



**PNG EXTRACTIVE INDUSTRIES
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NATIONAL SECRETARIAT**



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MEMORANDUM

To: Head of PNGEITI National Secretariat & PNGEITI National Secretariat Staff

From: Sarita Peai
Oliver Maingu
Christopher Tabel

Subject: REPORT ON WOODLARK MINING MEMORANDUM OF AGREEMENT (MOA)
CONSULTATION FORUM

SUMMARY

The PNGEITI National Secretariat participated in the Woodlark Mining in Alotau Milne Bay Province on 12 - 17 October 2020. The purpose of the National Secretariats participation was to include the PNGEITI reporting clause in the Woodlark Mining MoA. On Friday the 16 October, the State Team included the PNGEITI into the Agreement. This is progressively the second MoA behind Kainantu K92 Mining MoA to have an EITI Reporting Clause. It is envisioned that the PNGEITI cover all mining projects in the country to capture subnational and national reporting.

INTRODUCTION

As part of the efforts to mainstream the EITI Standard and requirements on reporting on National and Subnational payments, Beneficial Ownership and Contract Transparency, the PNGEITI National Secretariat have been undertaking joint workshops, presentations and information sessions together with its Multi-Stakeholder Group in the Government, Industry and Civil Society. The inclusion of the EITI Provision into the amended Mining Bill 2014 and the subsequent inclusion of various EITI Reporting Clause in the recent Kainantu (Advanced Exploration) and the Woodlark Mining Project (Advanced Exploration) have provided an opportunity to advance the current scope of EITI mainstreaming agenda from policy into practice.

The PNGEITI National Secretariat recently participated as an observer in the Woodlark Mining Memorandum of Agreement (MoA) held in Alotau Milne Bay Province on the 14-17 of October 2020. The purpose of EITI's Participation was to inform the stakeholders of the relevance of EITI and the commitment of the State to fulfil its international obligation.

PNGEITI National Secretariat was invited as an observer with the goal of ensuring reporting mechanisms and clauses for the purposes of extractive sector transparency are included in the Woodlark Mine MoA.

PURPOSE

The purpose of this report is to provide information and recommendation on the Woodlark MoA forum that was held in Alotau Milne Bay Province and to ensure the agreement capture EITI reporting. Subsequently, the transparency clause for the PNGEITI purposes was captured in the Woodlark MoA. The draft MoA will be forwarded to the National Secretariat once it is finalised by the Mineral Resources Authority.

BACKGROUND TO WOODLARK MINING PROJECT

The discussions for the Woodlark Island Mining Project began in 2013 by the then Mining Minister- Byron Chan. The first consultative forum was held in November of 2013 in Alotau which was organised by MRA similar to the current forum, and included stakeholders from the provincial government, the project developer, landowners of the project area and National Department Agencies- [State Negotiation Team].

Under the Mining Act, the Minister for Mining is obliged to convene forums where parties consult each other on benefit sharing arrangements and the structure of the MoA to be drawn up based on the discussions emanating from the meeting.

The MoA is expected to contain amongst other things, issues like beneficiaries identification, royalties, special support grant, tax credit scheme, equity, business development grants & plans, supply & procurement, employment & training, mine closure and rehabilitation plan and financial reporting.

The Woodlark project is a small to medium size project with a mine life of 10-13 years, the level of benefit for landowners, local level government, provincial government and national government would be reflective of its size and productivity output.

The draft Woodlark Mine Project MoA was initially drafted after the consultations in 2013. The final draft of the MoA was completed in 2015 however given the timeframe of the MoA been idle [more than 5 years], its needs thorough reviewing before the negotiating parties finalize the MoA for National Executive [NEC] approval.

As such, MRA convened a week's forum in Alotau to review the existing draft MoA and incorporate a revised edition before NEC endorsement.

EITI IN MOA CONSULTATION PROGRAM

The activities on the first day included a welcome & agenda framing session by the Mineral Resources Authority followed by presentations by the Department of Commerce & Industry.

The PNGEITI National Secretariat was allocated a session and conducted a 30 minute presentation. Then followed by question and answer session that afternoon to the Dal Landowners Association, Milne Bay Provincial Government and the Developer Geopacific Ltd. The Deputy Head of Secretariat, Christopher Tabel gave an overview of the PNG Government's commitment to implementing the Global EITI Standard and provided findings from the PNGEITI 2018 Report. He finally stressed on the importance of ensuring contract transparency and systematic reporting through inbuilt transparency mechanisms in contracts and MoA's such as for Woodlark Mining Project.

The second and third day included presentations from the Developer- Geopacific Resources, Department of National Planning & Monitoring, and Department of Treasury, PNG State Solicitor, Milne Bay Provincial Administrator, Murua LLG President – Landowner Association,

Dalwanuwan LLG Secretary – Landowner Association and MRA presentation of MOA Matrix paper.

ISSUES & COMMENTS RAISED

The forum raised discussion on various undertakings by the MoA parties of which some of the issues/comments raised were relevant PNGEITI and others;

- There needs to be a thorough review of the existing draft MoA- Woodlark Mining Project especially in relation to State Undertakings on seed Capital for the Business Development Grant and- 50:50 State/ Developer shared cost;
- More emphasis on Business Development Plan for landowners in order to ascertain capital cost and landowner contracts and subcontracts required for funding.
- EITI awareness at the project impacted area/community level is required;
- Royalty distribution to be reported in monetary value;
- Developer's and State's share of the total/aggregate profit/return on the mine project needs to be disclosed in monetary value;
- Joint Venture Partnership- Company/s with Landowner Company/s;
- Production Volumes and Values for gold extraction needs to be disclosed;
- Clear ownership of Infrastructures/Services needs to be made aware to the landowners upon operation of the mine/project before mine closure;
- Special Support Grant- Woodlark Sustainable Development Authority. This is in relation to custodians of mining trust accounts in terms of disclosure of trust account information relating to recipients & payments/expenditures;
- Lack of awareness on information relating to Economic & Social Impact Assessment Report to the people of the project impact area;

The National Secretariat acknowledge the current fluidity of negotiations and treats all issues as progressive and not definitive at this current stage.

FINANCIAL REPORT

The expense of participating and conducting sessions with the MoA parties was minimal and isolated to administrative, logistics costs associated with airfares, and per diems of the three duty officers as well as their accommodation and vehicle hire costs.

Type of Cost	Amount [K]
Tickets [x3 officers]	K4,345.50
Accommodation [x3 officers for 4 days] + GST	K4,920.00
Hire Car on 13 th -17 th Oct, 2020	K2,919.40
Travel Allowances x3 officers	K2763.00
Total	14,947.90

The receipts of the payments are enclosed herewith for verification purposes.

RECOMMENDATIONS

The MoA consultations highlighted a number of actions and recommendations that need to be undertaken by the PNGEITI National Secretariat, which are as follows:

1. Since most of the MoA's do not include Reporting & Transparency clauses to report directly to PNGEITI, entities are reluctant to report to PNGEITI on specific information that needs be disclosed in the Report, hence it is recommended that PNGEITI to participate in all MoA going forward;

Concerning the above recommendation, from this forum, we noted that more awareness needs to be carried out to the project impacted area/communities to clearly emphasize the importance and role/function of PNGEITI before any MoA discussions;

2. PNGEITI to ensure royalty payments and mandatory social benefits are reported in monetary value in the forward years' Reports; and,
3. PNGEITI to ensure accurate extractive production volumes and values to be publicly disclosed.

For your information and noting.



Christopher Table
Deputy Head of PNGEITI



Oliver Maingu
Stakeholder Engagement Officer



Sarita Peai
Technical Officer

Trip Overview	
Travel Destination:	Alotau, Milne Bay Province
Date of Travel:	Tuesday 13 th - Saturday 17 th October 2020
Sponsoring Agency:	PNG Extractive Industries Transparency Initiative National Secretariat
Travel Period:	4 days
Purpose	Woodlark MoA Forum
Agency/Parties to MoA Present	<p><u>State Negotiation Team:</u></p> <p>Mineral Resource Authority [MRA] Department of Treasury [DoT] Department of National Planning & Monitoring [DNPM] Department of Lands & Physical Planning Department of Commerce & Industry Department of Labor & Industrial Relations Department of Prime Minister & National Executive Council Office of State Solicitor Department of Mineral Policy & Geo-hazards Conservation & Environment Protection Authority</p> <p><u>Observer:</u></p> <p>PNG Extractive Industries Transparency Initiative National Secretariat Team</p> <p><u>Developer:</u></p> <p>Geopacific Resources</p> <p><u>Milne Bay Provincial Administration & Landowners of the Project area:</u></p> <p>Member for Samarai-Muruwa Milne Bay Provincial Administrator Murawa LLG President & Muruwa Landowner Reps Dalwanuwan LLG Secretary & Dalwanuwan Landowner Reps Others/Pit landowner Representatives Provincial Supply & Tenders Board Reps Provincial Commerce & Industry Reps</p>

Mr. Christopher Tabel doing PNGEITI presentation.



Milne Bay Provincial Administrator Speech



Dalwanuwan Landowner Association President

