Eritrea’s Mining Sector: Government Policy, Progress to-date & Future Prospects

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Introduction

Across the vast timeline of history, the presence and control of mineral resources have remained at the kernel or heartbeat of both intra-state and international rivalries, conflicts, invasions, colonization, and neo-colonization. Even in our contemporary era, the intricate web of international relations continues to be significantly defined by conflicts and rivalries that are directly driven and persistently fueled by the acquisition and exploitation of mineral resources. As humanity continues its relentless trajectory of technological and economic advancement, the indispensable role of mineral resources in shaping the future landscape of social, economic, and political interactions, operating at both the domestic and the global levels, is poised to become even more pronounced and impactful.

However, it is of paramount importance to dispel the notion that mineral resources are inherently a detriment or a curse upon the world. To the contrary, these resources are indeed vital endowments, representing a profound blessing for humanity. Without the availability and utilization of mineral resources, the remarkable technological progress and the sweeping economic transformations that mankind has accomplished over the preceding thousands of years would have been simply impossible to achieve. Having access to mineral resources is undeniably critical for the sustained economic growth and long-term sustainable development of any society. Conversely, the lack of such access or the mismanagement of these resources can contribute to a society's own decline and potential destruction. Therefore, mineral resources embody a dualistic nature; they are simultaneously a potential source of conflict and a foundation for prosperity, representing both a significant challenge to manage effectively and a tremendous opportunity for advancement.

Eritrea's Geology and Mineral Resources

Eritrea possesses a geological setting that is favorable for both base metals and industrial minerals. The country is indeed endowed with vast mineral resources. Basement rocks, which are part of the Arabian Nubian Shield (ANS), cover 60% of Eritrea's surface area. These types of rocks are generally believed to have rich mineral potential, although detailed and comprehensive studies within Eritrea itself have been somehwhat limited to date. However, many separate exploration works carried out in different parts of the country clearly reveal that Eritrea hosts significant volcanogenic massive sulphide (VMS) deposits as well as shear-hosted gold deposits.

The first modern mine in Eritrea, Bisha Mining Share Company, is a VMS deposit, while the mineral deposits of Zara Mining Share Company are situated along a major shear zone that runs across the country. Kerkebet Mining Share Company's Mier gold deposit follows a similar trend to Zara Mining whereas Asmara Mining Share Company's deposits follow a similar pattern to Bisha Mine's VMS deposits.

The Arabian Nubian Shield (ANS), an area that covers more than ten countries in northeastern Africa and the Middle East, is known for its strategically significant minerals of gold, copper, chromite, cobalt, manganese, nickel, niobium, tantalum, and uranium. Consequently, it has been widely dubbed as the world's next mining destination. Despite the fact that Eritrea constitutes a part of this extensive and mineral-rich geological region, significant portions of its subsurface remain relatively unexplored. However, many experts in the field believe that there are many prospective areas of these minerals still to be discovered in Eritrea. For example, there is an indication of the occurrence of nickel and chromite deposits associated with the ultrabasic rocks in the far north of the country. So far, the range of identified potential deposits covers gold and other precious metals, polymetallic massive sulphide types, quartz vein and quartz stock work type of deposits as well as potash and sulfurevaporates in the Danakil depression. Occurrences of a variety of minable construction materials, including marble, granite, and others in several parts of the country are also well known.

Eritrea's Basic Policy and Principle on Mineral Resources

Acknowledging the inherent characteristics of natural resources, including mineral resources, as being finite, easily susceptible to depletion, and fundamentally non-renewable, the GoSE has adopted another basic yet strategically crucial policy and guiding principle. This principle dictates that the nation's economic structure should not be predicated on a singular commodity or confined to a mono-sectoral model. Instead, the government actively promotes the development of a diversified economic base, one that possesses the inherent capacity to withstand and exhibit resilience in the face of any sudden and unforeseen external economic shocks. This fundamental policy assumption yields significant advantages that are two-fold in nature. On the one hand, a diversified economy inherently possesses a more robust and adaptable foundation, enabling it to achieve faster and more sustainable growth. This is because expanded and varied economic sectors contribute to increased employment opportunities and overall production, facilitate the creation of a wider array of products for international trade, and provide the government with a more diverse range of fiscal sources that can be strategically deployed for essential public investments and expenditures. On the other hand, the economy's deliberate non-reliance on a single dominant commodity ensures that the nation's natural resources, including its mineral wealth, will be utilized in a more sustainable and responsible manner, safeguarding their availability and benefits for generations extending far into the future. It is for this very reason that the mining sector, like any other individual sector within the Eritrean economy, is envisioned to contribute significantly to the overarching goal of national economic diversification, rather than becoming the sole pillar upon which the nation's economic well-being rests.

Fully cognizant of the profound and enduring impact that mineral resources can exert on the trajectory of any society's future, the Government of the State of Eritrea (GoSE) has articulated a clear and unwavering stance. It has unequivocally affirmed that the nation's mineral resources constitute strategic assets of paramount importance, held not merely for the benefit of the present generation, but as an inheritance to be carefully stewarded for all succeeding generations. Guided by this long-term vision, the GoSE has diligently formulated and enacted a comprehensive framework of laws and policies. These legal instruments are specifically designed to strategically regulate and manage the nation's mineral resources in a manner that is both environmentally sound and socially responsible, ensuring that the benefits derived from their exploitation accrue not only to the current populace but are also preserved for the prosperity of generations yet to come. The cornerstone of this framework, the Mining Law (Proclamation No. 68/1995) of Eritrea, explicitly stipulates that, "all mineral resources are public property which can make a significant contribution to the economic development of the country and that the State shall ensure the conservation and development of the resources for the benefit of the people." Reinforcing this foundational principle, another key legal document, Proclamation No. 157/2006, further elaborates that, "the proper exploitation of mineral resources can make a significant contribution to sustainable national development and the realization of the priority objectives"; with the overarching priority objective clearly defined as "the equitable distribution of wealth and the improvement and betterment of the qualities of life of the Eritrean people."

Legal Framework of Mining Operations

The comprehensive legal framework that governs all facets of mining, exploration, and related activities within Eritrea are embodied in the Mining Law which consists of: Minerals Proclamation No 68/1995; Mineral Proclamation 165/2011; Regulations on Mining Operations Legal Notice No. 19/1995; and, the Mining Income Tax Proclamation No. 69/1995, These regulations are primarily under the purview of the Ministry of Energy and Mines (MoEM); the Ministry of

Land, Water, and Environment (MoLWE); the Ministry of Labor and Social Welfare (MoLSW); and the Ministry of Finance and National Development (MoFND). Together, these legal instruments and the responsible government bodies are designed to cultivate and maintain a highly transparent, remarkably stable, fundamentally fair, and exceptionally favorable environment for the responsible conduct and sustainable development of mining operations throughout Eritrea.

Key Tenets and Provisions of the Mining Law

As explicitly articulated within the aforementioned Minerals Proclamations and the accompanying Legal Notice, the fundamental policies that underpin the Mining Law of Eritrea are comprehensive and designed to attract responsible investment while safeguarding national interests. These key policies include, but are not exhaustively limited to, the following significant provisions and stipulations:

- The unequivocal **right to exploit any commercially viable mineral discoveries** that are made subsequent to the granting and maintenance of a valid exploration license, thereby incentivizing thorough and effective exploration activities.
- The guaranteed **right to freely sell within the domestic market or to export internationally**, all mineral products that are lawfully produced under a valid mining license. This right is granted without the imposition of any duties or taxes and crucially, without the necessity of obtaining any further authorization or specific permission from any other governmental agency beyond the Ministry of Energy and Mines, streamlining the post-production phase.
- The establishment of a **simple and equitable taxation system** that explicitly acknowledges and takes into account the inherently risky nature of investments in the mining sector, providing a framework that balances government revenue with investor returns.
- The provision for **accelerated depreciation** of all capital expenditures and pre-production costs, utilizing a straightforward straight-line method over

a period of four years. This allows for a faster recovery of initial investments, enhancing project financial viability.

- The allowance for the **write-off of exploration expenditures** that are incurred by a company anywhere within the territorial boundaries of Eritrea, as well as the provision for the **carrying forward of any operational losses** that may be incurred during the initial phases of a mining project, offering significant financial flexibility.
- The implementation of a **generous reinvestment dedication**, permitting mining companies to allocate 5% of their gross income towards future exploration or expansion activities, thereby fostering the long-term growth and sustainability of the mining sector.
- The imposition of a **38% income tax on profits derived from mining operations**, coupled with the significant benefit of **no tax being levied on dividend distributions**, creating an attractive environment for investors seeking returns.
- The application of a **nominal rate of import duty**, set at a mere 0.5%, on all essential inputs, including equipment, machinery, and materials, that are directly necessary for the efficient conduct of mining operations, significantly reducing operational costs.
- The establishment of reasonable **royalty rates**, set at 3.5% for base metals and 5% for precious metals, ensuring a fair return to the state for the extraction of its natural resources.
- The guarantee of **free and unrestricted repatriation of earnings** generated from mining operations, allowing investors to transfer their profits abroad through external accounts without undue limitations, a critical factor for international investment decisions.
- The implementation of a **simple and efficient "one-stop" licensing system**, which centralizes the administrative process and enables all the necessary formalities for obtaining all types of licenses required for mining operations to be completed through a single government entity, the Ministry of Energy and Mines, significantly reducing bureaucratic hurdles and processing times.

Furthermore, the Mining Law places a significant obligation upon all investors to **strictly adhere to the comprehensive social and environmental protection requirements** that are clearly articulated within these regulations. Failure to comply with these crucial standards carries severe consequences, underscoring the government's commitment to responsible mining practices. Indeed, the thorough **Social and Environmental Impact Assessment (SEIA)** and the detailed **Social and Environmental Management Plan (SEMP)** are not merely considered integral components of any comprehensive mining feasibility study; they are explicitly defined as a fundamental prerequisite for obtaining the requisite mining license. Without the submission and approval of robust and scientifically sound SEIA and SEMP studies, the relevant government regulatory bodies will not grant approval for the development and operational phases of any proposed mining activity within the country.

Nonetheless, the responsibilities and obligations of mining companies do not conclude with the provision of comprehensive social and environmental studies. Throughout the entire lifecycle of mining development and operational activities, the government, acting through its dedicated **Impact Review Committee (IRC)**, which is a multi-ministerial committee composed of representatives from the Ministry of Energy and Mines (MoEM), the Ministry of Land, Water, and Environment (MoLWE), and the Ministry of Labor and Social Welfare (MoLSW), diligently oversees various critical aspects. These include the effective implementation of social and environmental protection measures, the safeguarding of the rights, safety, and health of all employees, and the provision of adequate training and professional development opportunities for the workforce. This oversight is maintained through regular quarterly physical visits to the active mining sites. Moreover, companies engaged in mining operations are legally mandated to incorporate comprehensive **environmental rehabilitation programs** as an integral part of their ongoing operations. They are also required by law to allocate and set aside a specific portion of their annual income as a financial guarantee. This dedicated fund serves as a safeguard for future social or environmental rehabilitation measures that may be necessary should any unforeseen damage occur as a result of their mining activities.

How Attractive and Appropriate is Eritrea's Mining Law?

Since the initial promulgation and subsequent implementation of the Eritrean Government's Mining Law, a significant number of mining and mineral exploration companies from diverse geographical regions across the globe have responded with considerable enthusiasm, demonstrating a strong and positive interest in the burgeoning mining sector of Eritrea. This widespread interest serves as a clear indication that the comprehensive regulations and well-defined policies established to govern the mining sector are indeed genuinely conducive to foreign investment and broadly acknowledged as such.

Commencing from the year 1995 and extending through the second half of the 2010s, the Eritrean mining industry experienced a notable surge in activity, marked by the influx of more than 30 prominent mining and exploration companies originating from a wide array of nations, including the United States of America, Canada, Australia, China, the United Kingdom, France, Russia, various countries within Africa, the Middle East, and India. These companies actively engaged in various stages of the mining sector within the country, ranging from preliminary exploration activities to advanced mining operations.

Among the notable entities that established a presence and actively participated in Eritrea's mineral resource development were Nevsun Resources, Sunridge Gold Corp., Sanu Resources Inc, and Pan-African Resources Corp. (PARC) from Canada; Chalice Gold Mines Limited, Sub-Sahara Resources, WMC Resources Limited, South Boulder Mines Ltd., and Danakali from Australia; Alpha Exploration, Andiamo Exploration Ltd., and London Africa Ltd., from the United Kingdom; Phelps Dodge Exploration Corp. (from the USA); LaSource Development (from France); Ashanti Goldfields Corporation (Ghana), Ketina Mining Share Company (Russia); Sahar Minerals Ltd. (Bermuda); and Thani-Ashanti Akordat North Ltd and Thani-Ashanti Kerkasha Ltd (UAE), all of whom maintained active involvement in the mining sector of Eritrea until approximately 2012.

The substantial involvement and keen interest exhibited by such a significant number of international companies, particularly those hailing from Western nations with established mining expertise, in the Eritrean mining sector provides compelling evidence and stands as a strong testament to the fact that Eritrea has indeed established an ecosystem which is transparent in its processes and remarkable in its policy content, thereby fostering a favorable and predictable environment for foreign direct investment within its mining sector. As a matter of established fact, Eritrea's overarching economic policies, encompassing both investment and trade regulations, alongside the inherent hospitality and non-discriminatory nature of the Eritrean people and their culture, do not discriminate against or selectively favor any particular nationality or origin of investors or entrepreneurs seeking to establish businesses or engage in trade within Eritrea. The sole prerequisite is that all investors and entrepreneurs respect the national sovereignty of Eritrea and fully adhere to the established laws and regulations of the country, a standard requirement in virtually all nations across the globe. Eritrea, as a matter of policy, does not pre-select its economic partners or investors; rather, it is the individual investors and companies themselves who make the autonomous decision of where they choose to allocate their capital and resources for investment purposes.

Notably, in the period immediately following the official enactment and implementation of the mining proclamations and extending through the second half of the 2010s, even during the challenging period of the Ethio-Eritrea border war (1998-2000), a significant number of these mining and exploration companies continued their operational activities within Eritrea, demonstrating their resilience and commitment despite the ongoing regional conflict.

Consequently, Bisha Mining Share Company (BMSC), a successful joint venture partnership between Nevsun Resources (holding a 60% stake) and the Eritrean National Mining Corporation (ENAMCO – holding a 40% stake), successfully marked the dawn of the modern mining industry in Eritrea when it transitioned from the exploration phase to full-scale mining operations at the end of 2010. Approximately five years later, another significant mining company, Zara Mining Share Company (ZMSC), established as a 60%-40% joint venture between China SFECO Group and the Eritrean National Mining Corporation (ENAMCO), joined BMSC in commencing mining operations towards the end of the year 2015, further solidifying the growth of the sector.

Many of the exploration companies are still actively engaged in their exploration activities to date, and are at different stages of exploration; while some of the early arrivals have sold their stake to other interested parties or discontinued their exploration and returned their license to the Government due to a shortage of finance. Other exploration and mining companies which are well aware of the unique geological formation and mineral riches of our region in general continue to show interest in the Eritrean mining sector. Hence, despite the unrelenting hostility and negative narratives on Eritrea, the mining sector is thriving against all odds.

Operational Governance

The Eritrean National Mining Corporation (ENAMCO), established under the authority of Proclamation No. 157/2006 as a legally distinct and autonomous corporate entity fully owned by the Government of the State of Eritrea (GoSE), holds the crucial responsibility of representing and safeguarding the Eritrean government's interests within the nation's mining sector. ENAMCO actively discharges this responsibility through its appointed Directors who serve on the Boards of Directors of the various joint venture companies engaged in either mining operations or mineral exploration activities. These ENAMCO Directors play a vital role in the oversight and strategic direction of these ventures, participating in decisions related to prospecting, exploration, the actual exploitation of mineral resources, and their subsequent marketing. Within the structure of these Joint Venture (JV) Boards of Directors, where ENAMCO is typically represented by two Directors out of a total of five, these representatives are empowered to engage in and ultimately approve the most strategically significant matters pertaining to the company's operations through their designated "Reserved Matters" rights.

The "Reserved Matters" encompass a broad spectrum of critical decisions, including but not limited to the approval of the annual budget and overarching business plan, any substantial or material alteration to the company's foundational documents such as the memorandum and articles of association, any proposed changes in the company's share capital structure, any significant expansion or development initiatives concerning the company or its core business activities, the formation of, entry into, termination of, or withdrawal from any significant agreement, arrangement, or partnership, the undertaking of substantial loans and borrowing activities, the negotiation and execution of material contracts, the appointment and dismissal of the top Management team and Directors, the removal or replacement of the company's external auditors, and any involvement in significant legal proceedings or litigations. Critically, the company is legally prohibited from undertaking or implementing any of these "Reserved Matters" without obtaining the prior written consent of a Shareholder's Super Majority, which is defined as the affirmative vote of shareholders holding 70% or more of the company's issued and fully paid-up shares. This effectively necessitates a unanimous decision among the shareholders for all strategic matters, thereby ensuring that neither side of the shareholders within the JV can unilaterally impose its interests or decisions upon the other, fostering a balanced and collaborative governance framework.

The Government of Eritrea actively engages in and provides robust support to the mining industry through the dedicated efforts of the Ministry of Energy and Mines, as well as other relevant governmental authorities, in close collaboration with ENAMCO. This proactive and constructive involvement by the government is highly valued and appreciated by the foreign investors participating in the various joint ventures and the management teams of the operating companies, as it significantly encourages and promotes their activities, which in turn directly contribute to the successful and efficient operations of these companies.

Sales and Marketing of Mineral Products

GoSE established policy clearly stipulates that the process of selling minerals should be conducted directly by the operating company itself, adhering to principles of transparency, open competition, and fundamental fairness. The Mining Agreement explicitly stipulates that any Company commencing mining operations must, subsequent to signing the requisite Agreement with the MoEM, exert its best efforts to sell its produced mineral products "at the highest commercially achievable market price and lowest commercially achievable commissions and related fees in the circumstances then prevailing and to negotiate for terms and conditions compatible with world market conditions."

In this spirit, the operational mining companies, BMSC and AMSC, hired the services of international sales and marketing agencies from the US and UK through which they offer their products (zinc and copper concentrate from BMSC and DSO copper from AMSC) to a range of reputable international companies without discrimination and prejudice. It is these sales and marketing agencies that invite the buyers and run the evaluation and awarding process purely based on prevailing world market prices and values. This process typically encompasses the tender preparation and distribution to international buyers, bids review, and recommendation to the Board of Directors to approve the bids award to the best bidder/buyer. After the Board's approval, contractual agreements are signed and the products are shipped to the buyers accordingly. The record so far illustrates that the successful bidders and recipients of these tenders have mostly been companies based in Western countries. Furthermore, the subsequent export and resale of the purchased products by these buyers are not within the direct purview or responsibility of the mining companies.

Furthermore, the Mining Law provides a provision allowing mining companies to "enter into long-term sales and marketing contracts or foreign exchange and commodity hedging contracts," provided that such arrangements have received the explicit written approval of the Ministry of Energy and Mines (MoEM). During its gold production phase, which spanned from 2011 to 2013, Bisha Mining Share Company (BMSC) selected its gold buyers, Johnson Mattey Limited of Canada and Metalor Technologies SA of Switzerland, through a rigorous, fair, and transparent selection process, subsequently entering into long-term supply agreements with these entities. In a similar vein, Zara Mining Share Company (ZMSC), which is currently engaged in gold production, invites bids from international gold buyers through a transparent, competitive, and fair bidding process. Over the past decade of its operational history, the successful buyers of ZMSC's gold production have primarily been companies based in the Middle East region.

It is also important to highlight that prior to the transportation of any mineral product (whether gold, copper, or zinc) from the mine site and its subsequent shipment to the international buyers, the product is subjected to a stringent internal quality and quantity control and assurance process conducted by the mining companies themselves. In addition to these internal checks, authorized government officers are mandated to independently control and verify the exact amount of mineral products destined for shipment to international markets and to submit their detailed verification reports to the relevant government authorities, ensuring accountability and regulatory compliance.

Procurement of Goods and Services

The Mining Law of Eritrea explicitly mandates that all mining and mineral exploration companies conducting operations within the country are under a legal obligation to "give preference to domestic goods and services, where they are readily available at competitive prices and are of comparable quality." This provision underscores the government's commitment to fostering local economic participation and maximizing the benefits of the mining sector for Eritrean businesses and individuals. Consequently, the primary operating company itself, along with any and all sub-contractors or associated enterprises working in conjunction with the mining company on any aspect of the project, are legally required to prioritize Eritrean enterprises and individual citizens when awarding contracts for all forms of construction work, the supply of necessary goods, or the provision of essential services. This preference extends to a wide range of contractual needs, including but not limited to shipping and transportation logistics.

The principle of procuring goods and services through a demonstrably transparent, rigorously competitive, and fundamentally fair process stands as one of the core tenets and foundational pillars underpinning all mining operations conducted within Eritrea. To ensure adherence to this principle, the mining companies are legally mandated to formally issue a comprehensive request for offer (RFO) to a minimum of three distinct potential suppliers. The sole exception to this requirement arises in situations where a genuine sole supplier market condition prevails, meaning that only one entity is capable of providing the specific goods or services required. Through this competitive bidding process, mining companies actively solicit bids or detailed proposals from a diverse pool of potential suppliers for the provision of a wide array of necessary goods and services. Hence, all essential equipment, specialized machinery, raw materials, and other crucial supplies required for mining operations are meticulously procured and sourced based on a comprehensive evaluation that takes into account several key factors. These critical considerations include the comparable quality of the offered goods or services, the competitiveness of the proposed price, the reliability and timeliness of the delivery lead time, and the availability and quality of essential after-sale services and technical support. This multi-faceted evaluation process ensures that procurement decisions are made judiciously, balancing cost-effectiveness with operational efficiency and long-term reliability.

Energy in Mining Companies

Uninterrupted and reliable energy sources constitute one of the critical infrastructures required for mining operations anywhere in the world. Recognizing this essential requirement, and taking into careful consideration the often remote and geographically isolated locations of the mining sites within Eritrea, the mining companies operating in the country have established their own dedicated power generation installations. These independent power sources operate entirely outside the national electricity grid and are managed through either contractual agreements with specialized energy providers or directly operated and maintained by the mining companies themselves.

For instance, Aggreko, a globally recognized supplier of mobile and modular power solutions headquartered in the United Kingdom, serves as the contracted power provider for Bisha Mining Share Company (BMSC). In contrast, the other currently active mining companies in Eritrea, namely Zara Mining Share Company (ZMSC) and Asmara Mining Share Company (AMSC), have opted for an owner-operated model, maintaining their own power generation plants with substantial capacities of 20 Megawatts (MW) and 28 MW, respectively. The power supply infrastructure supporting BMSC's operations is derived from a dual-source system, comprising 24 MW generated from diesel-powered gensets and an additional 7.5 MW contribution from a dedicated solar power installation. The adoption and expansion of energy supply from environmentally friendly or "green" sources are strongly encouraged within the sector for their potential to enhance operational efficiency, achieve significant cost savings over the long term, promote diversification of power supply options, and contribute to broader environmental protection objectives. In line with this strategic direction, BMSC is actively pursuing further expansion of its power generation capacity through solar energy by undertaking the installation of an additional 10 MW photovoltaic (PV) power plant. Furthermore, the potential integration of wind and solar energy solutions is already under serious consideration for Colluli Mining Share Company (CMSC), complementing its planned 25 MW diesel generator capacity, and for Asmara Mining Share Company (AMSC) as integral components of their future power supply strategies and demands.

Training and Development of Nationals

The Eritrean Mining Law obliges all mining and exploration companies operating in the country to “give preferences to the employment of Eritrean nationals, provided that such persons have the required qualifications and skills.” Furthermore, the law requires the companies to “give employees the training and education necessary to carry out mining operations effectively and efficiently and comply with appropriate training programs.” As a direct result of this clear and proactive government policy, coupled with strategic initiatives such as the establishment of dedicated Mining and Mineral Processing Engineering Departments in the College of Sciences at the Eritrea Institute of Technology (EIT) and other forms of consistent government support for technical education, a remarkable achievement has been realized. Eritrean nationals now constitute more than 90% of the total workforce across the various mining companies operating in the country. Regular organized and on-the-job training of nationals, continuously supervised by ENAMCO and MoEM, are critical components of the national capacity building endeavor in the mining sector. The efforts exerted by the government and the commitment of the mining companies in developing and enhancing the skills and knowledge of nationals over the last 15 years since the start of mining operations in Eritrea is slowly paying off. Consequently, a significant number of senior management and top technical positions, which were initially held by expatriate personnel (or were initially anticipated to be filled by expatriates) are now being filled and replaced by highly competent Eritrean professionals.

Currently, through various mechanisms including a government-supported secondment system and internal personal development programs implemented by the mining companies themselves, there are a significant number of Eritrean nationals holding key leadership and technical roles within the producing mining companies – BMSC, ZMSC, and AMSC. This includes 15 nationals serving at the Manager level, 35 at the Superintendent level, approximately 130 at the Supervisor level, around 80 at the Engineer level, over 30 specialized Metallurgists, more than 15 experienced Senior Geologists, and over 135 skilled senior technicians. This notable progress has directly contributed to a reduction in the reliance on a more expensive expatriate workforce and is effectively building a strong and sustainable national capacity within the crucial mining sector. Considering that the modern mining industry in Eritrea is still in its relatively early stages of development and given the various other challenges encountered, this level of achievement in national workforce development is undoubtedly very promising and indicative of a positive long-term trend.

Recruitment of foreigners for the mining companies follows a merit-based transparent, competitive, and fair process, where there is no preference for certain nationalities. Therefore, the demographics of expatriate employees in the mining companies are very diverse. As of December 2024, for example, there were 164 expats from 21 different countries working for BMSC and 57 expatriates from 11 countries working for ZMSC. As part of their employment contracts, these expatriates are required to transfer their skills and knowledge to nationals. If any expatriate is deemed as not fulfilling their obligation, his employment contract will either be terminated or not renewed.

Corporate Social Responsibility (CSR)

The provision of essential social service utilities to its citizenry stands as a cornerstone and one of the fundamental pillars underpinning the comprehensive nation-building strategy meticulously pursued by the Government of the State of Eritrea (GoSE). Driven by this core principle and recognizing it as a primary objective and inherent responsibility, the GoSE is undertaking this significant task with utmost seriousness and dedication, as evidenced by tangible and positive outcomes observed across the entire nation.

From the very inception of its development policies, the GoSE has clearly and unequivocally articulated that the fundamental responsibility for the provision of essential social service utilities rests firmly with the government itself, and not with non-governmental organizations (NGOs) or private corporations. The government's rationale is that the widespread involvement of mining companies or other NGOs and corporations in undertaking broad-scale Corporate Social Responsibility (CSR) initiatives related to social service provision can inadvertently create or exacerbate regional imbalances in access to these critical services. In this spirit, the GoSE diligently ensures that the financial proceeds and revenues generated from mining companies, irrespective of their specific geographical location within the country, are equitably distributed and strategically allocated in accordance with the overarching national development programs and the carefully prioritized objectives of the government. This distribution is specifically aimed at achieving "the improvement and betterment of the qualities of life of the Eritrean people" on a national scale, ensuring that progress benefits all regions and segments of society.

However, operating within the overarching framework of this central government policy regarding social service provision, the mining companies operating in Eritrea are also provided with a defined space and encouraged to engage in smaller-scale, localized Corporate Social Responsibility (CSR) projects that directly benefit the specific local communities situated in close proximity to their operational areas. These localized initiatives are intended to complement, rather than substitute for, the government's broader national programs. As a fundamental aspect of these localized CSR engagements, the government also actively encourages the mining companies to prioritize local job creation and the recruitment of individuals from the surrounding communities for both skilled and non-skilled positions within their operations, thereby fostering local economic empowerment and strengthening the positive relationship between the mining companies and their neighboring communities

Eritrea's Resilient Mining Sector: Navigating Adversity and Achieving Progress

Despite the considerable high mineral potential that the country possesses and the demonstrably attractive investment policies enacted by the Eritrean Government, the mining sector of Eritrea, as an integral component of the nation's broader economy, has for the past over 27 years been operating under a persistent and multifaceted array of challenges and overt hostilities originating principally from Western powers in general, and the US in particular. Especially since the year 2009, the burgeoning mining industry of Eritrea has been specifically targeted in a manner detrimental to its natural progression and its capacity to unlock its full potential for contributing to national economic development and growth.

A key strategy vigorously pursued by the US and its allies over the last three decades, aimed at strangulating the Eritrean economy and compelling Eritrea into submission, has been to actively discourage new foreign investors from entering and investing in Eritrea, while simultaneously attempting to drive away international companies that had already commenced ventures within the country. To achieve these objectives, a range of coercive tactics were employed, including the imposition of sanctions, the exertion of unilateral pressure on international financial institutions to withhold support, and the propagation of unsubstantiated and relentlessly negative media narratives and orchestrated campaigns.

As a concrete illustration of these efforts, following a protracted and detailed negotiation process, Bisha Mining Share Company (BMSC) successfully reached a preliminary agreement, albeit at a significantly higher borrowing cost exceeding a 10% interest rate, with a consortium of six prominent European-based banks and financial institutions (hailing from Germany, France, and the United Kingdom), with KFW IPEX-BANK GMBH acting as the lead Project Facilities Agent, to secure a commercial loan amounting to $146 million. In addition to this, the Industrial Development Corporation of South Africa (IDC) also formally agreed to provide an additional $89 million in financing.

This combined sum of $235 million, together with the equity contributions from the project shareholders, was deemed essential for the successful development and commencement of operations at BMSC. On July 16, 2009, the final loan agreements were officially signed in London, marking a significant milestone. Based on the terms of these agreements, BMSC was scheduled to receive its initial drawdown of funds in September 2009, paving the way for project implementation.

However, in a stark reversal and contrary to the binding agreements, the European banks began to decelerate their commitments, and this deliberate act of disengagement left the BMSC shareholders in a state of uncertainty and without clear communication until December 23, 2009, a date that coincided with the United Nations Security Council's imposition of sanctions on Eritrea.

On this very same day, the six European-based banks and financial institutions formally notified BMSC that they were unilaterally withdrawing from the previously agreed commercial loan agreements, effectively jeopardizing the project's financing. Subsequently, the Industrial Development Corporation of South Africa (IDC) was formally queried as to whether they would still honor their commitment to provide the agreed $89 million commercial loan. Following consultations with their insurance provider, the Export Credit Insurance Corporation (ECIC), IDC initially confirmed their intention to respect and abide by the terms of the agreement. Encouraged by this positive affirmation from IDC, Nevsun Resources, a major shareholder in BMSC, issued a public announcement expressing confidence that IDC would indeed provide the agreed-upon financing. However, a mere three days later, in a move mirroring that of the European-based banks, IDC also officially informed the BMSC shareholders of their complete withdrawal from the financing agreement, thus reneging on their commitment to provide the crucial funds.

The abrupt failure of this meticulously planned financing package, specifically intended for the development of Eritrea's first modern large-scale mine, was far from being a mere coincidence or an unfortunate turn of events. Instead, it represented a calculated and deliberate maneuver, literally aimed at thwarting the successful development of BMSC and denying Eritrea the much-needed hard-currency earnings that were crucial for its national development programs and economic growth. Indeed, as revealed in leaked diplomatic cables (Wikileaks), the then Prime Minister of Ethiopia, Meles Zenawi, had secretly admitted to Ambassador Joseph Legwaila, the Special Representative of the UN Secretary-General (SRSG) for the UN Mission in Ethiopia and Eritrea (UNMEE), that

"Ethiopia's strategy was to isolate Eritrea and wait for it to implode economically." This was in fact communicated to Washington on October 28, 2005, by Vicki Huddleston, the US Embassy Charge D'Affairs in Addis Ababa.

A series of subsequently leaked Wikileaks cables further provided compelling evidence that one of the primary targets of the collaborative efforts between the United States and Ethiopia was indeed Bisha Mining Share Company (BMSC). One particular cable, dated November 2, 2009 (nearly two full months prior to the official imposition of UN sanctions on December 23, 2009), strongly implies that the United States government had already issued direct instructions to the German government, urging them to withdraw the crucial credit guarantee that had been extended to the consortium of European banks involved in the BMSC financing. Disturbingly, the German government ultimately succumbed to this pressure and complied with the US directive.

According to the details contained within this leaked cable, the then US Ambassador to Eritrea, Ronald K. McMullen, reported that a European diplomat based in Asmara had informed him that the "German Secretary of State for Foreign Affairs has revisited the credit guarantee and recommended that it be rescinded." This decision by the German government reportedly caused significant disappointment to the German Ambassador stationed in Eritrea, who was described as being "extremely upset with Berlin for caving in to what he sees as American pressure" and even seriously considered resigning from his post in protest.

Further corroboration of these events emerged from another leaked cable originating from the US Embassy in Berlin, Germany, which was dispatched approximately two weeks later, on November 18, 2009, by Minister Counselor for Political Affairs George Glass. This cable disclosed that in mid-October 2009, a high-level, one-day long conference, with a specific and intensive focus on the geopolitical and economic situations in Ethiopia, Eritrea, Somalia, and Kenya, was hosted in Berlin by the African Secretary within the German Ministry of Foreign Affairs, Mr. Matthias Muelmenstaedt. The attendees at this significant conference included representatives from the European Commission, the European Secretariat, France, Italy, Sweden (which held the rotating presidency of the European Union at that time), the United Kingdom, and notably, Karl Wycoff, the US Deputy Assistant Secretary for African Affairs (who served in this role from August 2008 to September 2012). Wycoff was reportedly actively shuttling between Addis Ababa and various European capitals with the primary objective of coordinating the United States' punitive measures specifically targeting Eritrea.

During this particular conference in Berlin, he explicitly informed the assembled European delegates that "the German government had decided to freeze its support for the Bisha mining project," further predicting that this action "would paralyze the project" and severely hinder its progress. Furthermore, he conveyed to the delegates that the United States was actively collaborating with both the Intergovernmental Authority on Development (IGAD) and the African Union (AU) to pursue the imposition of sanctions on Eritrea, and he explicitly "noted that the U.S. would support our African partners in addressing this issue".

These revelations strongly suggest that the widely publicized and often exaggerated political allegations leveled against Eritrea were, in reality, carefully constructed pretexts employed to justify the imposition of illegal and unwarranted sanctions with the ultimate aim of paralyzing the Eritrean economy by strategically targeting key industries with the potential to generate substantial hard-currency earnings, such as Bisha Mining Share Company (BMSC).

When all viable avenues for securing essential development loans from Western financial institutions for the BMSC project were effectively obstructed and rendered exceedingly difficult due to the aforementioned external pressures, the primary shareholders in the venture, Nevsun Resources and the Eritrean National Mining Corporation (ENAMCO) had no option but to assume the onerous responsibility of raising the required capital on their own. While Nevsun Resources, as a publicly traded company listed on the Toronto Stock Exchange, utilized the capital markets to raise its proportionate share of the necessary funds through the issuance of stock, the Government of Eritrea, through ENAMCO, actively engaged with Chinese financial institutions with the same objective of securing essential financing.

Despite the absence of any direct Chinese equity interest in the BMSC joint venture at that time, the Chinese financial institutions demonstrated a willingness to provide loans to ENAMCO at a remarkably favorable interest rate of 2.5%, representing a significantly lower cost of borrowing compared to the terms that had been previously offered and agreed upon with the Western banks and financial institutions before their abrupt withdrawal. The subsequent unfolding of events is now a matter of historical record.

Following the imposition of two rounds of sanctions against Eritrea (in 2009 and 2011), and contrary to the clearly anticipated expectations of its detractors, these punitive measures failed to derail and isolate Eritrea or to precipitate the intended economic implosion.

In a strikingly similar pattern of events, after Chalice Gold successfully finalized its mineral exploration activities and conclusively proved the existence of a commercially viable gold deposit in the Koka South area of Zara, the company encountered significant difficulties in securing the necessary funding from Western financial institutions to finance the development of Zara Mining Share Company. Consequently, this externally imposed financial constraint, directly resulting from the US-induced illegal sanctions on Eritrea, ultimately forced Chalice Gold to divest its majority 60% stake in the joint venture to a Chinese company known as China SFECO Group in September 2012. Within a remarkably short period of a few months following this acquisition, ZMSC successfully secured all the requisite funds for the development of the mine from Chinese financial institutions, and within approximately two years, the construction of the necessary infrastructure was completed, with full-scale mining operations commencing at the end of 2015.

Asmara Mining Share Company (AMSC), a joint venture with a 60%-40% ownership structure between Sunridge Gold and ENAMCO, and Colluli Mining Share Company (CMSC), a 50%-50% joint venture between Danakali (an Australian company) and ENAMCO, also experienced similar challenges mirroring those faced by Zara Mining.

The Western shareholders in both AMSC and CMSC, despite their considerable efforts to secure financing, encountered serious obstacles and significant limitations in obtaining the necessary funds due to the discernible reluctance and outright unwillingness of Western financial institutions to provide development loans for their Eritrean projects. Consequently, both Sunridge Gold and Danakali were ultimately compelled to sell their respective interests in these joint ventures to a Chinese company, Sichuan Road and Bridge Mining Investment Development Corp. (SRBM), in 2016 and 2023, respectively, marking a significant shift in the ownership landscape of Eritrea's mining sector.

According to the stipulations of the Eritrean Mining Law, all mining companies are legally required to sign a comprehensive mining agreement with the Ministry of Energy and Mines as a prerequisite for obtaining their mining license and formally commencing mining development and operational activities. Within the framework of this agreement, it is specifically mentioned that the company must initiate mining operations within a defined timeframe of two to three years, effective from the date the agreement was officially signed, with the specific duration being determined based on the scale and complexity of the required infrastructure construction. However, in instances where the Western shareholders encountered insurmountable challenges in raising the necessary funds for construction within the initially stipulated timeframe, the Ministry of Mines and Energy, demonstrating a gesture of goodwill and in recognition of their efforts and genuine desire to achieve success in Eritrea and contribute to the nation's development, granted them further opportunities by extending the development commencement date.

A typical example of such extensions was provided to Colluli Mining Share Company (CMSC), which was granted one-year extensions in both 2018 and 2019. Furthermore, prior to these formal extensions of the commencement of development timeline, the Eritrean government had also exhibited considerable patience with Danakali, CMSC's Western partner, for many years following the completion of the crucial feasibility and Front End Engineering Design (FEED) studies, recognizing the complexities involved in bringing a major mining project to fruition.

However, despite the Eritrean government's consistent goodwill gestures aimed at encouraging and attracting foreign investors by providing an equal footing and a level playing field for all participants, Western investors have been and continue to be increasingly hampered in their efforts to secure necessary funding from Western financial institutions to develop their mining interests in Eritrea. This primary obstacle stems directly from the prevailing hostile political and economic stances adopted by their own governments towards Eritrea. In this evolving geo-economic scenario and given the inherent limitations faced by Western investors, foreign investors originating from other regions of the world, particularly China, the Middle East, Russia, and India, have consistently demonstrated a strong willingness and readiness to seize the emerging opportunities with considerable enthusiasm and commitment.

In addition to the financial pressures, an unrelenting campaign of negative media coverage and the dissemination of unsubstantiated narratives specifically targeting the mining sector of Eritrea has been another key strategy actively pursued by the United States and its allies with the explicit intent of deterring foreign investment in Eritrea. This multifaceted campaign involved not only intensive smear media campaigns conducted by Western mainstream media outlets, falsely alleging the widespread use of forced labor within the Eritrean mining sector, but also a simultaneously well-organized and orchestrated legal drama involving the initiation of lawsuits against Nevsun Resources in Canadian courts, based on similar unfounded allegations of “forced labor” in its Bisha operations. The underlying purpose of such concerted attacks and overt hostilities directed at Eritrea’s mining sector is not a secret or a matter of speculation. It was deliberately designed to weaken Eritrea economically, thereby undermining its capacity to defend itself against any potential foreign aggression and hindering its overall national development.

Nevertheless, Eritrea’s vast and largely untapped mineral wealth, when considered in conjunction with the positive investment policies consistently implemented by the government, the welcoming and peaceful nature of the Eritrean people, and the rich cultural heritage of Eritrea, collectively present an opportunity that is simply too compelling and economically significant to be indefinitely stifled or ignored by discerning foreign investors seeking promising and sustainable ventures.

Eritrea’s Mining JV and Changing of Ownership

As Western governments continued to adopt increasingly adversarial stances towards Eritrea, the exploration and mining companies originating from Western nations begun to encounter mounting challenges and found it increasingly difficult to effectively compete within the potentially lucrative mining sector of Eritrea against their counterparts from Eastern countries. As a direct consequence of these competitive disadvantages and the prevailing geopolitical climate, these Western companies have become more susceptible and vulnerable to various takeover initiatives, whether they are pursued through mutually agreed friendly negotiations or through more assertive hostile acquisition attempts. A prime example that effectively illustrates this trend is the case of Bisha Mining Share Company (BMSC).

In September 2018, Zijin Mining Group, a prominent mining conglomerate based in China, successfully acquired the significant equity stakes held by Nevsun Resources in both the Bisha Mine project located in Eritrea and the Timok copper-gold project situated in Serbia. Nevsun Resources, at the time of this transaction, was a publicly listed company whose shares were actively traded on the Toronto Stock Exchange (the “TSX”). Following the comprehensive completion of the takeover process, the finalization of all associated transaction details, and the resolution of all pertinent administrative and tax matters within Canada, the Canadian government provided its full clearance and formally approved the acquisition. Subsequently, after the relevant government authorities in Eritrea had conducted a thorough and comprehensive due diligence assessment of the technical expertise and financial capabilities of the new shareholders, the Eritrean government also granted its official approval for the takeover. This decision reflected Eritrea’s consistent policy of non-discrimination based on the origin or nationality of potential investment partners.

The narrative surrounding the takeover of Nevsun Resources by Zijin Mining Group offers both a compelling illustration of perceived Western hypocrisy and an interesting insight into the dynamics of the global mining industry. Prior to Zijin Mining Group’s successful acquisition bid, another Canadian mining company, Lundin Mining Corp, had initiated a friendly takeover proposal with the intention of acquiring all outstanding shares of Nevsun Resources. This initial friendly takeover deal, which spanned a considerable period of nine months, was ultimately rejected by Nevsun's board of directors after careful consideration of its terms and valuation. Following this rejection, Lundin Mining Corp launched a hostile takeover bid, valued at approximately $1.1 billion, and directly approached the shareholders of Nevsun Resources in an attempt to garner sufficient support for the acquisition. However, just a few days later, Zijin Mining Group presented a competing friendly takeover proposal with a significantly higher valuation of $1.4 billion, which was subsequently favorably received and accepted by the board of directors of Nevsun Resources.

Lundin Mining Corp's takeover attempts, both the initial friendly proposal and the subsequent hostile bid, were rejected by Nevsun's board primarily because the offered price was deemed to be lower than the internal valuation that Nevsun placed on its valuable assets and future prospects. In contrast, Nevsun's board ultimately accepted the friendly takeover offer from the Chinese company, Zijin Mining Group, as it provided a more attractive and higher immediate cash profit for its shareholders. It is important to note that this type of acquisition and strategic transaction is a relatively common occurrence within the global mining industry, where companies possessing greater financial resources and stronger balance sheets frequently acquire other companies, often resulting in the selling companies and their shareholders realizing substantial profits from the transaction.

As briefly alluded to earlier, the ownership interests held by Chalice Gold in Zara Mining Share Company (ZMSC), Sunridge Gold in Asmara Mining Share Company (AMSC), and Danakali in Colluli Mining Share Company (CMSC) were also subject to friendly takeover agreements with Chinese entities, specifically China SFECO Group and Sichuan Road and Bridge Mining Investment Development Corp (SRBM), respectively. In each of these instances, once the respective parties involved in the transactions had successfully secured the necessary approvals from their own national governments and regulatory bodies, the Eritrean government also proceeded to grant its approval, ensuring that all legally required procedures and regulatory requirements were fully satisfied and adhered to throughout the process.

The increasingly hostile policies and actions pursued by Western countries with the stated aim of weakening Eritrea economically have inadvertently created a boomerang effect, negatively impacting their own geo-economic and geo-political interests within the country. Furthermore, the more Western companies encountered difficulties and struggled to sustain their operational activities within Eritrea as a direct consequence of the challenges largely created by the policies of their own governments, the more significant opportunities arose for Chinese companies, as well as companies originating from other diverse regions of the world, to strategically capitalize on the evolving situation and acquire valuable assets and interests within Eritrea's promising mining sector.

Conclusion: Eritrea's Emerging Mining Sector Demonstrates Resilience and Promise

Although Eritrea is inherently endowed with vast potential of mineral wealth, its modern mining operation is fairly a new business venture. Indeed, it is only 15 years since the first mining company, BMSC, started its operations in 2010.

However, and at the early stages of its operation as a newly-fledgling sector, it had to grapple with a multitude of challenges. And yet, it was able to navigate through these hurdles and flourish against all odds.

The GoSE for is part, had from the outset articulated, and implemented in goodfaith, judicious mining investment policies to spur the sustainable development and growth of the sector. This approach was pivotal in attracting the attention and capital of diverse investors originating from various corners of the globe. The overwhelmingly positive response exhibited by numerous international mining and mineral exploration companies to the progressive Eritrean Mining Law serves as compelling and irrefutable evidence of its effectiveness and attractiveness to foreign investment.

Ultimately, this positive reception and active participation are what hold the most significance for the sector's future trajectory. The consistent and active support provided by the Eritrean government to the mining and exploration companies operating within the country has proven to be a decisively influential factor in their progress. The collective narrative of these companies is one characterized by notable success and continued advancement, rather than decline or failure, despite the significant external challenges and headwinds they have encountered. Consequently, the Eritrean model of fostering a supportive and judicious mining investment policy and environment could certainly be studied, adapted, and potentially adopted as a valuable blueprint by other resource-rich countries seeking to sustainably develop their own mineral wealth for national benefit.