

Joint Venture Operator Liability

Understanding operator liability in joint ventures,
and the limits of standard D&O

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The Uninsured Exposure Operators Face in Joint Ventures

Joint ventures are a core part of mineral exploration. They allow companies to share capital requirements, access technical expertise, and advance projects more efficiently.

They also introduce a distinct operator exposure. Where one party acts as operator and another funds or earns an interest, the operator may face allegations that it failed to manage the project in accordance with the joint venture agreement or in the venture's best interests.

These claims are typically contractual and operational in nature, and they fall outside the scope of standard public company D&O policies, which are designed primarily for corporate management and securities-related exposures.

What can go wrong in a JV relationship?

Disputes do not require fraud or bad faith. They often arise from ordinary commercial tensions, including:

- Earn-in milestones and whether required expenditures or work programs were satisfied
- Alleged failure to disclose or escalate material project, permitting, political, or operating risks
- Project delays, budget overruns or cost allocation disputes
- Operational decisions that allegedly favour one asset or objective over the venture
- Inadequate reporting, governance, disclosure or escalation of material issues
- Alleged non-compliance with JV agreement terms, committee process, or approval rights

What a Recent JV Dispute Reveals About Operator Risk

Barrick v Newmont

Public reporting indicates that Newmont issued Barrick a notice of default under the Nevada Gold Mines joint venture, alleging that resources were diverted away from the JV to support Barrick's wholly owned Fourmile project. Barrick has disputed the allegations.

Regardless of the outcome, the dispute highlights a core exposure: when a partner believes the operator has not managed the project in accordance with the agreement or in the venture's best interests, a significant claim can follow.

The relevance is not the scale of the assets, but the nature of the risk. This exposure exists across the industry, including at the junior and mid-tier level.

These are precisely the types of claims many companies expect their D&O policy to respond to. In practice, they often do not, leaving no clear funding mechanism unless coverage has been specifically structured to address them.

When JV Disputes Fall Outside D&O

Standard D&O policies are designed to address corporate management and securities-related exposures.

A dispute brought by a joint venture partner alleging mismanagement of the project or breach of the joint venture agreement is different in nature. It is contractual and operational in nature, not a traditional D&O exposure.

As a result, these claims fall outside the standard coverage grant, leaving the company to fund defense costs and manage the dispute without insurance support.

Operators Liability Coverage	What's at Stake
<ul style="list-style-type: none"> ➤ Claims by a JV partner alleging negligent management of the venture ➤ Alleged breach of the JV agreement ➤ Defence costs arising from demands, litigation, arbitration, mediation or regulatory proceedings <p>This coverage provides a clearer funding mechanism for a category of JV dispute that would otherwise sit in a coverage gap.</p>	<p>JV disputes can have a meaningful impact on the business:</p> <ul style="list-style-type: none"> ➤ Management time is diverted and projects may be delayed ➤ Legal costs can be material, particularly for junior and mid-tier issuers ➤ Dispute can affect financing, reputation and future JV opportunities ➤ Defence-cost protection can be as important as the claim outcome itself
<p>Structuring Consideration: This extension is not a substitute for maintaining an adequate overall D&O program. For companies with meaningful JV exposure, the strongest approach is often a combination of:</p> <ul style="list-style-type: none"> ➤ Operator liability coverage ➤ Appropriate total D&O limits ➤ Additional Side A protection for directors and officers. 	

When to Consider this Coverage

This type of coverage is particularly relevant where:

- the company acts as operator under a JV or earn-in arrangement
- management controls work programs, budgets, reporting or committee processes
- a funding partner or carried-interest partner relies on the operator's decisions and disclosures
- Joint ventures are expected to be a key part of project advancement

Key Takeaway

Joint ventures help build projects – but they also create obligations to others. When the operator's conduct is challenged, the resulting dispute may fall outside what many companies expect their standard D&O policy to cover. Operator Liability coverage is intended to help address that exposure, subject to policy terms, conditions, exclusions, retentions, and sub-limits.

This summary is provided for general information only. Coverage depends on the actual policy wording and should be reviewed in the context of the company's specific joint venture arrangements.

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