

Summary of Global Gold Dore Forum

The 2nd edition of Global Gold Dore Forum- held in Dubai on 14th and 15th of January, 2018, was organized to discuss about artisanal, small and medium scale gold mining sector, which contributes to about 30 percent of global mined-gold production. The sector is critical as it creates large-scale employment, but at the same time, it is unorganized, the extraction processes are non-standardised and vulnerable to environmental set-backs and the trade flow is relatively non-transparent. Therefore, there is need for better engagement of the stakeholders in order to raise the standard of this sector. We have a detailed guideline (OECD Responsible Sourcing Guideline) on how transparency and traceability can be established in the artisanal sector. The trade participants need to work collectively in this direction.

His Excellency Mr Maitre Claude Nyamugabo Bazibuhe, Governor Province South Kivu, Democratic Republic of Congo, inaugurated the Forum. In his speech, he highlighted the opportunities that the region offers to gold mining and at the same time, the challenges that the gold sector is facing.

Province South Kivu is rich in mineral including gold; Industrial exploitation goes through the acquisition mining concessions to the Central Government. The mining code in-force governs prospecting, research, processing,

transportation and marketing of mineral substances. It establishes transparent, objective, effective procedures and rapid in the process of receiving, training, decision and notification of mining rights as well as the issue of the relevant securities. Foreign companies are eligible for mining rights provided that they act by the intermediary in approved mines. The artisanal mining is carried out by mining cooperatives approved by the central Government and installed on operating areas also established by the central Government. Mining cooperatives are companies in accordance with OHADA (Organisation for the Harmonization of Corporate Law in Africa) law. The artisanal gold is sold by the mining cooperatives to traders in the centers trading. Traders in turn sell at companies which alone are authorized to export. South Kivu province is now producing 4 tons of gold in industrial level and one ton in artisanal sector in a year.

However, it is an unfortunate finding that large amounts of gold pass through borders to swell the farms of the neighbouring countries. For a long time, this gold did not benefit the Province, let alone the population because of illegal logging and mining fraud in large scale. Much of the artisanal production of the Province passed through the capitals of 4 neighboring countries (Tanzania, Burundi, Rwanda and Uganda) for export. It is not normal that in these neighboring countries settlements

countertops and refineries at the border that export quantities which do not correspond to their reserves. The reality is that it's about gold from the DR Congo.

To tackle this fraud to neighboring countries but especially in the framework of the Regional Initiative on the fight against the illegal exploitation of Natural Resources (IRRN) in the Great Lakes region, a mechanism for certification - Regional Center for Minerals of the ICGLR- has been set up by the Heads of State of the member countries. Any buyer who buys gold from a member country of the GLR (Great Lakes Region) should ensure its origin based on the ICGLR Regional Certification Mechanism (MCR / ICGLR) for a transparent trade in minerals. These are the CEEC's Artisanal Gold Traceability Initiative (ITOA) and IBES from the BGR that identify artisanal gold from the DRC in accordance with the functioning of the MCRG / CRIGL. The basket fund or community development fund that we have created to finance development projects in the communities around mining sites has become the leitmotif for the channeling of production in the official circuit of marketing.

Mr. Pona Abdoulaye from Mali Chamber of Mines presented an overview of Mali's gold mining sector. The country is currently producing 50 tons in a year in organized sector, while 6 tons of gold come from

artisanal sector. These six tons are not included into official production data of the country because of its informal nature. Two million people are engaged in artisanal gold mining in Mali. People are rushing to artisanal mining because of widespread poverty in the country. This heightened activity has been creating destruction of the environment (galleries, deforestation, unmoderated use of harmful chemicals such as mercury and cyanide polluting soils and streams); the emergence of illegal activities on the sites (prostitution and trafficking narcotics).

Mali is also rich with various other minerals, but adequate development has not happened except in the gold mining. It happened because of ease of operation and sustained rise in its price. Mali has huge potential across minerals including gold. For exploring them to its highest potential, the following are needed.

- Completion of the mining inventory (development clues);
- Infrastructure development;
- Improvement of the legislative and regulatory framework;
- Diversification of resource exploitation of mineral.

On the legislative side, constant effort has been going on in the country since 1991 (first mining code). The code adopted in 2012 is currently under revision. Mali will acquire, over time, attractive texts favoring the arrival of new investors.

OECD plays perhaps the most important role in addressing conflict and serious human rights

abuses in mineral supply chain. This is a global issue affecting all continents (Africa, Asia, Americas and Europe). OECD has developed Due Diligence Guidelines in 2011 to counter the conflict sourcing of minerals and since then, it has become the de-facto guideline in responsible mineral supply chain. Mr. Louis Marechal presented the basic structure of the guideline and it working.

Following is salient feature of the guideline:-

Objective

To provide clear, practical guidance for companies to ensure responsible operations and sources of

Supply:

- No support to non-state armed groups, No “serious abuses”
- Prevent & mitigate support to public security forces, bribery, tax evasion, money-laundering and fraud in supply chains
- Strengthen internal controls, due diligence systems, engagement with suppliers (e.g. supplier upgrading)

Method and scope

Five-step risk-based due diligence process, applies to all mineral resources & all companies throughout the entire mineral supply chain that potentially contribute to conflict, serious abuses, bribery, tax evasion and money laundering through mining or mineral sourcing practices

Principles

- On-going, proactive and reactive due diligence approach

- Due diligence is risk-based, i.e. intensity of due diligence proportional to risk
- Progressive improvements over time and good faith and reasonable efforts promoting constructive engagement with suppliers
- Global scope - intended to enable investment and trade in conflict-affected and high-risk areas, i.e. no blacklists, no embargoes, no protectionism
- While collaboration is encouraged, companies retain individual responsibility for due diligence

The OECD Guidance encourages collaboration and cooperation of companies and the setting up of due diligence initiatives as a form of government- backed self-regulation.

Some advantages of collaborative initiatives:

- Cooperation builds capacity on due diligence, common risks and mitigation strategies
- Cost-sharing when programmes take on specific due diligence tasks
- Coordination between programme members on risk assessment and mitigation for those who share suppliers or operate in the same areas
- Increased cooperation between upstream and downstream, smaller and larger, experienced and less experienced companies
- Building partnerships with civil society organisations, government agencies and international organisations

Mr. Alexis Mikandji Penge, CEEC,

DRC, discussed in his presentation that DRC is post-conflict country and because of this, the country has made the sad experience of conflict minerals. But, it had made considerable progress in 3Ts and now the authorities have taken gold as its next challenge to address. Gold can be found in DRC all through the country, but its deposit is mainly concentrated in North and South Kivu, Maniema and Katanga provinces.

As per the government estimate, around 400+ kgs of gold is exported legally in a year out of estimated annual production of 15 tons. Illegal export of gold is mainly visible in Ituri and South Kivu; however, the situation has improved significantly. Still, it is not adequate compared to 3Ts; public officials and elements of non-state armed groups do collect illegal taxes. Nomadization of miners poses another serious identification problem.

Mr. Nikita Knyazev, EZOCM JSC presented an overview of the Russian market. Russia has strong gold mining, around 300 tons annually. The country has six Good Delivery Refiners having capacity to refine 1000 tons. So, 300 tons are not enough to meet the refining requirements and hence Russia has to depend on external sources. Government has eased duty on importing mined gold (dore) in 2017 at zero percent and expected to maintain it till 2019. Mined gold enters the country through simple yet well-defined regulatory process: invoice with price explanation, certificate of origin, AWB, Assay Certificate and export

permit are needed for shipment, while adherence of international regulation, final assay supervised by Government Assay Inspector are some of the compliances are taken care of. Business challenges are there. For example, doing business with Africa and Latin America is problematic as wire transfer takes longer time; second, pre-payment cannot be made as it could be very risky; third, compliance cost adhering to responsible guidance is bit high. Industry is demanding easing of these costs and introduction of Blockchain Ledger and Smart Contracts in gold dore.

Mr. James Jose, Secretary, Association of Gold Refineries and Mints, India presented India's case of importing dore. Government of India has well-defined regulation in respect of importing dore. Some of the salient features are:

- Only BIS certified refiner can import dore
- Each bar should five kg and above
- The goods are imported in accordance with the packing list issued by the mining company by whom they were produced
- an assay certificate issued by the mining company or the laboratory attached to it, giving detailed precious metal content in the dore bar. It is to be produced before Deputy Commissioner of Customs or the Assistant Commissioner of Customs.

Currently, importer has to pay 3% GST while importing dore. Association wants to exempt it in the same way it is exempted in case of

bullion while imported by nominated agencies or banks.

Mr. Jose has mentioned some problem that currently industry is facing. Simplification of these problems is urgently required. They are:

- Sampling and purity verification of gold content; There is no referral lab specified by the regulatory authorities. The 10 labs of the gold refineries approved by the Govt of India shall be notified for the purpose. The importer and the exporter shall agree in advance, before the shipment, samples shall be sent to any two of the above labs to determine its precious metal content.
- The importing refinery is paying 10% BCD and 3% IGST to the Govt. for the declared gold content, based on the shippers assay certificate. The final payment with the shipper is settled based on verified gold content subsequently. There is no mechanism for adjusting the import duty paid on the gold content, in case the assay is found to be lower, which the supplier must be aware of.
- Customs sampling for purity determination is not to be used as final payable gold content to the supplier, as the customs sampling is random and not after melting. The final payable gold content shall be based on the sampling and assay done at a mutually agreed lab.

Mr Cagdas Kucukemiroglu from Metals Focus presented a detailed

outlook of global gold dore supply. According to him, around 85% of total global gold production is recovered to dore (2800ton/year). This number stands for production in formal sector. Apart from that, around 400 tons of gold is added from informal sector. Outlook for gold dore supply will remain as follows:

- Global gold doré production peaked in 2017, with supply forecast to fall 0.9%/yr between 2018-22.
 - o Occurring in spite of a positive outlook for gold prices.
 - o Due to the lag effect within the mining sector. We are suffering from the slashing of exploration and development budgets post-2013.
 - o But, company spending is starting to pick-up again.
- Supply from captive markets expect to fair moderately better; driven by the longstanding trend of production coming from a broader array of countries.
- Other factors slowing the replenishment of mined ounces:
 - o A number of major producers still have significant levels of debt and are managing cash flow carefully (limiting expenditure on building new mines).
 - o Diminishing rate of return on exploration as companies focus on Australia, Canada and the US; the traditional, and politically safer, gold producing countries.
 - o Mining projects getting

harder to develop and operate; permit requirements, higher royalties and government free carry shares all cutting into returns.

Dr Bali Barume, from BGR, made a presentation on sourcing ASM gold ethically from countries like Democratic Republic of Congo. BGR started a gold pilot project with the support of DRC Ministry of Mines considering the importance of the artisanal gold sector in DRC. It combines different methods that include initiatives focusing on the mine as well as gold supply chain level. The project proposes for international buyers to source gold from a traceable and responsible supply chain from local ASM producers in Kampene. BGR supports the formalization of the Gold- ASM Mine sites in Kampene, including independent auditing and certification according to the national and international standards. The Kampene gold supply chain fulfils the requirements of the CTC certification scheme, the ICGLR regional Certification Mechanism and the OECD Due Diligence Guidance. The pilot project includes training and a technical support of the cooperatives with local geologists, exploration programs as well as mining and treatment methods. Most importantly the project has piloted an electronic traceability system for gold to increase transparency and allow access to validate and compliant ASGM sites to international buyers.

Mr. Jan Carnogursky, Comgex, presented how new technology can

be used in gold trading. He describes the difference between physical gold and cryptocurrencies and why physical gold is better option over cryptocurrencies in respect of investment. COMGEX is created by using modern technology and it is a low risk trading platform suitable for physical gold.

Mr. Tristan Palmer from Troy Minerals presented the importance of building transparency and traceability in dore supply chain. He emphasized on 4Ts, that is traceable, transparent, thoughtful and truthful are the key to building the supply chain. Integration of new technology like blockchain ledger will enhance the integrity of sourcing from ASM.

Mr James MacNaughton & Mr. Sana Ullah, Ascot Underwriting & Lockton Companies, Alliance Insurance Brokers Pvt Ltd, presented Managing Transit Risk in Dore Trade and Methods of Protecting Assets. This is very important segment in the supply chain. The company helps client protecting their high value material throughout its life cycle. It can cover the risk so widely that clients can take care of each and every risk that may arise out at any point of time. Important aspects that cover in the policy include Transit coverage by air, sea and road, war in transit, terrorism, non-owned location, cyber, employee and third party dishonesty etc.

Prof. Richard K Amankwah from University of Mines and Technology, Tarkwa, Ghana presented an overview of indigenous basic technology that has been introduced to increase the productivity and

also take care of environment. Land degradation and pollution of rivers through dredging, mercury use are some of the issue that Ghana has been facing. Hence, government enforced a ban on mining activities in March 2017. ASM sector employs one million people and so it is an important sector for people's livelihood. The indigenous technology has modified the supply chain. There is a need to enhance the tailings management which includes direct smelting to reduce the mercury use, follow Minamata Convention, water management, tailing storage, and leaching, better environment stewardship.

Women can play an important role too in mining. **Ms Hamdiya Orleans Boham** from Ghana presented kind of role that women are currently playing especially in ASM sector. Women are engaged in activities directly and indirectly. Directly, they are involved in Carrying of ore and water, Sieving and washing, Sorting and panning and Less commonly, concession owners, mine operators, buying agents and equipment owners. She recommended that women can play a bigger entrepreneur role if the condition is improved.

Mr Alain Goetz from Tony Goetz is an industry veteran. He sat on a panel discussion titled "Understanding the regulatory environment of major dore importers". When asked by the moderator Mr Debajit Saha, Editor, Bullion Bulletin, the impact of VAT in UAE market especially for 'dore' flows, Mr. Goetz answered thus: " There are lot of enquiries and apprehensions that dore flows

might be stopped in Dubai as impact of VAT. But as we are getting information from customs that dore can be declared zero percent tax. After refinement of this gold, it can be sold in the market at zero percent. So, only 5 percent tax will be levied on the services that refiners are providing (assay, trading etc). Dubai is still very competitive even with 5%; it is only a little bit of paper work that has been increased. But on the other side, hand-carrying is longer possible under VAT rule and so it will be stopped as dore gold has to declare at the airport compulsory by a VAT registered company."

Mr. Wayne Lau, Chairman, Cameroon Inc, presented a case to highlight the importance of artisanal gold and how it could be sourced ethically. It is indeed a challenge to accept artisanal gold as without proper compliance, no credible refiner will accept. Compliances like anti-money laundering, KYC, anti-child labour, no use of mercury, anti bribery must be in place before a credible refiner can accept artisanal gold. Refiners should gather evidence to determine, as applicable, the factual circumstances of gold extraction, trade, handling and export. Adhering LBMA Responsible Sourcing Guideline, following measures should be taken;

Identification of the origin of the gold based on reasonable and good faith efforts, such as:

- Identification of the suppliers of ASM gold sources to local gold exporter, including local artisanal mining team, association or cooperatives

using reliable, independent source documents data or information. It is however not expected to identify the individual diggers;

- Assessment whether artisanal mining team or association can be considered to be involved in legitimate ASM;
- Collecting and assessing mining practice, including extraction, processing and transportation method and assessing human right abuses risk.

Certification of ethical bodies like Fairmined, Responsible Jewellery Council and Fairtrade International, are important to determine the authenticity of gold. Transporters like G4S, Brinks and Loomis can do the additional check.

To conclude, two day events covered all relevant aspects of gold mining, especially in the ASM sector, and downstream supply chain, to getting a meaningful understanding of the current situation and what needs to be done in future. This forum has evolved well to focus on specific issues impacting the gold mining sector and thereby has truly become an important event in the global calendar.



