BARRICK NIUGINI LIMITED RESPONDS TO THE ENGA PROVINCIAL GOVERNMENT

PORT MORESBY: December 2020: Barrick Niugini Limited (BNL) provides the following response to the Enga Provincial Government’s “Key Issues on Porgera Mine” statement published on Monday 7 December.

The EPG incorrectly claims that the Papua New Guinea stakeholders only ever held 10% of the Porgera Joint Venture. In fact, the PNG Government, through its nominees, at one stage owned a total of 25% of the Porgera Joint Venture, growing its original 5% share through an acquisition of an additional 15% in 1996, with a further 5% held by the Enga Provincial Government and Porgera Special Mining Lease landowners for a total PNG shareholding of 25%. The Government later, for its own reasons, chose to divest its 20% share of the Porgera Gold Mine.

In respect to the EPG comments regarding the conducting of reviews of the Porgera Memoranda of Agreement (MOAs), BNL notes that the Porgera Joint Venture has never been a party to those agreements, which detail benefit-sharing arrangements made between landowners, the National Government and the Enga Provincial Government. Conducting reviews was a matter for those three parties who are signatories to the agreements. Nevertheless, the Company agreed in 2016 to become a party to future revised MOAs, and has consistently participated in good faith in subsequent review meetings and processes.

The EPG misleadingly likens a mining licence to a simple property lease and a relationship between a “landlord” and a “lessee,” demonstrating its lack of understanding of the fundamental nature of a mining lease and mining development. Unlike an ordinary property lease, a mining operation of the scale and complexity of Porgera requires billions of dollars in capital investment by the developer – both in terms of the initial exploration and mine development, and in terms of the continual investments in mining plant and equipment and vehicle fleets that are required throughout the operating life of the mine. Investors have a reasonable right to expect that their significant investments and their assets and intellectual property will be respected by host country Governments, and not be subjected to effective expropriation on a political whim. Investors in major resource projects require long-term regulatory certainty to justify the very significant capital investment that successful mining requires. No respectable international mining firm would risk investing billions of dollars in a country that arbitrarily refuses to extend a lease to a company that has been a good partner to the country – delivering economic benefits to stakeholders and operating in accordance with its environmental permits – for thirty years.
The EPG claims that if the original Porgera Special Mining Lease had been extended, the existing agreements governing the mine would have remained unchanged without opportunity for renegotiation or review of the benefit-sharing arrangements for future operations. This is a completely false statement. As the EPG well knows, BNL has always accepted that revised benefit-sharing terms would be negotiated – in fact, since June 2017, BNL had stood ready and waiting to have those negotiations with the State regarding the revised economic terms for the next 20 years. BNL notes that if the negotiations on revised economic terms had occurred in a timely manner, mining operations could have continued without interruption and over 4000 employees and contractors, many of whom were Engans, would not have lost their jobs and their families suffered as a result.

In mid-2019, at Prime Minister Marape’s request, the company provided benefit-sharing models to the Government that would have resulted in an equal sharing of mine-derived benefits, and negotiations between the company and Porgera Landowners in January of this year resulted in a historic agreement that would have delivered the most beneficial terms for Papua New Guinea for mine benefit-sharing that have ever been agreed.

Despite this, BNL was taken by surprise on April 24 by the Government’s announcement that it was rejecting the company’s SML extension application, a decision taken without any substantive consultations or negotiations with BNL.

None of this history should be news to Governor Ipatas, who has been a constant participant in the process, including the present discussions that have been taking place between the State Negotiating Team and the company regarding the future of the mine.

BNL looks forward to further discussions with all relevant stakeholders regarding fair and mutually equitable benefit-sharing arrangements that would underpin the successful future operation of the Porgera Mine and its contributions to the PNG economy for decades to come.

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