

The Impacts - Porgera Mine Temporarily Suspends Operations

PORT MORESBY, PAPUA NEW GUINEA (PNG) – MONDAY 27 APRIL, 2020: Barrick (Niugini) Limited (“BNL”), majority owner and operator of the Porgera gold mine in the Enga province of Papua New Guinea (PNG), said today the Government’s decision not to extend its Special Mining Lease and the consequent suspension of mining operations would cause significant harm to the local, Provincial and National economies.

The process and policy of rejecting the extension of the Porgera Special Mining Lease and nationalisation of the Porgera mine assets present enormous financial and reputational risks for local communities, local businesses, the regional economy of the Highlands and the country as a whole during a time when the country was dealing with the severe economic impact of the Corona pandemic, which appear to have been ignored during the process.

The decision means that the transition arrangements spoken about by the PNG Government whilst the mine remains in production may not be possible under PNG law, and under the circumstances, BNL has been forced to suspend operations. The suspension will likely be extremely costly, compounding PNG’s national debt challenges, and potentially resulting in the permanent loss of the mine.

The Porgera gold mine in Enga Province has been a major strategic asset for the country for many years, contributing approximately 3.8% of current GDP and, since mining began in 1990, making a number of significant contributions to the PNG economy, including:

- Approximately 10% of Papua New Guinea’s average Annual Export Income
- K4.039 billion in direct taxes paid to the National Government, K656 million in royalties shared by SML Landowners and the Enga Provincial Government, and more than K1 billion in equity income paid to Enga Provincial Government and landowners
- K5.1 billion spent with PNG suppliers and contractors, including K1.3 billion directly spent with local Porgera Valley businesses.

BNL is also currently one of the nation’s largest employers and corporate tax-payers, with more than 3,600 direct employees, and around 1500 contractor employees and suppliers, who together contribute more than K200 million in salary and wages taxes each year. BNL itself made over K215 million in company tax payments in 2019, after a successful recovery from the impacts of the February 2018 earthquake.

The Government decision means that these contributions will now cease.

The impact on the local and national economies of a cessation of mining operations at Porgera will be immediate and severe:

- Termination of the more than 3,600 people in direct employment with BNL, and loss of work for more than 1000 contractor companies, who employ very large numbers of local Porgerans, Engans and workers from other Highlands provinces.
- Loss of local business contracts to the value of approximately K400 million per annum, including road freight, catering and aviation services, natural gas sales, and many others
- Eventual loss of 1.5 MegaWatts power supply to Porgera Valley communities, currently supplied at no cost
- End of support for local institutions in the Porgera Valley, including Paiam Hospital and Porgera Development Authority
- End of support of Highlands Highway maintenance, including as first responder for road failures when provincial Department of Works in various Highlands provinces request support due to financial constraints
- End of support for RPNGC operations and personnel deployed in the Porgera Valley, and an immediate end to the community emergency services provided at no cost by the mine
- Large scale economic and social disruption and genuine hardship in local communities
- Immediate loss of tax revenue streams, royalties and equity distribution payments, which totalled more than K500 million in 2019
- Loss of a significant proportion of PNG's GDP

In addition, and following modelling undertaken by the company using the current spot gold price of USD\$1730/oz, BNL reports the following immediate financial impacts:

- USD\$0.4million per day in lost capital investment;
- USD\$1.3million per day in lost operating expenditure;
- USD\$52,000 per day lost income for landowners and the Enga Provincial Government through royalty payments and their current shared ownership of 5% equity in the Porgera Joint Venture;
- A loss to the PNG Government of USD\$0.67million per day from lost tax revenues, levies and other forms of duties and fees.

By contrast, the Agreement reached between BNL and the Porgera Landowners Association (PLOA), the legitimate representative organization for SML landowners as recognized by the government and PNG courts, would ensure uninterrupted delivery of benefits to all stakeholders for at least 20 years, including over US\$1 billion to landowners and the local community and US\$4.5 billion to all PNG stakeholders. The agreement negotiated by the PLOA with BNL is the most generous landowner deal ever negotiated in PNG, with benefits flowing from the first day of the new mine licence unlike other recent project landowner agreements.

BNL notes it remains willing to discuss the issue directly with Prime Minister James Marape and his Government in the hope of averting what could be a catastrophic situation for the Porgera Valley communities, for Enga Province and for Papua New Guinea as a whole.

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ADDITIONAL INFORMATION

The Porgera Mine is a joint venture between Barrick Gold 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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