

MOROBE MINING HIDDEN VALLEY CONTRACT MANAGEMENT SUPPORT



The Client



Morobe Mining Joint Ventures (MMJV) is a 50-50 joint venture between Harmony Gold Mining Company Limited of South Africa and Newcrest Mining Limited of Australia. MMJV was formally established for the purpose of exploring, developing and operating mines in the Morobe Province of Papua New Guinea (PNG). The MMJV covers all current and future mining, project and exploration activities by the two parent companies in the Morobe Province, PNG, including the Hidden Valley Gold mine and significant resource discovery at Wafi / Golpu.

The Project

Flagstaff was engaged to review the contracts in place at the Hidden Valley gold mine above Bulolo. This involved on-site assessment of the scope of the contracts, how they had been handled to date and to propose improvements to contract administration processes. Initially this involved operational contracts at the mine including:

- Maintenance & repair (MARC) contract including parts supply for the mining and construction fleets
- Supply contracts for the mining and construction fleets
- Camp contract
- Construction contract
- Crushing contract
- Overland conveyor maintenance contract
- Labour hire contracts
- Transport contract
- Professional services contracts
- Exploration drilling contract
- Lease of off-site compound

Flagstaff was then further engaged on a significant commission to review and take part in the procurement process and negotiations towards a new MARC contract with the Original Equipment Manufacturer (OEM) in Japan and their PNG distributor headquartered in Malaysia.

'experience makes a difference'

The Challenge

The initial commission involved interviewing on site users of each of these contracts to determine:

- If they were getting what they had expected from their contracts
- How well they were managing their contracts
- PNG is a developing nation with significant issues in transportation and in some cases language
- Large multinational company process maturity vs developing nation skills
- Many suppliers will be overseas
- Projects in PNG require the involvement of local tribes and contracts - this must be reflected in any contract

The Outcome

The outcomes for each of the initial contracts were many and varied from:

- Termination of an old agreement and negotiation of a new agreement
- Termination of an old agreement and replacement with existing site resources
- Contract repair through negotiation of new terms to suit actual operations and desired outcomes moving forward by way of a "Reality Variation"
- Implementation of contract administration processes and controls to allow for enforcement of the bargain

Flagstaff's MARC operational review showed that the OEM's distributor was not motivated to supply the maintenance and repair services so the mine engaged the existing maintenance crew and separated out the parts supply. This involved significant negotiations with the Malaysian company about taking over its on-site facility and workforce.

