

Barrick (Niugini) Limited Update on Porgera Negotiations

PORT MORESBY, PAPUA NEW GUINEA (PNG) – SATURDAY 17 OCTOBER, 2020: Barrick (Niugini) Limited (“BNL”), the majority owner and operator of the Porgera gold mine in Papua New Guinea, offers the following update and clarification on the status of negotiations between BNL and the PNG Government to reach agreement on a mutually acceptable solution that would enable the reopening of Porgera mine at the earliest opportunity.

As noted in their Joint Media Statement of 15 October, Prime Minister James Marape and Barrick CEO Mark Bristow held fruitful discussions in Port Moresby that progressed the Porgera issue. As the Prime Minister noted, “We have agreed in principle that Papua New Guinea will take a major share of equity under the new arrangements and BNL will retain operatorship and there will be a fair sharing of the economic benefits. This is a very significant step forward and I look forward to hearing of the outcomes of further discussions on the economic principles to guide future mining operations.”

While the discussions represented a milestone as the first detailed negotiations between the two sides, significant issues remain to be agreed and finalized in a binding document. This is why, as stated in the Joint Media Statement, a team of Barrick senior executives have stayed in Port Moresby to work with the State Negotiation Team (SNT) “in finalising full commercial details”. A list of agreed principles, which differ in key respects from those disclosed by some on social media, was compiled to guide the negotiations going forward.

Matters of critical importance to BNL include:

- The precise definition of the fair sharing of economic benefits to offset PNG taking a major share of equity under the new arrangements. BNL’s position is that all economic levers, including taxes, must be open to consideration to achieve a fair and equitable split of economic benefits, which is the definition of a partnership.
- BNL maintains that the BNL Special Mining Lease 1 (SML 1) is the appropriate tenement because SML 1 already possesses the 14 associated tenements required for the mine to operate, a Mining Development Contract (MDC) and all of the other permits, licenses and agreements that are legally required to operate the mine. For instance, SML 1 has an approved Environmental Permit, one of the most important documents for safe and responsible mining, that is valid until 2038. By contrast, SML 11, purportedly granted to Kumul Mineral Holdings Limited (KMHL), possesses none of these associated tenements, MDC, permits, licences or agreements, which can take years to obtain, and, in addition, is having its legitimacy challenged in the PNG courts by both BNL and landowners.

- The two sides agreed that any legacy issues would be limited to transgressions against law, contract or permit and that disputes would be resolved under historical agreements.

We are pleased that substantive negotiations have finally begun, and we are committed to working in good faith with the Prime Minister and the SNT to conclude a binding Framework Agreement that will resolve all major outstanding issues. With such an agreement in hand, the Government and BNL would be able to complete definitive agreements and start the prerequisite steps that would allow the process of resuming operations to begin.

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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).

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