

December 19, 2018

Wafi-Golpu MOU does not replace Development Forum process

The MOU signed between the Wafi-Golpu Joint Venture participants in the presence of Prime Minister Peter O’Neill is an important milestone in the Project’s journey, but it does not alter or detract from the Development Forum or Memorandum of Agreement (MOA) process.

“The MOU does not determine any issues of benefit sharing between the National and Provincial Governments or landowners: it only deals with matters between the PNG State and the Developers” said Grant Batterham, WGJV General Manager, Social Performance & External Affairs. “All matters relating to Morobe Province and the landowners are being dealt with via separate negotiation and consultation process, including the Development Forum and MOA process.”

The main opportunity for Provincial and landowner and aspirations to be discussed is through the Development Forum process facilitated by the Mineral Resources Authority. Unfortunately, this process was suspended by the Government of PNG following a court injunction that was issued in August 2018, which arose from an unrelated internal dispute within one of the SML Landowner communities. This injunction has been lifted just this week, and the WGJV looks forward to seeing the Development Forum resume as soon as possible. The benefits-sharing agreements reached through the Development Forum process will be documented in the MOA.

The MOU does not replace any of the usual agreements that will need to be negotiated before any Special Mining Lease is granted. These are the Mining Development Contract (which outlines the fiscal and regulatory arrangements for the project); the MOA (which is an outcome of the Development Forum and deals with the distribution of benefits from the project); State Equity Acquisition Agreement (which is the purchase agreement for the equity to be acquired under the State’s option); and Fiscal Stability Agreement (which is an agreement providing long term fiscal stability for the project). Negotiations on all these agreements, together with progressing the Development Forum, will continue over coming months, involving all relevant parties. There is also an extensive Environmental Impact Assessment process underway (including public consultations), under the *Environment Act*, which is currently being assessed by the PNG Government

The MOU is, however, a strong signal to investors of the PNG Government’s support for the Project, which will enable the WGJV to move forward with a program of works, including a bridge over the Markham River. This will bring immediate infrastructure and other benefits to the Province.

The MOU also re-affirms the intention of the parties to complete the permitting process and achieve grant of a Special Mining Lease by 30 June 2019. The MOU contains agreed ‘milestones’ to help achieve this goal. The timeline is not new: the parties have been working towards this timeline for many months already.

The MOU recognises that development of the Wafi-Golpu Project will be of major economic significance to the people of Papua New Guinea; and encourages the development of the Project in a way which will

contribute to the advancement of the social and economic welfare of the people of Papua New Guinea. It reflects the importance of promoting local goods and services, business and employment, and the aim of reaching a power solution for the Project that also advances PNG's electrification goals.

Economic and social benefits to flow from Wafi-Golpu Project

The Wafi-Golpu Project is located in Morobe Province, about 65 km south-west of Lae. If developed, the Wafi-Golpu mine would be the largest, deepest and most complex underground mine in PNG. Subject to Board approvals by the WGJV participants, and their respective parent companies, Harmony Gold Mining Company Limited of South Africa and Newcrest Mining Limited of Australia, construction of the mine would commence after the granting of an SML and receipt of all other required Government approvals, and first ore production would be expected around 5 years from that decision. An initial capital investment is expected of approximately PGK9.1 billion (US\$2.8 billion), with total capital expenditure expected to be around PGK17.4 billion (US\$5.4 billion) over the estimated 28-year life of the mine.

As well as this significant injection into the PNG economy, the Wafi-Golpu Project would create economic benefits across the country, including around 2,500 direct jobs during construction, about 850 ongoing operations jobs and further indirect jobs created in the region. The Project will also contribute at local, provincial and national levels through the payment of royalties and taxes, and through a social development investment program designed across the life of the mine.

The WGJV continues to engage extensively with community groups in Morobe Province, and has provided regular updates about the Project's progress to date. The WGJV will continue to work closely with local communities, and provincial and national governments, to build understanding and support for the Project.

The WGJV will continue to help local communities throughout the Project area benefit from the social and economic benefits flowing from Project activities. The WGJV Community Development Program has a strong focus on unlocking Morobe's agribusiness potential, continuing to support the ongoing cocoa development program and investigating other potential and appropriate agricultural initiatives. Since 2010, the Program has invested in water and sanitation, health, literacy, and road infrastructure in Morobe Province. Community development flowing from the Project will complement and support National Government's Vision 2050 goals as well as the Morobe Provincial Government's Kundu Vision 2048 - the province's 30-year strategy for Morobe economic and social development potential.

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Picture Captions



1. First Development Forum meeting July 2018. The Development Forum is the main opportunity for Provincial and landowner aspirations to be discussed, and will feed into the MOA which is yet to be negotiated.



2. Hengambu Landowners Association President Paul Yanam presenting the Hegambu position paper at a Development Forum meeting in August 2018



3. Women in the Wafi-Golpu Project area have already benefitted from agricultural skills training such as food preparation and conservation techniques.

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