires the land reverts back to the State. The land does not revert back to the State; it reverts back to the landowners – the majority of whom support SML extension and BNL remaining as the operator. It is remarkable that the PM fails to understand that critical underpinning of PNG law, yet is driving the steps taken by his team to attempt to expropriate Porgera. BNL has formally proposed to PM Marape an arrangement that would provide PNG with 57% of the net cash flows derived from Porgera over the next 20 years in the form of equity benefits, royalties and taxes. The proposal, which includes an additional 15% free equity at zero cost, would represent for PNG the most favourable arrangement ever agreed with an international investor, and one of the most favourable deals for a host country anywhere in the world. The benefits to landowners, agreed between BNL and the Porgera Landowners Association (PLOA) SML Negotiation Committee, would be the most generous landowner package ever provided from a resource project developer in PNG.

BNL has received no response to these proposals, and the State has rejected any discussions involving the SML. The Prime Minister's hollow operatorship proposal would not work. As the PM acknowledges, BNL owns the infrastructure, plant and assets and the SML landowners own the land on which the mine facilities are located. As with all global mining companies, Barrick's and Zijin's business model is to own and operate mines in partnership with the State, not act as a contractor, paid to mine a deposit for other owners. BNL's proposal to Government offers a total share of economic benefits attributable to PNG stakeholders of 57%, while 43% would be attributable to BNL shareholders who shoulder the lion's share of financial, operational and capital investment risk. By any definition, this proposal represents a fair partnership deal for the country.

At the community event organised this Monday by the leaders of Porgera and attended by thousands of Porgerans, it was clear that the people of the Valley want the mine re-opened and their national leaders to visit Porgera to see for themselves the facts on the ground and listen to the voices of the people. It would seem to be a reasonable request for the citizens of a democratic nation to make. Hundreds of thousands of stakeholders have been dramatically impacted by the closure forced by the Prime Minister's decision announced suddenly on April 24, which triggered the loss of jobs, contracts and essential community services that BNL provided whilst the mine was operational.

The financial forecasts in the Prime Minister's statement by so-called 'experts' bear no relationship to the reality of actually operating Porgera, including the initial capital required for the plant and equipment needed to mine the deposit and transport and process the ore, the actual operating expenses and the ongoing capital investments that will be required to continue operations in a mine with the size, scale and complexity of Porgera. The mine involves large-scale open pit and complex underground mining, power generation and sophisticated mineral processing. These require high levels of capital investment and maintenance to sustain productive capacity, and success is never guaranteed. Investment cycles for mining projects span decades, requiring large reserves of capital, planning and technical expertise to sustain operations and cover operating and capital investment costs throughout the cycle. Applying simplistic and wholly unrealistic assumptions of costs, gold price and projected revenues, as the Prime Minister has done, is grossly misleading and reflects a lack of understanding of the economics of mining.

Even if his scheme to divest BNL of the mine were legal, Prime Minister Marape has drastically underestimated the costs, complexity and time required to reopen and operate the Porgera mine. On the other hand, if the PM were to accept BNL's proposal as the operator with the proven ability to successfully manage and operate Porgera, the mine could reopen for the benefit of the people of PNG.

BNL reiterates that we are ready to immediately begin serious negotiations with the Prime Minister and his government to bring this impasse to a close. Like all other Porgeran stakeholders, we want the mine to reopen as soon as possible. A proposal is on the table that would accomplish that and deliver unprecedented benefits to all Porgera stakeholders for 20 years. BNL continues to wait for the Prime Minister to engage in good faith and negotiate with us instead of presenting impossible scenarios as preconditions.

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ADDITIONAL INFORMATION

The Porgera Mine is a joint venture between Barrick and the Zijin Mining Group, which each owns 47.5%, with the remaining 5% interest held by Mineral Resources Enga (owned equally by Porgera Special Mining Lease landowners and the Enga Provincial Government). The Mine is operated by Barrick (Niugini) Limited (“BNL”).

Porgera Gold Mine – Part of the Community

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