

nec4 | **Improvement**
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NEC Supply Contract **A mining case study**

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Agenda

- Background
- NEC in mining projects
- NEC Supply Contract in action
- Benefits of NEC Supply Contract
- NEC Supply Contract vs Purchase Order TCs / bespoke supply contracts
- Positioning of an NEC supply contract in a cascading mining project
- Questions and answers

Background

Projects for construction of new (or extension of existing) mines:

- have significantly high CAPEX and OPEX values
- requires procurement of various works, supplies and services
- involve numerous intertwining contracts
- are based on business case with sensitivity to time, cost and appropriateness of each contract deliverable
- requires works, supplies and services that are fit for purpose
- Overall success is dependent on the success of all interlinking parts

Background ... cont.

- Clients needs suppliers (OEMs) innovation for TCO and better asset management
- Clients may prefer certain suppliers for uniformity
- Clients may obtain better prices, lead times and support from particular suppliers (i.e. through global agreements)
- Most equipment specifications are not available at the time of signing the works (shaft sinking, mining or construction) contract
- Absence of nominated / selected subcontractors; provisional sums and prime costs in NEC contracts.

NEC in mining projects

- Mining related packages successfully delivered through NEC contracts:
 - EPCM (PSC)
 - Specialist design; constructability reviews; QS; PM (PSC)
 - EPC / Turnkey (often for highly specialized plant construction) (ECC)
 - Design and Build; and Conventional Construction Works (ECC)
 - Shaft sinking; Mining; Equipping; Lining; Support; etc. (ECC)
 - Facilities Management; Condition Monitoring; Servicing & Maintenance (TSC)

NEC in mining projects ... cont.

- Following publication of NEC4 there is potential for use in 'design, build and operate' packages such as laboratory / testing facilities (DBO)

NEC supply contract in action

- NEC Supply Contract is used to deliver mining related **goods** such as:
 - Machinery for transportation, excavation, loading, drilling, bolting and charging
 - Machinery for crushing, grinding, processing and preparation
 - Ventilation equipment such as glycol machines
 - Material handling and lifting equipment such cranes and conveyors
 - Electrical equipment such as transformers and miniature substations
 - Equipping materials such as guides, buntons, pipes and ducts

NEC supply contract in action ... cont.

- NEC Supply Contract can include **associated** services such as:
 - Design (certified) information (preliminary and / or detailed) required to finalise design and construction of foundations, bulk services, support structures and enclosures
 - Supervision (witnessing) of installation
 - Testing of installed goods
 - Operator and Technical training
 - Supervision (witnessing) of commissioning(Need for maintenance, spare parts and operating manuals in the scope)

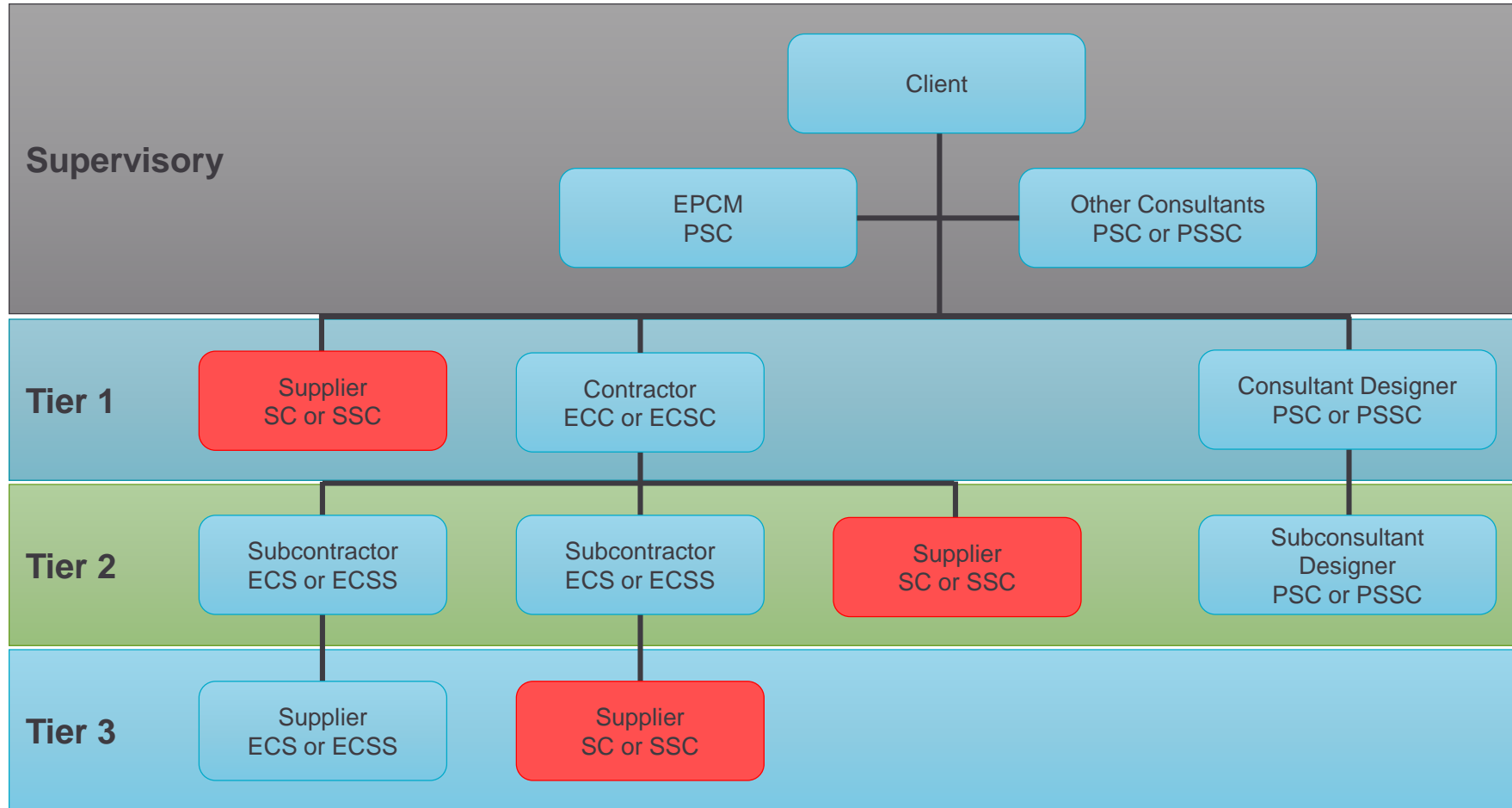
Benefits of using NEC supply contract

- Reduced contract prices (removal of markup on markup) (EPCM / direct)
- Better cashflow for Suppliers (EPCM / direct)
- Simpler construction contracts (removal of noncore items / liabilities)
- Uniformity of contract format, reporting, administration and change management
- Better planning, coordination, risk management and performance
- Direct liability for performance and defects (EPCM / direct)
- Wider distribution contractual liabilities (EPCM / direct)

NEC supply contract vs Purchaser Order T&C's / Bespoke SC

- Balanced liability allocation
- Downstream contract administration
- Risk management
- Change management procedures (time and cost)
- Simplicity (plus guidance notes)
- Flexibility
- Availability of suitable referees (adjudicators)

Positioning of NEC SC



Questions

Comments

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Thank you