

# MINING & REPRESSION IN ERITREA:

## CORPORATE COMPLICITY IN HUMAN RIGHTS ABUSES



**ERITREA**  
**FOCUS**  
Exposing Human Rights Abuses In Eritrea

by Eritrea Focus to the All-Party  
Parliamentary Group on Eritrea

June 2018

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## **1. About Eritrea Focus**

Founded in 2014, Eritrea Focus is an association of Non-Governmental Organisations (NGOs), human rights organisations, exile and refugee groups and individuals concerned with the gross abuses of human rights in Eritrea.

The objective of Eritrea Focus is to draw attention to the horrific abuses and suffering of Eritreans, both within the country and as refugees living abroad. We campaign for democratic accountability in Eritrea and the establishment of the rule of law, and actively engage with the international community in our efforts to achieve this.

Eritrea Focus was involved in the formation of the All-Party Parliamentary Group (APPG) on Eritrea. The APPG has been created to raise awareness of the human rights abuses which are taking place in Eritrea today, to examine and debate how the situation in the country could be improved and to raise matters of concern with, and make representations to, government and other policy makers.

Eritrea Focus is run by a management committee. The management committee is comprised of individuals with extensive experience and knowledge of Eritrean history and politics, public relations and business finances.

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## 2. Executive Summary

Located in the Horn of Africa, Eritrea is one of the smaller states on the continent. Comprising some 124,000 square kilometers (about the size of England) the country has a population of approximately 6 million people.<sup>1</sup>

This report provides a unique insight into the operations of Eritrea's little-studied mining sector and explains the critical role mining plays in financing what is one of the most repressive regimes in the world.

Despite Eritrea's catalogue of human rights abuses, the mineral sector is rapidly expanding. Crushing low wages and enforced labour have contributed to the growth of the mining sector. The authors draw on first-hand accounts from former miners who were forced to work on the mines – effectively slave-labourers. The report highlights the following trends:

**Firstly**, the scale of the operations, which currently involve 17 mining companies from across the globe. Chinese, Canadian, Indian and Australian companies are involved, but key roles are played by UK mining and financial firms. British companies and the City of London are integral to these operations.

**Secondly**, mining in Eritrea raises important issues for the UK Parliament, particularly in relation to allegations of the use of National Service conscripts in the mining sector. These enforced labourers are, as a UN Commission of Inquiry found, effectively slave labourers. Slavery is illegal under British law, and new provisions in the Modern Slavery Act 2015 put companies under a clear duty to take responsibility wherever it occurs within their supply chains. They must scrutinise and report on their operations and subsidiaries beyond their second, third and fourth tiers with a view to eradicating slavery from their supply chains.

**Thirdly**, the report highlights the potentially illicit purposes to which mining revenues can be put by the Eritrean government.

The Eritrean government has been under UN Sanctions since 2013.<sup>2</sup> The direct or indirect supply of weapons to Eritrea is forbidden, as is direct and indirect assistance to its military. Eritrean officials and entities are named, and "All Member States are required to ensure that no funds, financial assets or economic resources are made available by their nationals or by any individuals or entities within their territories to or for the benefit of such individuals or entities."

At the same time experts reporting to the UN Security Council have explained the opaque nature of Eritrean government finances. As their report stated: "Essentially, Eritrea manages two parallel economies: a formal economic sphere ostensibly managed by the State, and an opaque, largely offshore financial system controlled by elements of the ruling party and their supporters."<sup>3</sup>

Mining companies exploring and operating in Eritrea have contributed significant revenue to the government through taxation, dividends, and other payments. Of these, a number – including Nevsun Resources Ltd, Danakali Ltd, and Andiamo Resources Ltd – are backed by UK finance houses and investment firms, as detailed in their publicly available financial statements and set out in this report.

This report supports the conclusions of UN experts that payments made by mining companies to the Eritrean government are far from transparent. It is not possible for companies operating in Eritrea – or their backers – to ensure that these large sums are not being used for military purposes, in contravention of the sanctions that all UN member states are bound to uphold.

Recent reports by the United Nations and human rights organisations have exposed forced labour and its link to the mining industry. The UN has stated that the use of forced labour and torture in Eritrea may constitute crimes against humanity.<sup>4</sup>

Based on the content of this report and its findings, the following recommendations are made:

**The first recommendation** is that the All-Party Parliamentary Group on Eritrea invites the company directors of M&G Investments/Prudential Plc, Ortac Resources Ltd, and JP Morgan UK, along with the relevant officials from the Foreign and Commonwealth Office who deal with the implementation of the United Nations Guiding Principles, to appear before the APPG to address the concerns raised in this report.

The **second recommendation** is for the All-Party Parliamentary Group to write to M&G Investments/Prudential Plc, JP Morgan UK, Halifax and Barclays, to ask what steps they are taking to produce human rights impact assessments.

The **third recommendation** is for the All-Party Parliamentary Group to ask the appropriate government departments what steps are being taken, in the light of the evidence of gross human rights violations, to ensure that measures in accordance with UK Anti-bribery legislation, the Modern Slavery Act, and the Extractive Industries Transparency Initiative are applied to company activities in Eritrea.

The **fourth recommendation** is for the All-Party Parliamentary Group to issue a statement highlighting the abuses outlined in this report, publicly calling for companies to end their activities in Eritrea until there is a sustained and verifiable improvement in human rights within the country.

The **fifth recommendation** is for the All-Party Parliamentary Group to write to the relevant ambassadors and High Commissioners of the countries in which companies operating in Eritrea, and their investors, are headquartered, raising the human rights concerns detailed in this report

while at the same time remaining actively informed about the developments in Eritrea's mining sector.

The **sixth recommendation** is for the All-Party Parliamentary Group to write to the Foreign and Commonwealth Office and the Department for International Trade, asking what steps have been taken to force the provisions of UN Security Council Resolution 2023, and what the outcome of such advice has been.

The situation demands international action to halt corporate complicity in ongoing human rights violations.



### 3. Eritrea's Political System

Socio-economic data for Eritrea is unreliable and cannot be independently-verified, as the government restricts access to the country by international bodies, researchers and journalists. The World Bank, however, estimates that Eritrea's GDP was approximately \$2.6 billion in 2011.<sup>5</sup> Despite recent economic growth of around 9 per cent in 2011-12 (the latest figures available from the World Bank), Eritrea remains one of the least developed countries in the world. Anecdotal evidence indicates poverty is still widespread in the country, where 65 per cent of the population lives in rural areas and 80 per cent depend on subsistence agriculture for their livelihoods. In fact, rain-fed agriculture is the predominant economic activity, employing more than two thirds of the population.<sup>6</sup> In February 2016, the UN noted that Eritrea was experiencing a 'severe humanitarian crisis' due to drought caused by El Niño weather patterns.<sup>7</sup> The UN's children's agency reports that 23,000 children under the age of 5 will need treatment for severe acute malnutrition in 2018.<sup>8</sup>

Eritrea became independent from Ethiopia in 1993, following a war lasting three decades. A further war between the two countries lasting from 1998-2000 cost tens of thousands of lives on both sides. The war with Ethiopia formally ended with the Algiers agreement of 12 December 2000 and the Eritrea-Ethiopian Boundary Commission was established. The agreement was for the Commission to provide a formal and final binding adjudication of the disputed border. The Commission reported in April 2002 and ruled the disputed border was within Eritrean territory. Ethiopia, whilst accepting the ruling in principle, has refused its implementation and as a result a stalemate of no war and no peace continues. In April 2018 the new Ethiopian Prime Minister, Abiy Ahmed, made a goodwill gesture in his inaugural speech to end the stalemate. His effort was quickly rebuffed by the Eritrean regime.<sup>9</sup>

Since 2001, Eritrea has become an extraordinarily repressive state, and one of the most totalitarian societies in the world.

#### 3.1 The totalitarian system

According to a UN Commission of Inquiry in 2016:

*'There are reasonable grounds to believe that crimes against humanity have been committed in Eritrea since 1991. Eritrean officials have engaged in a persistent, widespread and systematic attack against the country's civilian population since 1991. They have committed, and continue to commit, the crimes of enslavement, imprisonment, enforced disappearance, torture, other inhumane acts, persecution, rape and murder'.<sup>10</sup>*

Eritrea's 'attack' on its own population and the prevalence of 'enslavement' are especially horrific. The UN notes 'how the Government has created and sustained repressive systems to control, silence and isolate individuals in

the country, depriving them of their fundamental freedoms'. Indeed, it notes that the government collects information on people's activities in order to 'rule through fear'.<sup>11</sup>

*'In the area of freedom of expression, the Government systematically silences anyone who is perceived as protesting against, questioning or expressing criticism of the Government and its policies, even when such statements are genuine and legitimate in the context of a democratic public debate'.<sup>12</sup>*

In May 2017, the UN demanded the release of the Eritrean-Swedish journalist Dawit Issak who has been detained since 2001 and was last sighted in 2005. He received the UNESCO/Guillermo Cano World Press Freedom Prize 2017. His daughter received the prize on behalf of her father.<sup>13</sup>

The African Commission on Human and People's Rights, in its May 2017 session in Niamey, Niger, condemned Eritrea's treatment of Press Freedom and its journalists. The African Commission highlighted that Eritrea breaches several articles in the African Charter including that of freedom of expression. The Commission has demanded that all detained journalists in Eritrea be freed.<sup>14</sup>

Eritrea is a 'totalitarian state' in which<sup>15</sup>:

- The Constitution, although ratified, remains in abeyance;
- An unelected President, Isaias Afwerki, rules without institutional restraint;
- No national elections have been held since independence;
- A one-party state system operates, run by the People's Front for Democracy and Justice (PFDJ), whose Chair is the President;
- Parliament does not meet;
- The government owns all media. Eritrea was bottom of the World Press Freedom Index for eight consecutive years and in 2017 ranked 179 out of 180, above North Korea;
- Compulsory indefinite national service is practiced; and
- Non-governmental organisations are not permitted in the country.

The UN has stated that since parliament does not meet and the court system is controlled by the executive, 'it could even be affirmed that there is no rule of law in Eritrea'.<sup>16</sup> Human Rights Watch adds that 'arbitrary arrests are the norm'. Prisoners are rarely told the reason for their arrest and often prison authorities are not informed, while detainees are held indefinitely.<sup>17</sup>

A scathing UN report published in June 2015, the Report of the Commission of Inquiry on Human Rights in Eritrea, documented many of the human rights abuses noted above.<sup>18</sup> Since then, there is no evidence that matters have improved. Rather, the UN's 2016 report on Eritrea notes that the same pattern of human rights abuses persists.<sup>19</sup> It states:

*‘Eritreans continue to be subjected to indefinite national service, arbitrary detention, torture, enforced disappearances, reprisals for the alleged conduct of family members, discrimination on religious and ethnic grounds, sexual and gender-based violence, and killings’.*<sup>20</sup>

In the absence of a constitution, an independent judiciary or democratic institutions in Eritrea, the UN commission ‘found no improvement in the rule of law’.<sup>21</sup> Its conclusion is mirrored by Human Rights Watch, which notes that ‘although the government made vague promises in 2015 to implement some reforms, none are yet evident’.<sup>22</sup> The absence of civil society organisations in Eritrea compounds this lack of action, and significantly reduces the chances of positive change.

It is perhaps not surprising that the number of Eritreans seeking refuge in Europe has increased almost five-fold between 2011 and 2015, decreasing in 2016 largely due to measures taken by the EU to restrict the inflow of refugees.

The major destination for Eritreans’ onward migration, leaving the Horn of Africa region, has been Europe.<sup>23</sup> The number of Eritrean refugees arriving in Europe plus Switzerland and Norway between 2011 and 2016 were as follows:<sup>24</sup>

Years	2011	2012	2013	2014	2015	2016
Numbers	10,430	11,595	20,295	46,745	47,320	38,080

At the time of writing (May 2018), figures for 2017 were not available.

Eritreans were the single largest group of migrants and refugees arriving by sea into Italy in 2015, totalling 25 per cent of all arrivals in that country.<sup>25</sup> In 2016, Eritreans were the seventh largest group of asylum seekers entering Europe.<sup>26</sup> Eritrea remains, by far, the largest producer of refugees per capita in the world and has been for almost a decade.

The International Criminal Court (ICC) is considering an investigation into human trafficking in Libya, where people are also sold.<sup>27</sup> A large number of Eritreans en route to Europe travel via Libya and fall victim to human traffickers, Libyan militia, and Islamic State, who sell them for their labour, extortion, or for sexual exploitation. The sad reality is that Eritrean human trafficking starts inside Eritrea and is linked to people highly ranked in the Eritrean government, a process documented in Mirjam Van Reisen’s book *Human Trafficking in the Digital Era: The ongoing tragedy of the trade of refugees from Eritrea* (2017). In the book, a refugee who travelled through Eritrea, Ethiopia and Sudan to reach Europe claims “the main traffickers controlling the human trafficking are Eritrean nationals” (p.173). The “conservative estimate of the total value of the human trafficking trade in Eritrea is over US \$ 1 billion (p.177)”.

On 30 September 2017, the US imposed another sanction on Eritrea preventing it from engaging in educational or cultural exchange programs with the US for failing to combat human trafficking. The new measure puts Eritrea on the same list as North Korea, Russia and Syria.<sup>28</sup>

### **3.2 'Ownership over Eritrean citizens'**

Eritrea practices a peculiar system of enslavement. Under the pretext of defending the integrity of the state and ensuring its self-sufficiency, Eritreans are subject to a system of national service and forced labour that effectively abuses, exploits and enslaves them for indefinite periods of time.<sup>29</sup> According to the UN:

*'Enslavement has been committed on an ongoing, widespread and systematic basis since 2002... within the context of military/national service programmes, Eritrean officials exercise powers attaching to the right of ownership over Eritrean citizens'.<sup>30</sup>*

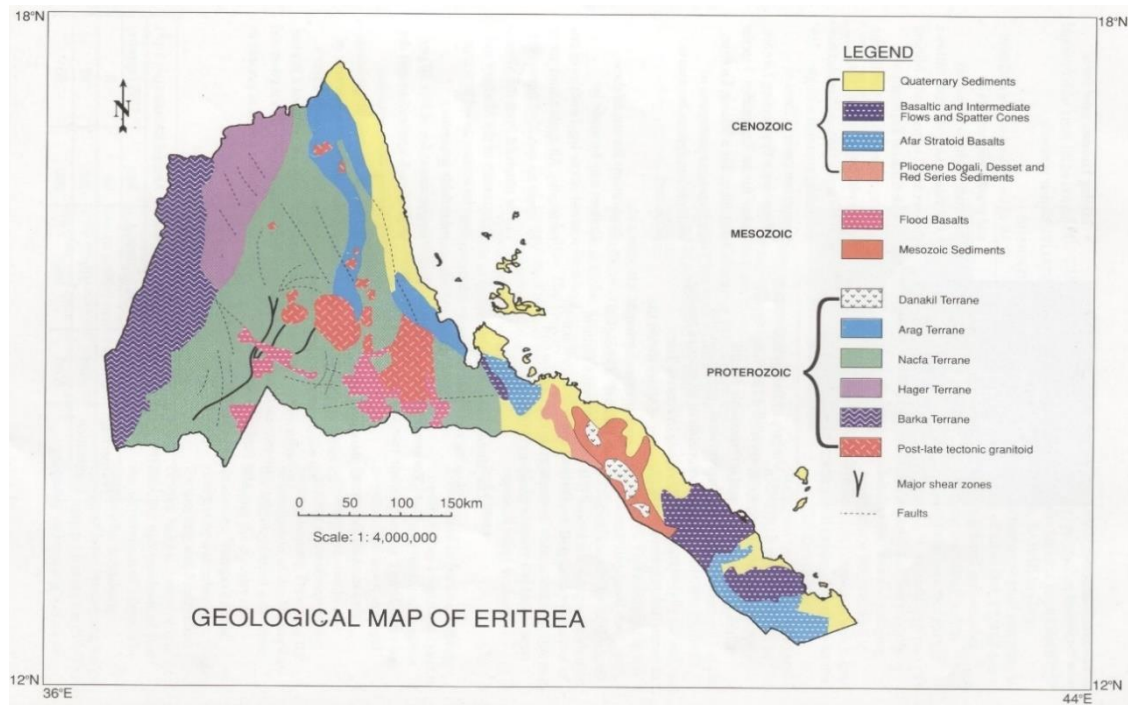
In 1994 the government issued a proclamation demanding the conscription of all 18-year-old Eritreans. In 2002, it launched the Warsai Yikealo Development Campaign, requiring boys and girls to commence military training for a period of six months when they reach twelfth grade, if in school, or by the time they are 18 years old. In reality, children are often forcibly recruited and conscripts end up serving for an indefinite period of time. The UN commission interviewed individuals who fled the army after 17 years of service.<sup>31</sup>

Over 380,000 youths have been drafted since 1994.<sup>32</sup> During this 'military training', Eritreans endure a lack of adequate food, water, hygienic facilities, accommodation and medical services that may result in death, severe disabilities or long-term psychological and physiological effects.<sup>33</sup> The UN commission found that 'during their service, most conscripts in the military and all conscripts in civil service are subject to forced labour'.<sup>34</sup> The work they are required to do can be for Eritrean public services but also for private companies, including mining companies, to which we return below.

Eritrea is a pariah state internationally. The country has been under United Nations sanctions since 2009 due to alleged government support for al-Shabaab Islamist fighters in Somalia. UN Resolution 1907 forbids the export of arms to Eritrea, and imposes a travel ban and assets freeze on Eritrea's political and military leaders.<sup>35</sup>

The arms embargo has never been fully enforced and neither has the travel ban. In February 2017, military equipment being transported from North Korea to Eritrea via China was intercepted. The purchase of this military equipment violates the UN sanctions placed on Eritrea, and as a result America has placed fresh sanctions on Eritrea.<sup>36</sup>

## 4. Eritrea's Mineral Resources & Mining Law



Source: Filing Services Canada Inc.

### 4.1 Eritrea's mineral resources

Eritrea is rich in mineral resources with the country hosting a variety of precious metals, base metals and industrial minerals, most notably gold, copper, nickel, chromite, potash, sulphur, marble and granite.

Gold is present in many parts of Eritrea and the Government notes that 'the country has great potential for developing more gold deposits'.<sup>37</sup> A major belt of sulphide deposits with gold and base metal mineralization extends over a length of 250km from north of Asmara, the capital, to the Ethiopian border to the south. This belt includes the Bisha high-grade zinc-copper-gold deposit managed by the Canadian company, Nevsun Resources Ltd. There are indications of similar base metal deposits further north of Kerkebet and Harabsuit and a belt of copper mineralization in Raba-Semait area, sulphide-rich gossanous rock in Mt Tullului (Bedeho) in the north and in Mt Seccar and Sheib areas in the Eastern Lowlands.<sup>38</sup>

The country also hosts a variety of industrial and construction minerals. These are outlined in the following table:<sup>39</sup>

<b>Mineral</b>	<b>Location</b>
Potash, sylvite and gypsum-bearing evaporates. Potash is mined salt that contains potassium in water-soluble form. It is used in fertiliser.	Colluli and Bada in Danakli Depression
Gypsum – material used in decoration and construction.	Desset area, north-west of Massawa
Silica – a colourless, white, chemical compound. It is used to absorb moisture and keep things dry.	Merbet
Feldspars – mineral that contains alumina and it is used in the glass and ceramics industries.	Lahazen, south of Massawa
Kaolin - also called china clay. It is used in the manufacture of china, porcelain, paper, rubber, paint etc.	Parts of Teraimni, at Adi Koteio close to Adi Kwala, Adi Keih, Zeghib, Adi Hawusha, Adi Ahderom and west and southwest areas of Himbirti
Raw materials for cement manufacture	Adailo, close to Tio
Barite – used in x-rays and in the manufacture of paper and rubber.	Around the Heneb, Meter and Gharsa wadis, Debarwa and Ketina
Marble	Belts running north-northeast from Adi Ibrhim south to Gerenfi, at Gogne and Goranda , from Alebu southwards to Guluj, in the Adobha Valley area
Recrystallised limestone – rock that forms marble	Dichinema area, in the southwest
Granites – rock used for building	Geleb, Arato, Korbaria, and Tukul areas
Coral limestone – used as building material	Along the coast from the headland of Ras Kassar to the coastline of Tio and in the Adailo-Aitosh area south-west of Tio

Mineral “definitions” and “uses” have been obtained from Google. They are indicative, not conclusive.

Eritrea’s first modern mineral exploration was undertaken in 1955 in Debarwa, a town just south of Asmara, when Eritrea was still part of Ethiopia. Debarwa is a small mining town with resources of high grade gold, copper, silver and zinc. The Japanese company Hitachi operated a mine near the town, but it was shut down in the 1960s due to the outbreak of the war with Ethiopia.<sup>40</sup>

In 1958, a concession was granted to Ralph M Parsons Company of the US to mine potash near Dallol, 90km south of the Red Sea port of Mersa Fatma. However, this project was similarly aborted due to the outbreak of war.<sup>41</sup>

Some small-scale drilling took place in the early 1970s until the coup led by Mengistu Haile Mariam in Ethiopia. The three decades-long war of liberation further inhibited mineral exploration. Development of the mining industry stalled until the end of the war with Ethiopia in 1991 and independence in 1993, following which the government invited foreign companies to begin operations.<sup>42</sup>

In 2009, the Eritrean government granted eight new exploration licences to foreign mining companies and since then it has been widely reported that at least 17 mining and exploration firms from various countries – notably Australia, Canada, China, India, Libya, the United Arab Emirates and the UK – are operating in the country.<sup>43</sup>

The government says it is open to foreign investment and is seeking to significantly develop the mining industry. Indeed, much of the country remains unexplored, despite several discoveries that have recently been made. General Sebhat Ephrem, the Minister for Mines, wrote in 2014 that Eritrea was a ‘land of enormous geological significance’, and that:

*‘So far the concession granted to foreign mining companies is very small compared to the size of the already identified areas of prospecting. This opens a great opportunity for the participation of new mining companies in prospective exploration areas’.*<sup>44</sup>

#### **4.2 Eritrea’s mining and tax laws**

The legal framework governing mining in Eritrea is embodied in the Mining Law of 1995 (Proclamation 68), the Mining Income Tax Proclamation 69/1995, the Regulations on Mining Operations 19/1995, and the Mineral Proclamation 165/2011.<sup>45</sup> All mineral resources in Eritrea are, technically, owned by the state. The fiscal regime is generous to investors but, overall, no more so than those prevailing in other African countries. Key aspects of the fiscal regime include<sup>46</sup>:

- The government is able to acquire up to a 40 per cent share in any mining investment. However, Colluli Potash Project (see section 5) is a 50:50 joint venture.
- Royalties are set at 5 per cent for precious minerals, 3.5 per cent for metallic and non-metallic materials including construction materials, and 2 per cent in respect of geothermal deposits and mineral water.
- There is no restriction on an Eritrean entity opening an offshore account, and thus companies are able to keep their foreign currency earnings overseas.
- Income tax is levied at 38 per cent of taxable income. Payments of fees, rentals, royalties and certain other taxes paid to the Government are considered allowable expenses and are written off against tax.
- A stamp duty of 1 per cent is payable on security agreements.
- A stamp duty for a transfer of property or shares is payable at 4 per cent.

- A withholding tax<sup>47</sup> of 10 per cent is levied on payments of interest made by a resident Eritrean offshore.
- A nominal rate of import duty (0.5 per cent) is payable on all inputs necessary for mining operations representing a significant concession to mining companies.
- There are no minimum taxes applicable; holders of a mining licence are exempt from municipal taxes.
- There is no tax on dividends.
- Mining companies are also allowed to carry forward losses for 10 years and offset these against their tax liability.
- A straight-line (over 4 years) depreciation of all capital cost and non-capital pre-production costs.
- Mining companies have free and unrestricted repatriation of earnings.

The Ministry of Energy and Mines claims to have in place a simple 'one-stop' licencing system. The Eritrean mining law permits three types of licences: <sup>48</sup>

Type	Fee (\$)	Rental Km <sup>2</sup> /\$	Initial Period (Years)	Renewal years	Max. Area* (km <sup>2</sup> )
Prospecting	80	8	1	0	100
Exploration	240	32	3	1+1	50
Mining	960	96	20	10+10+10	10

\* Max area (km<sup>2</sup>) is not applied in practice - most of the licensed areas are considerably more than shown above.

Applications for licences can be made by individuals or legal entities of any nationality by completing appropriate registration forms and making a small payment.

### 4.3 Crude Oil Exploration

In July 1958, the Ethiopian Ministry of Mines signed a contract with Naftaplin of Yugoslavia to carry out a survey for crude oil off the Red Sea Coast of Eritrea. The survey showed an area of about 3,000 km<sup>2</sup> of the Eritrean coast as well as the outlying islands to be highly prospective for oil. Exploration, however, ceased in the early 1960s due to the outbreak of war between Eritrea and Ethiopia.

In December 2016, the Eritrean Ministry of Energy and Mines announced the Red Sea coast was open for oil and gas explorations.<sup>49</sup>



## 5. Mining Companies Operating in Eritrea

It is not entirely clear which companies are operating in Eritrea since there is limited government or company information, and independent media (national and international) are highly restricted in what they can report. Our research suggests there are 17 mining companies active in the country. Five manage mines either currently in operation or under development, while the remaining 12 are engaged in exploration projects. Two of the five mines and seven of the 12 exploration projects are managed by Chinese companies.

All mining work must adhere to the framework prescribed by the government. The UN Report showed how one company – Nevsun – was required to use conscript labour. This is not an exception: all mining companies face the same constraints:

*“In April 2006, the Government of Eritrea ordered all private companies and individual contractors working in the construction field to close within 10 days. Since then, construction has been a State monopoly and only public companies and those owned by the PFDJ, such as Segen Construction Company, are entitled to undertake construction work. Any foreign firm has to hire Segen or another public company to build any infrastructure it requires to carry out its activities. In practice, these public construction companies rely primarily on the quasi-free work of conscripts.”* (UN COI Report: Paragraph 1404)<sup>50</sup>

In September 2008 when work in the mines started, Segen was the main Eritrean public company involved on the site. It sent some skilled workers to Bisha, including engineers, carpenters and safety officers, as well as unskilled manual labourers. Even though Segen tried to conceal their status, the majority of Segen’s “workers” were in fact conscripts performing their national service. (UN COI Report: Paragraph 1409 - 1410)<sup>51</sup>

### 5.1 Seventeen mining companies in Eritrea<sup>52</sup>

Company	Country	Mineral	Notes
<b>Mines in operation or under development</b>			
Nevsun Resources Ltd (Bisha Mining Shareholders Corporation)	Canada	Gold, silver, copper, zinc	See text below
Danakali Ltd - formerly South Boulder Mines Ltd (Colluli Mining Share Company)	Australia	Potash	See text below
China Sichuan Road & Bridge Company	China	Gold, silver,	See text below

(Asmara Mining Share Company)		copper, zinc	
Shanghai Foreign Economic & Technological Cooperation (SFECO) (Zara Mining Share Company)	China	Gold	See text below
Essel Group ME Limited - A multinational conglomerate operating in a broad spectrum of industries including media, packaging, infrastructure and technology.	India	Potash	Appointed Colonnade Mining Group (Eritrea) Limited ("Colonnade") as drilling contractor on 5/10/17.
<b>Exploration</b>			
Andiamo Exploration Ltd	UK	Copper, gold	Holds the 252 km <sup>2</sup> Haykota exploration licence, located 50km south west of the Bisha mine and is exploring for copper and gold <sup>53</sup>
China Sichuan Road & Bridge Company (Kerkebet Mining Share Company)	China	Unknown	Registered in 2014 and holds an exploration licence covering 1,000 km <sup>2</sup> in Kerkebet area <sup>54</sup>
Ketina Mining	Russia	Gold, base metals	Ketina Mining is subsidiary of Gazprombank, and holds a 1,000km <sup>2</sup> exploration licence in Gash Barka region south west of Asmara <sup>55</sup>
Hubei Geological and Mining Company	China	Unknown	No information available. Listed by government as operating in 2014 <sup>56</sup>
Land Energy Group Ltd	China	Gold, base metals	Holds exploration licence in Gash Barka region and has confirmed findings of gold and copper <sup>57</sup>

Sahar Minerals Ltd	Bermuda	Gold, base metals	Holds two exploration licenses - Augaro and Harab Suit, the latter covering 379 km <sup>2</sup> , in the north west <sup>58</sup>
Shandong Mining Development Ltd	China	Unknown	No information available. Listed by government as operating in 2014 <sup>59</sup>
Beijing Sinoma Mining Investment Ltd	China	Potash	Holds an exploration licence covering 455 Kms <sup>2</sup> in Dengel area west of Colluli <sup>60</sup>
China Africa Huakan Investment Co Ltd	China	Unclear; likely to be gold	Holds exploration licenses in Seroa, north of Keren, and Mensura area <sup>61</sup>
Zhong Chang Mining Co Ltd	China	Iron ore, base metals	Affiliate of Beijing Donia Resources Company, which holds various licences, at least one of which is in Mai-Mine area <sup>62</sup>
Eritrea-Libya Mining Share Co	Libya	Unknown	Unclear if still in operation, previously reported to hold two exploration licences: the Nefasit exploration licence covering 1,636km <sup>2</sup> east of Asmara and the Fanco-Guluj licence in the west covering 1,151km <sup>2</sup> <sup>63</sup>
Thani Eritrea Akordat North Ltd / Thani Eritrea Kerkasha Ltd	United Arab Emirates	Unclear; likely to be gold	Unclear if still in operation, holds exploration licences in Gash Barka region and Anseba Region covering 1,863 km <sup>2</sup> <sup>64</sup>

## 5.2 Mines in operation or development

### 5.2.1 Nevsun Resources Ltd



Nevsun Resources Ltd (NSU) is a Canadian company listed on the Toronto Stock Exchange (TSX) and New York Stock Exchange. Nevsun manages the Bisha mine, which is the first modern operational mine in Eritrea. Located 150km west of Asmara, the Bisha Mining Shareholders Corporation (BMSC) is 60 per cent owned by Nevsun and 40 per cent by the State-owned Eritrean National Mining Corporation (ENAMCO).

After years of exploration, construction began in 2008 and the first production of gold was declared in February 2011. In 2012 extraction switched to copper and since 2016 has also included zinc. The company says the development cost of the mine was \$250 million and that it contains 407 million lbs of copper and 1.7 billion lbs of zinc. According to company figures, these are worth a combined \$2.7 billion.<sup>65</sup>

Nevsun's 2016 financial statement states the company has contributed \$1 billion to the Eritrean government in various forms of taxation and for the provision of goods and services since gold production started at the Bisha mine in 2011.



Source: Nevsun Resources - Bisha workers

Bisha is one of two Nevsun worldwide operations. The second, the Timok Gold-Copper Project, is in Serbia. In 2016, Nevsun acquired a 100 per cent and 60 per cent stake in Timok Upper and Lower Zone respectively. The two Zones are currently at development phase, expected to start production in 2021. Nevsun finances its Serbia operations from cashflow generated by the Bisha mine in Eritrea.

Nevsun has a 100 per cent holding in a Barbados based company called Nevsun Africa (Barbados) Ltd. However, financial news website Bloomberg does not show any transaction, key executive data, board members nor committee activities.<sup>66</sup>

In May 2017, Peter Kukieliński replaced Cliff Davis as the CEO of Nevsun. His appointment was quickly followed by the resignation of two senior executives: the Finance Director in July and the Chief Operating Officer in September 2017.

The new CEO visited Eritrea in the summer of 2017 as part of his strategic review of the company's operations. Nevsun's capital allocation for 2017 has been readjusted as a result of the strategic review. The initial capital allocation of \$62m to the Timok Project has been cut by \$8m, whilst the allocation to the Bisha mine increased by \$24m to \$41m.<sup>67</sup> The Bisha mine's reserve life was cut from eight to four years and is now due to close in mid-2021.

Capital investment at the Bisha mine is estimated at \$15m in 2018; \$3m to investigate the underground potential and \$12m sustaining (existing) capital.<sup>68</sup> The company has suspended dividend payments to redeploy capital to its Timok Project in Serbia.

Beyond the Bisha mine and 2021, it is not clear what Nevsun's plans are pertaining to its exploration in nearby Harena and Mogoraib River, and the fate of its "workforce" of approximately 1,500 people.<sup>69</sup> Of these, about 50

are thought to be directly employed by Nevsun, with the rest being sub-contracted through Segen Construction - a company owned by Eritrea's ruling party, the People's Front for Democracy and Justice (PFDJ). Segen uses national service conscript men and women as the core of its workforce in delivering its contracts with mining companies.

These uncertainties have recently negatively impacted Nevsun's share price, and the company may face sluggish financial performance over the coming years as revenue from the Bisha mine begins to dry up.

In May 2018, two Canadian Companies, Lundin Mining and Euro Sun Mining, offered C\$1.5bn to acquire Nevsun Resources Ltd. In the proposed deal, Lundin would acquire all of Nevsun's European assets, including Timok, and Euro Sun would acquire all of the other assets, including the Bisha mine. The offer was rejected by Nevsun, as "it doesn't reflect the value of the Timok Project and it is poorly structured"<sup>70</sup>.

Following the takeover proposal, Reuters reported that "the weak human rights record of one of Africa's poorest countries is coming between Lundin Mining Corp and its pursuit of a prized European copper and gold asset [the Timok Project in Serbia]."<sup>71</sup> Lundin Mining has been trying to acquire the high-grade Timok project for two years to boost production.

According to sources quoted by Reuters, Lundin Mining's board of directors – chaired by Lukas Lundin – "refuses to invest in Eritrea", and the company is not prepared to own the Bisha mine "for even one second."<sup>72</sup>

### 5.2.2 Danakali Ltd/ Colluli Potash Project



Colluli potash project<sup>73</sup>

Danakali Ltd, formerly known as South Boulder, is an Australian Stock Exchange (ASX) listed Australian company. On 21 November 2017, Danakali announced it had applied for dual listing in the London Stock Exchange (LSE) to help the company diversify its equity sources and improve liquidity.

Danakali Ltd applied for, and has been granted, a mining licence for its Colluli Potash Project and production is expected to start in early 2019. The project is a 50:50 joint venture with state-owned mining entity ENAMCO.<sup>74</sup> The Colluli concession covers over 200km<sup>2</sup> located in the Danakil Depression region of Eritrea. Since drilling commenced in 2010, the company has identified over 1.2 billion tonnes of potassium-bearing salts.<sup>75</sup> The mine is estimated to have a production life of more than 200 years.<sup>76</sup> According to Danakali, these potassium-bearing salts have the unique capability of producing a diverse range of potash types which are essential crop fertilizer nutrients.<sup>77</sup>

The company states that “Colluli is the most fundable and economically attractive advanced stage greenfield sulphate of potash development in the world” and that it is the shallowest known deposit globally.<sup>78</sup> Colluli holds the only known potash deposits worldwide that can support an economic mine development in the next five years, and has low capital costs.<sup>79</sup> The potash deposits are near the coast, making exports easier than other mines further inland that have to move ore or concentrate long distances to the main port.<sup>80</sup>

The Eritrean government has issued the company with an extraction license. Environmental plans have been concluded and the engineering and design stage is currently in progress. The definitive feasibility study has shown potassium salts that are in solid form within a shallow open pit and a payback of US\$300 million is expected within four years.

Former Danakali Ltd CEO, Paul Donaldson, describes the Colluli Project as “a game changer”. In December 2017, Mr. Danny Goeman replaced Mr. Paul Donaldson as the CEO of the Company.

In its March 2018 report, *Demystifying Eritrea: The Ground Reality, Mining and Human Rights*, Danakali claims to have created 450 jobs for Eritrean nationals and that “the Eritrean Government has been transparent, collaborative and development focused”. The company lists its prominent shareholders as Well Efficient (Hong Kong), JP Morgan Asset Management UK, and Capital Group.<sup>81</sup>

A major threat to Danakali mining comes from the Red Sea Afar Democratic Organisation (RSADO) – probably the only armed opposition group in Eritrea. In March 2015, RSADO leader Ibrahim Haron issued a warning to South Boulder Mining Ltd, accusing it of partnering with the Eritrean government to “illegally exploit resources of the Afar region causing environment damage to their homeland”. Haron added that the project “is forcibly removing the indigenous Afar community in Eritrea from their homeland and causing a devastating impact because their economic, social and cultural survival is deeply linked to their traditional land”. The group warned the company “to stop its economic partnerships with the Eritrean Government and leave the Afar Region (Dankalia) immediately. Failure to [listen] or ignore our call will result in detrimental action against your Project”.<sup>82</sup>

### **5.2.3 China Sichuan Road & Bridge Company/Asmara Mining Share Company**

In early 2016, the state-owned China Sichuan Road & Bridge Company bought 60 per cent of shares in the Asmara project from the Australian company Sunridge in a deal worth \$88 million. The project is estimated to contain 574,000 tonnes of copper, 930,000 ounces of gold and 1.2 million tonnes of zinc<sup>83</sup>. Production is reported to have started in 2016.<sup>84</sup> The licences cover four projects: Emba Derho, Adi Nefas, Gupo Gold, and Debarwa.<sup>85</sup>

Sichuan Road & Bridge (Group) Co., Ltd. provides road and bridge construction, investment in roads and bridges, hydropower development, real estate development, mineral development, and securities investment. The company is based in Chengdu, China.

The company has had an especially long-standing relationship with Eritrea. Its projects there include the Massawa Municipal Road Works (1996); Asmara Municipal Road Works (2004); Massawa Seawall Road Rehabilitation Project (2005); Asmara Optical Hospital Improvement Project (2011); Eritrean Technology College Improvement & Extension Project (2012); and Eritrean Agriculture College Improvement & Extension Project (2012).<sup>86</sup>

Little else is known about the company and it does not appear to have an English-language website, which makes securing information on the project difficult. Some sections of its website appear to be locked to the public.

We plan to do further investigative research on the company for the next update of this paper with the help of a Mandarin speaker.

### **5.2.4 Shanghai Foreign Economic & Technological Cooperation (SFECO) / (Zara Mining Share Company)**

The Zara gold mine is jointly owned by ENAMCO and China SFECO Group, an engineering conglomerate with \$1.2 billion worth of assets and a subsidiary of Shanghai Construction Group Company Ltd.<sup>87</sup> The Zara mine was reported to have begun commercial production of gold in January 2016.<sup>88</sup> Also known as the Koka gold deposit, the mine is estimated to host at least 760,000 ounces and has a mine life of seven years.<sup>89</sup> It reportedly has a workforce of around 400 people, including contractors.<sup>90</sup>

SFECO's 60 per cent share was purchased from the Australian company Chalice Gold Mines Ltd, in 2012, reportedly for \$114 million.<sup>91</sup> Chalice has recently benefitted from the mine, and in January 2016 it announced receipt of \$2 million, as per the agreement with SFECO which specified that Chalice would receive this deferred payment upon commencement of commercial production at the mine.<sup>92</sup>



Little else is known about the company and its website only provides headline information, which makes securing further details on the project difficult.<sup>93</sup> We plan to do further investigation for the next update of this paper with the help of a Mandarin speaker.

#### **5.2.5 Essel Group ME Limited (EGME)**

EGME is a part of Essel Group, the Indian multinational conglomerate operating in a broad spectrum of industries including media, packaging, infrastructure and technology.

In August 2015, EGME acquired the exploration license for the Bada potash mine from the Canadian company NGEX Resources. The 626km<sup>2</sup> Bada license area is situated in the most northern part of the Danakil Depression. It is located close to existing infrastructure and is approximately 330km from Asmara and 230km from Massawa.

The company estimates that the Bada project has reserves of more than 1 billion tonnes of potash and anticipates to commence production in 2018. It is expected that the underlying growth of the potash market will continue in the long term, underpinned by the need for food based on world population growth (estimated at 80 million people a year) and dietary changes.<sup>94</sup>

In 2017, EGME appointed Colonnade Mining Group as drilling contractor for its Bada potash project in Eritrea. Drilling commenced in October 2017, for an expected period of 30 days.<sup>95</sup> No update on this seems to be publicly available at the time of writing (May 2018).

Currently little is known about EGME's Bada operation. Further investigation will be carried out for the next version of this report.

## **6. The Investment Climate in Eritrea**

Mining companies comment favourably on the investment climate in Eritrea. They claim the country is investor-friendly, a stable jurisdiction with no evidence of corruption.<sup>96</sup> They may be motivated to portray a positive image of Eritrea not only to entice investors, but also to protect their stake in the country, which the government could otherwise terminate at will, as it did a decade ago.<sup>97</sup>

### **6.1 International warnings**

#### **6.1.1 US State Department: Repeated warnings**

In 2015, the US State Department's Investment Climate Statement on Eritrea warned that "The investment climate in Eritrea is not conducive to U.S. investment", and that "While there is opportunity, especially in the extractive industries sector, the Government of the State of Eritrea (GSE) maintains a command economy [...] The Country's mandatory national service programme and tendency by the GSE to place persons performing national service in commercial enterprises, may leave businesses open to charges of relying on conscripts as a labor [sic] force". It further cautioned that "US investors must be aware of the international sanctions regime placed on Eritrea."<sup>98</sup>

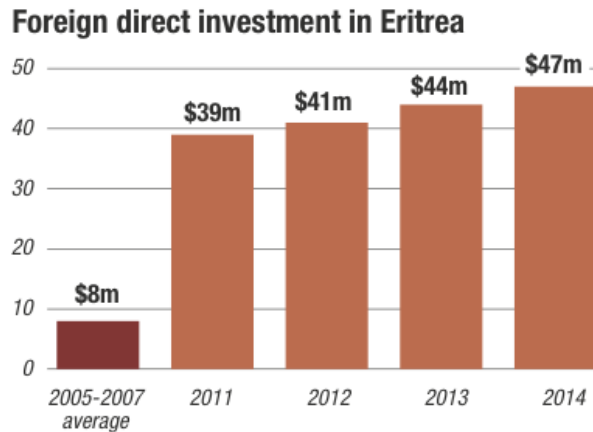
These warnings were reiterated in subsequent years, and the latest statement (2017) notes that the absence of independent courts, unions, monitoring agencies, NGOs or media make it "difficult to determine the extent to which the government's policies and laws" on forced labour are applied in practice. The 2017 statement also cites the case of Eritrean former employees of "a Canadian mining company operating in Eritrea [Nevsun Resources Ltd]" who have filed lawsuits against the company for alleged violations of their human rights.<sup>99</sup>

The country was ranked 189 out of 189 in the World Bank's Doing Business Project in 2015. In 2016 and again in 2017, Eritrea was ranked above only Somalia at 189 out of 190.<sup>100</sup>

#### **6.1.2 The Africa Investment Index (2016)**

The Africa Investment Index, created by London-based Quantum Global Research Lab, has ranked Eritrea at the bottom as the worst investment destination in Africa for three of the four years between 2012 and 2015. The Index covers all 54 countries on the continent. The 2016 index (latest available), released in April 2017, shows a slight improvement with Eritrea coming second to Somalia but ahead of the Central African Republic as the worst investment destination in Africa.<sup>101</sup>

An article in The Africa Report, published in March 2016, graphically depicts the direct foreign investment in Eritrea as follows:<sup>102</sup>



The African Development Bank recently reported that “the Eritrean economy slowed more sharply than expected due to dwindling economic activities and poor weather conditions that adversely affected agricultural productivity”. GDP declined to an estimated 3.4 per cent in 2017, from 3.8 per cent in 2016, and is projected to remain between 3.7 per cent and 3.8 per cent over the medium term – a tiny increase on what is essentially one of the smallest GDP baselines in the world.

The budget deficit declined to an estimated 13.8 per cent of GDP in 2017, from 14 per cent in 2016, and is projected to drop to 12.4 per cent in 2019.<sup>103</sup>

### 6.1.3 Haywood Securities (2017)

In August 2017, Haywood Securities of Canada pointed to political risk and human rights abuses in Eritrea deterring many investors from investing in the country. They said:

*“We rate Eritrea as one of the most socio-politically sensitive countries in the world for a mining company to operate in. The country is a one-party state in which national legislative elections have been repeatedly postponed, according to Human Rights Watch, and the Eritrean government’s human rights record is considered among the worst in the world.” They add that although Eritrea’s conflict with neighbouring Ethiopia “appears to have subsided since the border war ended in 2001, tensions remain high, and the potential for renewed aggression remains”.<sup>104</sup> Even the Eritrean Government’s Director-General of the Department of Mines acknowledges that “the threat from Ethiopia makes investors wary”.<sup>105</sup>*

### 6.2 Corruption

In terms of corruption, those that support the regime claim “corruption is virtually non-existent” in Eritrea despite mounting evidence to the contrary. According to Swiss Leaks, for example, Eritrea is ranked #53 among the countries with the largest dollar accounts, totalling \$699.6 million with HSBC. The maximum amount of money associated with a client connected to Eritrea was \$695.2 million.<sup>106</sup> Eritrea has a GDP per capita of just \$253 per annum (Source: 2007 World Bank).

According to a former Deputy Minister of Finance (now in exile in Europe), “the entire economy of Eritrea is in the hands of the President with the support of three individuals; the Head of Economic Affairs, Head of Political Affairs and the Head of Cultural Affairs”. The Country never publishes a budget, and there is a complete lack of accountability and transparency.

Eritrea remains one of the world’s poorest countries and was ranked 177 out of 187 countries in the 2011 Human Development Index. Employment is largely concentrated in the public sector, while according to the African Development Bank, the private sector is “small and underdeveloped”. For the years 1991 to 2015, Eritrea is ranked 179 out of 188 countries.<sup>107</sup>

The economic climate is one of the push factors that drives many Eritrean youth to flee their country in huge numbers over the last couple of decades and continues to do so.

## 7. The UK Connection

There are several ways in which the UK is connected to the mining sector in Eritrea. This includes not just the mining companies involved in exploration in the country, but UK financial institutions that have invested in those companies, as detailed below.

### 7.1 Andiamo Resources Ltd

Andiamo Resources Ltd is a private company incorporated in England and Wales, headquartered at 6 Gresham St, London EC2V 7AD. Andiamo Resources Ltd holds an exploration licence in Eritrea and is exploring for copper and gold.<sup>108</sup> In 2014, Andiamo raised \$10.6 million to fund its exploration programme in the highly prospective Bisha Belt, and drilling results have revealed high grade copper and gold at its flagship Yacob Dewar Gold Project.<sup>109</sup>

Andiamo has invested approximately \$15m in equity and joint venture funding in exploration. The Haykota exploration licence, issued in 2009, contains gold-copper-zinc Volcanogenic Massive Sulphide (VMS) mineralisation and shear-hosted gold occurrences. The licence, which was extended in September 2016 to 351km<sup>2</sup> by the addition of an area to the south, incorporates more than 30 targets identified by Andiamo's systematic geophysical, geochemical and geological exploration.<sup>110</sup>

The company has 57.6 million ordinary shares in issue, a market capitalisation of roughly \$5.7m. The major shareholders in Andiamo are NurtureEx (25 per cent) and Ortac Resources Ltd (18.5 per cent).

NurtureEx BV operates as a funding agency. The company is headquartered in Amsterdam, Netherlands (Niasstraat 1, Beweeg Muis Naar Hier, Amsterdam, Utrecht 3531 Wr). It is a non-energy mining & minerals holding company. It invests in mineral exploration and development projects located in sub-Saharan Africa, primarily in Namibia, Botswana, South Africa, Mozambique and Liberia. The firm invests in both private and publicly-listed companies and acquires minority and majority ownership of projects.<sup>111</sup> The company's CEO is Johan Ingwersen.

Ortac Resources is a London-headquartered company registered in the tax haven of the British Virgin Islands.<sup>112</sup> The company is listed on the Alternative Investments Market (AIM), part of the LSE, and also operates in Zambia and Slovakia.<sup>113</sup> The latter (Slovakia) is operated through a UK registered subsidiary company (Number: 06418951). The Executive Chair of Ortac Resources is Anthony Balme – also a non-executive director of Andiamo.<sup>114</sup> Ortac noted in 2014:

*“Andiamo's main asset is its Yacob Dewar deposit, which appears to be a relatively high-grade gold-copper oxide deposit that has the potential to be developed into a producing mine, at modest capital expenditure and within a relatively short time frame. Our involvement has brought greater*

*focus to Andiamo as it develops its core discovery, and our money has enabled Andiamo to carry out a further drilling campaign and initiated a detailed trenching program over a 1km strike length at Yacob Dewar, which we are confident will generate a commercial gold-copper project. We will be working closely with Andiamo over the coming period to move this project through the feasibility stage to enable it to apply for a Mining License for this deposit in the next 12-18 months.”*<sup>115</sup>

Media releases by Ortac make clear that it is actively engaged in exploration activities. In December 2015, Ortac announced that “our investment into Andiamo Exploration Limited continues to make good progress” and that drilling had restarted in the northern part of the Haykota licence area.<sup>116</sup> In September 2016, Ortac announced Andiamo was continuing to develop its licences in Eritrea, with a further discovery confirmed at Hoba.<sup>117</sup>

Major shareholders in Ortac include Halifax Share Dealing – a part of Halifax which allows customers to buy and sell shares online<sup>118</sup> – and Barclays Stockbrokers Ltd, an arm of Barclays, which also enables the online buying of stocks and shares<sup>119</sup>. These two shareholders together hold 19 per cent of Ortac.<sup>120</sup>

## **7.2 London Africa Ltd**

London Africa Ltd was incorporated in England and Wales (registration number 05782641). It was headquartered at 23 King Street, St James's House London, SW1Y 6QY. The company was founded in 2006 and was exploring for copper, gold, zinc and lead over an area of 1,168 km<sup>2</sup> area in Eritrea.

According to the company's 2012 accounts, on 23 July 2010 the company entered into an exploration agreement with the Ministry of Energy and Mines of Eritrea. The agreement specified that the company shall meet minimum level of exploration expenditure in respect of the license area in each calendar year but it failed to achieve the cash flow target – US \$4m by July 2013, rising to \$15m by 2015.

The company failed to file its returns with the UK Companies House. The registrar of Companies House gave notice that unless cause is shown to the contrary at the expiration of 3 months from 31 December 2014, the company will be struck off the register and the company will be dissolved. The company was subsequently dissolved on 14 April 2015.<sup>121</sup>

The company last filed its statutory accounts with Companies House for the year-ending 31 December 2012. Its balance sheet as at that date showed an accumulated loss of £747,000 and an insignificant sum on its balance sheet in the form of non-cashable assets.

### **7.3 M&G Investments/Prudential Plc**

M&G Investments (a member of the Prudential Plc Group) is one of the largest investors in Nevsun. As of 6 April 2018, M&G had a stake of 28.7 million shares (9.5 per cent) of the total issued share capital in Nevsun.<sup>122</sup>

Prudential Plc is a British multinational life insurance and financial services company headquartered in London. M&G Investments claims to be “one of the UK’s largest and longest established investment houses, with more than 80 years’ experience.”<sup>123</sup>

In May 2018, Filipe Martins, an analyst at M&G Investments, told Reuters that “[f]or many companies out there, Bisha is the poison pill” in terms of Nevun’s operations, while M&G Investments described the Lundin-Euro Sun takeover bid as “pretty fair.”<sup>124</sup>

### **7.4 JP Morgan Asset Management (UK)**

JP Morgan Asset Management (UK) Ltd holds shares in Nevsun.<sup>125</sup> The company is an investment manager that is part of JP Morgan Chase & Co, which provides retail banking, investment banking and asset management services across the world.<sup>126</sup> In 2014, the UK’s Department for International Development (DFID) partnered with JP Morgan Chase in its first ‘Impact Fund’ investment, in the venture fund Novastar.<sup>127</sup>

In late 2016, JP Morgan Asset Management (UK) Ltd also acquired a 9.12 per cent holding in Danakali – the second largest stake holding in the company.<sup>128</sup> Danakali reported this as a \$6.7m private placement.<sup>129</sup> The broker Somers & Partners said JP Morgan had given Danakali its “seal of approval” and pointed out the American bank had ‘a successful track record in Eritrea through its investment in Nevsun’.<sup>130</sup>

Well Efficient Ltd. (Hong Kong) is the largest investor in Danakali, with a stake of 13.4 per cent.

## 8. Mining and Repression – The Link

*“The complete lack of transparency is especially notable because mining is one of the most successful economic sectors in Eritrea and payments derived from mining activities are an important source of revenue for the Government’.” (UN Commission of Inquiry)<sup>131</sup>*

Given the totalitarian nature of Eritrea’s political and economic system, mining companies operating in the country are complicit in helping to maintain the regime, and thus its repression. There are two main aspects to this – their financial support to the state through mining taxes, and their complicity in the Eritrean state’s use of forced labour in mine development projects.

### 8.1 Mining revenues

Eritrea’s economic growth is now being largely driven by mining. The World Bank states:

*“Eritrea’s Gross Domestic Product (GDP) growth was estimated at around 9% in the 2011-12 period (the latest point for which data is readily available), up from an estimated 2.2% in 2010. The growth was mainly stimulated by the mining sector (gold), the coming on stream of the Bisha mine in 2011 and the historically high gold price prevailing at that time were key drivers.”<sup>132</sup>*

The Eritrean political system can only maintain itself largely through mining revenues. Much of Eritrea’s foreign exchange income comes from foreign gold/copper mining company projects, in which the Eritrean Government holds a 40 per cent stake.<sup>133</sup> The state control of these revenues is enhanced by the complete lack of mining revenue transparency in the country, a fact that has been persistently documented in various UN reports.<sup>134</sup> As the government of Eritrea does not publish a budget, government expenditure and income are simply not known and therefore impossible to scrutinise.<sup>135</sup> Sources suggest that official budgets exist but have no bearing whatsoever on actual government income and expenditure. One source told the UN:

*“With respect to sources of government income, that is a mystery. Money is deposited at the National Bank. The Ministry of Finance does not know where the money comes from. Only the President knows.”<sup>136</sup>*

Indeed, the UN states that:

*“Only the President and three members of his inner circle, alone and with no [other] oversight, run state finances. One important and undisputed source of revenue is proceeds from mining operations owned jointly by the Eritrean state and a transnational corporation.”<sup>137</sup>*



While this reference is likely to Nevsun, it could also extend to other mining companies providing revenues to the Eritrean state.

The UN Commission of Inquiry stated in its June 2016 report:

*“Witnesses told the Commission that a bank account with 40 million USD in mining revenue had been opened in Qatar in the name of the Director of the PFDJ Economic Affairs department. Other information suggests that there may be private accounts belonging to the President or members of his inner circle in the United Arab Emirates, Iran, Cyprus, and /or China. More generally, the Commission concludes that the Government’s disregard for financial transparency mirrors its indifference to the rule of law and transparency in other areas”.*<sup>138</sup>

The Government has said receipts from Nevsun amounted to around \$200 million a year during 2011-13.<sup>139</sup> In the years 2011-15, figures from Nevsun itself show that the company paid \$828 million to the Eritrean state in income taxes, royalties, and to ENAMCO for its share in the Bisha mine.<sup>140</sup> This might amount to around 7 per cent of Eritrea’s GDP<sup>141</sup> – an extremely large amount for one company. This income represents money available to the unaccountable military regime to spend as it wants. Nevsun argues that the amount of taxes it pays to the government is a sign of the positive impact it has,<sup>142</sup> yet the opposite is surely true: the more money it provides to the regime, the more easily the latter can maintain itself in power.

Nevsun publishes some financial figures on its website, showing company tax payments. However, the UN Monitoring Group on Eritrea notes that it “has not been provided with, nor has it been able to obtain, independently audited financial statements or records from Nevsun, the Government or ENAMCO to verify [the company’s] figures and, especially, payroll payments made for local services provided by Nevsun, its subcontractors and its local employees. When the Monitoring Group asked Nevsun for further financial information, ‘Nevsun consistently cited confidentiality non-disclosure agreements when posed questions by the Group and repeatedly argued that the questions should be directed to the Government’.”<sup>143</sup> The government refused to answer.

The UN Security Council recognized in Resolution 2023 of 2011 (which the UK supported) that there was a severe risk that funds from mining could be diverted by the Eritrean government for military purposes that would destabilise the region. This was reflected in point 13 of the resolution, which stated that the Security Council:

*“Decides that States, in order to prevent funds derived from the mining sector of Eritrea contributing to violations of resolutions 1844 (2008), 1862 (2009), 1907 (2009) or this resolution, shall undertake appropriate measures to promote the exercise of vigilance by their nationals, persons subject to their jurisdiction and firms incorporated in their territory or subject to their jurisdiction that are doing business in this sector in Eritrea including through the issuance of due diligence guidelines, and*

requests in this regard the Committee, with the assistance of the Monitoring Group, to draft guidelines for the optional use of Member States”.<sup>144</sup>

#### **‘About Eritrea’**

The mining companies are not telling visitors to their websites about the true nature of the Eritrean regime. Danakali’s website includes a webpage entitled ‘About Eritrea’, which mentions nothing of the country’s political system or human rights situation. It simply mentions Eritrea’s fast-growing economy and “successful pipeline of mining projects”.<sup>145</sup> Nevsun’s website contains an ‘About Eritrea’ page in which the only mention of the country’s political system is a reference to its “single party state”.<sup>146</sup>

### **8.2 Complicity in forced labour**

*“Nevsun’s experiences show that by developing projects in Eritrea, mining firms are walking into a potential minefield of human rights problems. Most notably they risk getting entangled in the Eritrean government’s uniquely abusive program of indefinite forced labour—the inaptly-named ‘national service program’. Some national service conscripts are assigned to state-owned construction companies who exercise a complete monopoly in the field. International mining firms operating in the country face intense government pressure to engage these contractors to develop some of their project infrastructure. If they do so, they run a pronounced risk of at least indirect involvement in the use—and harsh mistreatment—of forced labourers”. - Human Rights Watch<sup>147</sup>*

All mining companies run the risk of complicity in Eritrea’s forced labour system since, as UN reports have noted, the use of forced labour is prevalent throughout the economy.<sup>148</sup> Mining companies conduct significant construction activity during their project development phase, and in Eritrea state-affiliated firms have a monopoly in construction. There is considerable evidence that these firms use conscript labour across their operations. Thus, mining firms run a severe risk of their projects being built by forced labour, with paltry wages, and under abusive conditions.<sup>149</sup> Human Rights Watch notes in its most recent annual report on Eritrea that “Based on Nevsun’s experience, there are concerns that new mining projects will be compelled to use government-owned construction firms for infrastructure development and thereby indirectly use conscript labour”.<sup>150</sup> This will of course effect UK based companies as well, if and when they progress to the mine development phase of their operations.

Recent evidence acquired by Human Rights Concern Eritrea (HRCE), through interviews with former conscripts, suggests that forced labour has also been used at the Danakali and SFECO mines.<sup>151</sup> As regards Danakali, HRCE notes that, as part of mine preparation, the road from Culluli to the Marena coastline is being fortified and rebuilt using the forced labour of underfed and overworked Eritreans in terrible living and working conditions. Mereb Construction, a military construction company set up by the Ministry of Defence and run under Segen Construction Company (which belongs to

the PFDJ, the only political party in the country), was chosen for the road work. The workers for Mereb Construction are all conscripts, who have been forced to work for six days per week and up to 12 hours per day, and paid 500 Nakfa (\$10) per month.<sup>1</sup> HRCE notes that “they are citizens who have been held in the military against their will for many years and treated like slaves”.<sup>152</sup> In a response to these accusations, Danakali denied initiating roadworks for the Colluli project and stated that “the Eritrean government does not allow mining companies to employ people in National Service”.<sup>153</sup>

In November 2014, an early day motion in the UK parliament, signed by 41 MPs, and sponsored by now Labour leader Jeremy Corbyn, noted with concern:

*“the collusion between the government of Eritrea and the international mining companies from the UK, Canada and Australia, which is using the forced labour of Eritreans for work in extractive industries in conditions which have been described as abject slavery by Human Rights Watch and other campaigning non-governmental organisations”.*<sup>154</sup>

### **8.3 Nevsun and Forced Labour**

In November 2014, three Eritreans filed a lawsuit against Canadian company Nevsun Resources in Vancouver, British Columbia.<sup>155</sup> They allege the company was complicit in the use of forced labour by Nevsun’s local sub-contractor, Segen Construction (owned by Eritrea’s ruling party), at the Bisha mine. Two years later, in a landmark ruling in October 2016, the three Eritreans won the right to be heard in a Canadian court. A 160-page ruling by the Supreme Court of British Columbia dismissed the efforts of Nevsun to block the case from going forward. The company subsequently appealed against the ruling. In November 2017, the British Columbia Court of Appeal dismissed the appeal by Nevsun to have the human rights case by the ex-miners moved to Eritrea<sup>156</sup>.

In January 2018, Nevsun filed an application to appeal the British Columbia court ruling in November, which confirmed the case could proceed in a Canadian jurisdiction. The Supreme Court can grant or deny such applications and there is no fixed time for a decision.<sup>157</sup>

If the Supreme Court dismisses this appeal, it will mark the first time in Canadian history that claims against a Canadian corporation for allegations of complicity in crimes against humanity, slavery, forced labour and torture in overseas operations will be heard in a court in Canada.<sup>158</sup>

The plaintiffs – Gize Araya, Kesete Fshazion and Mihretab Tekle – claim that they worked at the Bisha mine against their will and were subject to

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<sup>1</sup> Although the Eritrean Nakfa (ERN) is officially pegged to the US Dollar, the exchange rate is variable and known to fluctuate. Values given reflect those at the time of writing.

“cruel, inhuman and degrading treatment”. By January 2018, the number of plaintiffs alleging forced labour had increased from three to 59.

The plaintiffs allege they were forced to work long hours and lived in constant fear of threats of torture and intimidation. Kesete Fshazion said in his affidavit that he started working at the Bisha mine at the end of 2008 and that:

*“The entire time I worked at the Bisha mine, I was not there of my own free will. I believed that I could not refuse the assignment to the Bisha mine because if I had refused, the authorities would have detained me and I would have been severely punished”.*<sup>159</sup>

Mihretab Tekle says he arrived at the mine in February 2010 along with about 50 other men from his battalion, and was assigned to work on the construction of the tailings pond:

*“Temperatures there were sometimes as high as 47 degrees Celsius. The black plastic sheets with which we worked only intensified this heat, and there was no real shade available to us to shelter us from the sun. Many conscripts caught malaria ... were also prone to diarrhea and numerous other illnesses as a result of our weakened state and the extremely difficult conditions in which we worked”.*<sup>160</sup>

It was a Human Rights Watch report in 2013 that first brought Eritrea’s forced labour at the Nevsun mine to the world’s attention. During the initial mine construction phase, between 2008 and 2011, hundreds of Segen employees worked at Bisha. This peaked in 2010 when Nevsun says that some 440 Segen workers were active at the site – roughly a third of the entire project workforce at the time. Human Rights Watch interviewed some Eritreans who worked at the mine, including two who said they were conscripts forced by Segen to carry out construction work. Human Rights Watch noted:

*“There is... clear evidence that many of Segen’s workers at Bisha during that period faced terrible conditions, from inadequate food supplies to unsafe housing. The workers we interviewed said that national service conscripts and other Eritrean workers lived in fear and were ordered not to complain about their plight. One former conscript told Human Rights Watch that he was captured and imprisoned after leaving the mine site without permission in order to attend a relative’s funeral”.*<sup>161</sup>

One former labourer interviewed by Human Rights Watch said he had been kept as a conscript for 13 years from 1998 to early 2011. Interviewees stated that conscripts received 450 Nakfa per month, equivalent to \$30 or less. They also said that conscripts were poorly fed and housed, and that some had no access to latrines of any kind. The climate of fear was described as intense, and one conscript told Human Rights Watch that “we were afraid for our lives”.<sup>162</sup>

Nevsun selected a South African construction and engineering company, SENET, as its principal contractor for the Bisha project. Nevsun and SENET then contracted Segen to build roads, staff housing and other secondary infrastructure, and Nevsun maintained that it had no choice in the matter since the engagement of Segen was required by the government. Nevsun later acknowledged to Human Rights Watch that “no due diligence was performed at the time of initially contracting with Segen Construction with respect to its human rights practices”.<sup>163</sup> However, Segen was and is not an independent firm but is owned by Eritrea’s ruling party, the PFDJ. Nevsun said it was aware of the broader risk that Eritrean contractors might deploy conscript labourers and explicitly prohibited Segen from doing so at its project site. However, it did not put adequate safeguards in place to ensure that this was honoured.<sup>164</sup>

Human Rights Watch engaged in an extensive dialogue with Nevsun about these allegations. It concluded in its 2013 report that:

*“the company does not appear to know for certain whether conscript labourers have been forced to work at Bisha or not. Its efforts to investigate the allegations have been obstructed by Segen itself, and Nevsun has professed itself powerless to compel its contractor to cooperate”.*<sup>165</sup>

When Nevsun sought to interview Segen workers in an effort to reassure itself that the company was not complicit in abuse, Segen refused to allow this. When Nevsun sought to investigate the living conditions of Segen workers at their camp near the mine site, Segen barred them from entering. When the Bisha project attempted to carry out new construction work in early 2012 without re-engaging Segen, the Eritrean government ordered it to stop, and Segen was brought back. Human Rights watch commented:

*“Incredibly, Nevsun appears to feel that it has no power to confront its own politically-connected contractor about allegations of abuse at its own mine site. Instead its response to Segen’s stonewalling has been one of quiet acceptance. But Nevsun cannot simply pass on the responsibility for human rights problems at its mine site to the contractor it is paying to work there. Any human rights abuses by Segen would implicate Nevsun, and Nevsun has a responsibility to investigate them and ensure that they stop”.*

<sup>166</sup>

Human Rights Watch noted that Nevsun made some progress in improving policies that are meant to prevent the use of forced labour at the site. Nevsun later developed policies requiring all personnel employed at Bisha, including Segen personnel, to demonstrate that they have been demobilised from the Eritrean national service. However, while Nevsun had requested permission to interview Segen employees independently to verify that none of them are involuntary conscript labourers, Segen refused to allow this. Nevsun contended that the situation has improved considerably since 2010. However, there are limits to Nevsun’s ability to gauge this because Segen still refuses to permit any Nevsun or BMSC staff to visit the site to see conditions for themselves.

Two years after the Human Rights Watch report, a UN Report of the Commission of Inquiry on Human Rights in Eritrea produced a scathing indictment of human rights and the forced labour regime, largely echoing the Human Rights Watch findings.<sup>167</sup> The report noted that the majority of Segen's "workers" at the mine in 2008, when construction began, were in fact conscripts performing their national service. Work assigned to conscripts included building the transport infrastructure to access the site, housing compounds for BMSC and Senet staff a few kilometres away from the mine, and all of the mine infrastructure. Testimonies collected by the Commission showed that some conscripts were used by Segen to construct the underground network of tunnels for future mining operations, even though "compulsory work in underground mines is totally prohibited under international law and cannot be exacted from anyone in any circumstances".<sup>168</sup> Sheila Keetharuth, the UN's special rapporteur on human rights in Eritrea who collected the evidence, said: "Forced labour was used, especially in the construction phase, for the simple reason that all construction [operations] are done under the government".<sup>169</sup>

Later in 2015, the UN Monitoring Group on Eritrea and Somalia further noted testimony from numerous sources citing the prevalence of forced labour at the mine. It stated:

*"According to multiple credible sources, the State-owned contractors and subcontractors hired by Nevsun to provide labour are engaged in an informal pay structure, whereby the contractors and subcontractors charge a certain amount to Nevsun for each military conscript or local worker employed at the mine while they pay far lower wages to the military conscripts or local workers. Although the exact figures of labour agreements between Nevsun and the contractors remain unknown, currently the workers of contractors and subcontractors are being paid monthly wages of between 200 and 500 Nakfa. The rest of the funds paid by Nevsun to Segen and Mereb are being held by the aforementioned contractors and thus, by extension, by the military and the Government because the contractors are effectively State-owned companies".*<sup>170</sup>

Media reports have also covered the prevalence of forced labour in Eritrea. Former labourers told the Guardian newspaper that working conditions at the mine were terrible, and wages low: "The climate was very hot, and I was given no protective safety equipment. We were not given enough food to eat, so I was always very weak and exhausted by the end of the day. Health problems like difficulty passing urine and diarrhoea abounded. I lived in a compound housing about 600 people, sharing 10 toilets and 20 showers". Another miner, who also asked not to be named, said: "For the first six months, I was not paid. Then after a group of us complained, we started getting 145 Nakfa per month – equivalent to \$3 on the black market. Six months afterwards, this was increased to 860 Nakfa per month".<sup>171</sup>

Getting accurate information from the mines in Eritrea is problematic and dangerous, given the nature of the regime. Yet there is some evidence to suggest that forced labour is continuing at the Bisha mine. Recent interviews conducted by HRCE with more than 50 conscripts who managed to escape to safe countries reveals that as recently as January 2016,

conscripts were subjected to forced labour at the Bisha mine. Evidence obtained by HRCE indicates that these workers are often forced to work 6.5 days a week without respite, and the working day can often be up to 12 hours long. The net pay of a conscript after deduction for food is 450 Nakfa a month, which may be equivalent to \$10-40 US Dollars per month, depending on the exchange rate. Former conscripts report that their living quarters in the mine sites are situated far from the mine in a makeshift camp made of flimsy material, vulnerable to the harsh winds of the desert.

Such housing is also susceptible to the extreme desert temperatures – unbearably hot during the day and very cold during the night. Forced labourers frequently fall ill due to poor nutrition and hazardous working conditions. Those who do not return to work after a few days of sick leave have their pay docked, regardless of whether they are medically fit to return to work. Conscripts are not allowed to leave this employment. There is rigid enforcement of compulsory labour, and any attempt to escape is punished severely by military-type supervisors.<sup>172</sup>

#### **Nevsun's response**

Nevsun rejects the current lawsuit allegations against it as “unfounded” and declares that “the Bisha Mine has adhered at all times to international standards of governance, workplace conditions, and health and safety”.<sup>173</sup> The company’s vice-president of corporate social responsibility, Todd Romaine, has been quoted saying that “we’ve done extensive investigations” and that “there’s no corroborating claims to support any of the allegations being made”.<sup>174</sup>

Nevsun states that “human rights have always been important to Nevsun and to our operations at the Bisha Mine in Eritrea” and that “we continually refine our activities to meet the highest ethical standards”.<sup>175</sup> In 2014 and 2015, Nevsun released human rights reports allegedly finding no evidence of forced labour or human rights violations at its mine. Lloyd Lipsett, an independent lawyer and co-author of the Nevsun-commissioned report, has been quoted as saying that in his four trips to Eritrea he has yet to see any outright repression or people being mistreated. He has said the UN allegations of forced labour dealt with the construction phase of the mine, while his assessments started after the mine was already operational in 2013.<sup>176</sup>

Nevsun has also been reported as saying that the Eritrean military never provided labour to the mine. Even if it did, the company argues, Nevsun was not directly responsible for employing the workers.<sup>177</sup> The first of these statements appears entirely untrue given the evidence that has emerged. On the second, although Nevsun did not directly employ forced labourers, it still bears some responsibility and duty of care for this being undertaken at its mine.

Whatever Nevsun’s pledges to support human rights are, they are largely irrelevant in the current state of Eritrea, where all power and resources lie in the hands of a repressive regime financially benefitting from Nevsun’s presence.

#### **8.4 Danakali and Forced Labour**

At the UN Human Rights Council session in March 2018, at a side event titled “Demystifying Eritrea: The Ground Reality, Mining and Human Rights” organised with the Eritrean government, Danakali Director Seamus Cornelius admitted that the company had conducted no human rights due diligence on the Colluli project. He also told the event that he “can’t guarantee” that the use of forced labour by the company “will never happen.”<sup>178</sup> However, and in spite of this assertion, Danakali denies that it has ever relied on forced labour.



## **9. UK and International Law on Forced Labour**

### **9.1 International Labour Organisation (ILO): Forced Labour Definition**

The ILO Forced Labour Convention Protocol, 1930 (No. 29) defines forced labour as: “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”. The indicators of forced labour include: restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, abusive working and living conditions and excessive overtime. In all these cases the victims have their freedom denied. They are used by, controlled and exploited by another person or entity such as a government for commercial or personal gain.<sup>179</sup>

Forced labour/slavery is illegal under international law and in every country. A number of countries have now introduced a national modern slavery reporting requirement for large businesses.

### **9.2 UK Modern Slavery Act 2015**

The UK was the first country in the world to introduce a national modern slavery reporting requirement for large businesses, regardless of sector, through the Modern Slavery Act 2015.<sup>180</sup>

Section 54 of the Modern Slavery Act 2015 requires every organisation carrying out business in the UK with a total annual turnover [revenue] of £36m or more to produce a slavery and human trafficking statement each year. The statement should set out what steps organisations have taken during the financial years to ensure modern slavery is not taking place in their business or supply chains. The statement must be approved and signed by a director or a partner of the organisation and published on the organisation’s website.<sup>181</sup> There is currently no requirement for the statement to be independently verified by, for example, auditors.

If a business fails to produce a slavery and human trafficking statement for a particular financial year, the Secretary of State for Home Affairs may bring an injunction through the High Court requiring the organisation to comply. If the organisation fails to comply with the injunction, it will be in contempt of a court order, which is punishable by an unlimited fine. There is, however, no effective monitoring system to record which companies fail in their obligation to report, and no effective enforcement mechanism for compliance.<sup>182</sup>

### **9.3 Australia proposes new laws to help end modern slavery**

In August 2017, the Minister for Justice in Australia said he was taking important steps to further strengthen the country’s “world-leading” approach to combatting modern slavery. Modelled on the UK Modern Slavery Act 2015, the discussions are around a proposal to introduce legislation that would set a similar requirement for large businesses to report annually on

their actions to address modern slavery. The intention is that a proposed reporting requirement would ensure large businesses and other entities operating in Australia with a set annual turnover publish annual statements outlining their actions to address this crime. It is hoped that statement will support the business community to respond more effectively to modern slavery and develop and maintain responsible and transparent supply chains. The Australian Government's objective is to equip and enable the business community to respond to the crime effectively.

The Ministry of Justice said "Australia has one of the strongest responses to modern slavery in the world, including tough criminal offences, dedicated teams within the Australian Federal Police and a Government-funded support program for victims. This legislation will build on our record".<sup>183</sup>

Consultation on Australia's Modern *Slavery in Supply Chains Reporting Requirement* ended in October 2017.<sup>184</sup>

Many Australian civil society organisations have advocated for more robust modern slavery laws, including the imposition of penalties for companies which do not report, and for better regulation of companies' overseas activities.

#### **9.4 The Netherlands**

On 8 February 2017, the Netherlands Parliament adopted a child labour due diligence law for companies, subject to Senate approval. The motion would require the government to prepare legislation aimed at combating forced labour and modern slavery, in line with the ILO protocol and objective 8.7 of the Sustainable Development Goals.

The law requires companies to examine whether child labour occurs in their production chain, and if so to develop a plan of action to combat it. The statements are to be recorded in a public register by a yet to be designated public authority. If the Senate gives its approval, the Act comes into effect from January 1, 2020.<sup>185</sup>

However, the Netherlands Parliament postponed voting on the motion, putting at risk the timetable for its adoption.

#### **9.5 Canada**

Canada is home to a large number of mining companies. The country currently has no law requiring companies to report modern slavery, although recent discussions on modern slavery legislation have taken place in its parliament.<sup>186</sup> According to research conducted in 2016, more than 1,200 companies operating in Canada are known to be importing goods at high risk of being produced by child or forced labour. The majority of these companies are disclosing very little, if any, information on the policies, practices and processes they have in place to address these risks.<sup>187</sup>

There are calls on the Canadian Government to follow the UK's example and introduce modern slavery legislation requiring entities to disclose in their financial statements and website the steps they are taking to combat modern slavery and people trafficking.<sup>188</sup>

In January 2018, Canada created a Watchdog to oversee companies' conduct abroad (to be named the Canadian Ombudsperson for Responsible Enterprise), reputed to be the first initiative of its kind in the world.<sup>189</sup>

The body, which will initially target the mining, oil and gas, and garment sectors, will also have the power to recommend sanctions against transgressors, including withdrawing Export Development Canada financial support.

### **9.6 UN Guiding Principles on Business and Human Rights**

The UN Guiding Principles on Business and Human Rights (UN Guiding Principles) require companies to respond to adverse human rights impacts that are 'directly linked to their operations, products or services'.<sup>190</sup>

It is not a matter of balancing "good" impacts against "bad". It is not appropriate to, for example, refer to social projects that they say Nevsun will undertake or has undertaken. Rather, it is essential to ensure that all steps are taken to prevent and mitigate breaches of human rights.

The UN Guiding Principles are not legally binding, but the international community is increasingly working with the business community to combat modern slavery based on these principles. Discussions surrounding a legally binding UN Treaty on Business and Human Rights are ongoing, and have received support from human rights organisations.<sup>191</sup>

### **9.7 UN Sustainable Development Goals (SDG 2030)**

In September 2015, world leaders adopted 17 UN Sustainable Development Goals (SDGs) of the 2030 Sustainable Development Agenda. Goal 8 aims to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". Of particular relevance is SDG 8, target 8.7: "To take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers and by 2025 end child labour in all its forms".<sup>192</sup> These noble goals were signed by Eritrea along with the rest of the world.

## 10. Forced labour: Former Miners' Testimony

In November 2017, Eritrea Focus commissioned its own investigation into allegations of forced labour in Eritrean mines. The aim of the exercise was to ascertain patterns of behaviour, living conditions, working conditions, pay and health (both physical and mental) of those who currently work or had worked in the extractive sector in Eritrea.

### 10.1 Methodology

The testimonial work was co-ordinated by Petros Tesfagorgis (former Secretary of Eritrea Relief Association, which raised and administered international funds during the 1984-85 famine) working with Habte Hagos, founding member of Eritrea Focus. The interviews were conducted over Skype, except in one case, where the interview was conducted face-to-face. The interviews were conducted by two researchers well-versed in Eritrea's current history and able to interview the miners in their mother tongue. The interviews were conducted by Abraham Zere and Daniel Mekonnen.

*Abraham Zere:*

Abraham Zere, Eritrean exiled journalist and executive director of PEN Eritrea who is pursuing a PhD at the school of Media Arts and Studies, Ohio University. Abraham currently works as a freelance journalist for a number of international media outlets, including *The Guardian*, *The Independent*, *Index on Censorship*, *Al-Jazeera English*, *Africa is A Country*, *Carnegie Council*, PEN International and others. He was the Chief-editor of *Hdri Publishers*, a leading publishing house in Eritrea from 2006 to 2011.

*Daniel Mekonnen:*

Daniel Mekonnen has a PhD in Law. He is a Director of the Eritrean Law Society and currently works as a Senior Core Fellow at the Institute for Advanced Study, Central European University. Daniel is the co-author of *The African Garrison State* (2014). He served as a Judge of the Central Provincial Court in Eritrea (1998 to 2003), and as a Senior Legal Advisor and Research Professor at the Oslo-based International Law and Policy Institute (ILPI). Between January 2010 and May 2012, Daniel provided expert legal advice to Linklaters LLP, UK.

### 10.2 Interviewees

The anonymised interview scripts are set out in **Annexes 1 to 4** at the end of this report. Four ex-miners provided testimonials: one face-to-face interview with Dr Mekonnen in Switzerland, and three interviews by Skype, carried out by Abraham Zere; two in Egypt and one in Kenya. All interviews were conducted in Tigrinya – the mother tongue of the ex-miners – and subsequently translated to English by the interviewers.

In addition to testimonials, the ex-miners provided their personal details together with photo ID cards/evidence of their tenure at Bisha Mine and names of former colleagues to help corroborate their testimonials.

All four ex-miners were asked 21 identical questions. A summary of their response is set out in the table below.

### 10.3 Testimonials Summary

Interview Questions	Ex-miner 1 (GA)	Ex-miner 2 (AB)	Ex-miner 3 (FK)	Ex-miner 4 (MF)
1. Personal details	Provided and validated	Provided and validated	Provided and validated	Provided and validated
2. What did you do before starting to work at the Mine?	I joined the EPLF in 1989 and I was demobilised in 1993. I then went to Ethiopia but was deported in 2001 after 4 years imprisonment. On returning home, I was assigned to work for a gov't dept against my will.	I was assigned to Gedom Construction Company as part of the national service program after I left school. Whilst there, I tried to flee the country but I was caught and imprisoned for 11 months.	I was a student at Mai-Habar Technical School; a vocational school that accepts students from 9 <sup>th</sup> grade of secondary school.	I studied civil engineering in Eritrea: Institute of Technology, Mai-Nefhi.
3. How were you recruited to work in the Mine and by whom?	After working in the gov't dept for a number of years I was 'released'. I started to work for a private company but the gov't shut down all private businesses in 2006. I then ended up working for Segen (PFDJ owned Co) because I had no other option.	After release from the custody, in October 2011, I was assigned to Segen as a national service conscript. I had no other option but to accept the order of the gov't – otherwise I would be detained.	After studying for three years in the technical school, I was assigned to Segen in 2009 by the gov't.	After I completed my studies at the college, I was assigned to Segen in 2011 as part of the national service program. I did not have a choice where to work and it was decided for me by either the ministry of education or of defence.
4. Were you shortlisted, interviewed before signing a contract of employment?	I did not complete an application form nor was I interviewed. I begged Segen to take me on after I lost my job with the private company because there was no other	I was assigned to Bisha Mine as part of the national service and against my free-will.	The national service procedure does not entail a job application nor interview. As a member of the national service I did not have a choice about my workplace - I	The national service program in which students are assigned to respective ministries does not entail a job application nor interview.

	option. But once I started, the working conditions were unbearable and I handed in my resignation. Segen refused to accept my resignation and I was kept on at Bisha Mine against my will.		had to oblige when I was assigned to Bisha Mine.	I was assigned to Segen and later to Bisha Mine.
5. Do you have a copy of your contract of employment?	I was not given a contract of employment – I was assigned to work at Bisha Mine.	No, I was assigned to the Mine as a national service conscript. There is no contract of employment but the ID cards that show I was working in Bisha Mine and Segen are attached.	I was not given a contract of employment but a copy of my Segen ID card is attached. I also have photos and documents that show I was working in Bisha Mine but they are in Eritrea.	There was no contract of employment.
6. Who do you think was the real employer?	My real employer was Segen – a sub-contractor of SENET /Nevsun. The Mine was wholly owned and controlled by SENET and Nevsun.	The real employer was Segen that was sub-contracted by SENET which in turn was sub-contracted by Nevsun.	I worked for Segen, a sub-contractor of SENET/Nevsun.	My employment structure was: Bisha/Nesun>Senet>Segen.
7. Who was your line manager? Were you disciplined whilst at the Mine? What was the reason for the discipline and what form did it take?	<p>The manager of the site was a senior official but I reported to a civilian with an architect background and another person who was in charge of machinery.</p> <p>I was disciplined for expressing my opinion on working</p>	<p>I reported to the project manager; [REDACTED] I am not sure his exact whereabouts now but he is most likely in the UK.</p> <p>I overstayed my leave and I was caught. I had to then</p>	<p>I was supervised by expatriates – mainly from SENET.</p> <p>I was disciplined for overstaying my leave to receive treatment for a finger I injured whilst working at the Mine. I received only half of</p>	<p>The SENET, [REDACTED] was the person to whom I directly reported to. I was not disciplined as I went along with what I was told to do by my immediate supervisors.</p>

	<p>conditions and on one occasion I was suspended from work although not 'released'. I was intimidated and threatened. As a result, I had to flee from the site and eventually the country.</p> <p>The national service conscripts were disciplined regularly and in various ways. At times they would be told to dig a hole and then refill the same hole with the soil extracted from it. Another common punishment was a reduction from or a complete withdrawal of their pocket money.</p>	work for six months without any pocket money.	my pocket money for a month as a punishment.	
8. When did you start to work at the Mine?	I started working in early 2008.	In late January 2012 when I was assigned to Bisha Mine.	I started to work at Bisha Mine in August 2009.	In March 2011.
9. What work did you do?	Initially, I worked as a carpenter and later on as a safety officer.	I worked as a coordinator of the national service conscripts, time keeper and safety officer at various times.	I was assigned as a surveyor but I was also required to digging holes, mixing cement and conducting soil test.	Planning and executing works with the contractors, SENET; coordinating; collecting relevant data; and reporting the progress.



10. Where were you based?	I was based at the Bisha Mine.	At the Bisha Mine.	During my tenure at the Bisha Mine, I was stationed at Segen camp,	At Bisha site in Segen camp
11. How many hours a day and how many days a week did you work?	<p>A minimum of 10 hours a day Monday to Friday and some days more. On Saturdays I worked half day and I was off on Sundays.</p> <p>[A total of 55+ hours a week of hard work in extremely hot working conditions].</p>	<p>The hours varied but usually I worked from 7:00am to 1:00pm, an hour lunch break and then from 2:00pm to 7:00-8:00 pm. This was the regular routine Monday - Saturday. On Sundays, I worked from 8:00am to 2:00 pm.</p> <p>[12 hours a day, Monday to Saturday = 72 hours plus 6 hours on Sundays. A total of 78 hours a week.</p>	<p>I did not have any fixed time or regular work schedule.</p> <p>At the beginning, I was required to wake up at 4:30 am and after breakfast we had to be ready by 5:30 am. We were then transported to the construction site by trucks to start work at 6:00 am. We had a one-hour lunch break at 1:00 pm and finished at 6pm and sometimes much later. On Saturdays I finished at 2pm and I was off on Sundays.</p> <p>[A total of 61+ hours a week]</p>	<p>I worked Monday to Saturday: 8:00 am to 5:00 pm, sometimes till much later. Sunday 8:00 till 2:00 pm.</p> <p>[A total of 54 hours a week].</p>
12. What was the condition of work? Did you have protective kit?	The working conditions in the Mine were deplorable. Not all Eritreans working in the Mine were provided with helmets and protective clothing. At times national service conscripts would be deployed	There were acute shortages of safety kits. For example, we were never supplied with safety boots or glasses.	I did not receive any protective clothing or boots apart from helmet. As a result of the lack of protective equipment, many of us sustained injuries. While working under a machine,	As an engineer, I was in a better protection and had protective clothing and helmet.

	<p>at the Mine for several weeks or months but without helmets, protective clothing or shoes.</p> <p>Eritreans were treated as second class citizens in their own country.</p>		<p>some equipment fell off and I injured my small finger but I only received a first-aid.</p> <p>I also witnessed others sustaining major injuries. A co-worker seriously injured his leg, and lost consciousness because of bleeding.</p>	
<p>13. Was accommodation and food provided by the Company?</p>	<p>We were not provided with adequate accommodation, salary or food. National service conscripts were fed in the same way they would be fed in their military barracks. The quality of food was poor.</p> <p>Workers were exposed to extremely hazardous working conditions. For example, many national service conscripts were transported between their sleeping quarters and the mine by trucks that were also used to transport hazardous substances extracted from the Mine.</p>	<p>Segen oversaw lodging and food rations - although they did not supply food in the beginning. There was acute shortage of food supplies and hunger that led to a strike.</p> <p>Food was never enough and it was of very poor quality. The regular meal was lentils with sauce and hard bread with occasional meat.</p> <p>We lived in a room with ten beds. It was unbearable to sleep inside because of</p>	<p>The food was extremely poor, and many were forced to cook privately in their rooms at their own expenses despite the meagre national service pay.</p> <p>The accommodation rooms for the national service had 10-12 beds with no facilities e.g. AC or refrigerators. We had to sleep outside because the heat was unbearable - reaching 42-43 degree Celsius at night.</p> <p>Because of the extremely hot weather and humidity I saw</p>	<p>The food was inadequate and of a very poor quality; the bread was hard and we were fed the same food for many days without change.</p> <p>Accommodation was also poor - we did not have a refrigerator or AC. As a result, we were forced to sleep outside in the open air. We had bathrooms but they were not properly maintained nor cleaned regularly.</p>

	The expats were living in accommodation equipped with all sorts of modern amenities. They had good quality and plenty of food to eat - whilst the Eritreans were going hungry only 2 km away from them.	the heat and so we slept outside. We did not have refrigerator nor AC and the bathrooms were not enough and poorly maintained.	an Eritrean worker died of heatstroke. A three-year old child of a maid and a South African national also died of heatstroke whilst I was there.	
14. How frequently and for how long were you allowed to visit family?	I was allowed to visit family twice a year for no more than 5 to 10 days. But the practice is haphazard and depends on the supervisor.  No other leave or family visits were allowed.	I was allowed 20 days leave a year.	I was allowed to visit my family for a month a year.  There was on occasions compassionate leave at the discretion of the supervisors.	I was allowed to visit family three times in three years.
15. How frequently were you paid, how much and by whom?	I was paid 700 Nakfa (c. USD 47 official rate and USD 25 unofficial) every two weeks by Segen because I was a salaried "employee" which I felt was very low, especially when compared to the expats pay who were doing similar jobs.  Some conscripts were paid as low as 150 Nakfa (USD 10 or USD 5 unofficial).	I was paid 800 Nakfa per month, c. USD 53 or USD 27 at the unofficial rate. With overtime I received 1,100 to 1,200 Nakfa (USD 74) per month.  [This equates to 21 cents per hour at the official and about 10 cents per hour at the unofficial exchange rate].	At the start I was paid 450 Nakfa per month (about 30 USD). Later I was paid around 1080 Nakfa (USD 72) per month which included overtime.  [This equates to about 26 cents per hour at the official and 13 cents at the unofficial exchange rate].	I was paid 800 Nakfa (USD 53) per month. The standard national service rate paid by Segen.  [This equates to 22 cents per hour at the official and about 11 cents per hour at the unofficial exchange rate].

	[The pay of ex-miner 1 equates to 38 cents per hour at the official rate and half of the unofficial exchange rate. He was in his 40s with a family].			
16. Would you have a copy of a payslip?	I was not given any payslip but I had to sign a payroll register to confirm receipt of my payment.	I was never given a payslip.	<p>Payslips are not common in Eritrea and I did not receive one.</p> <p>There are regional finance divisions from which administrators collect the money for the monthly pocket money which are then paid to conscripts and mine workers. A payment book is signed by each recipient.</p>	I received no payslip whilst I was working at the Bisha Mine.
17. Did you work in only one Mine?	Yes, I worked only at the Bisha Mine.	Yes, I only worked at the Bisha mine.	I only worked in Bisha but also visited Zara for a quantity surveying duty.	I only worked at the Bisha Mine, but there was a rumour that I would be transferred to Zara as some of my friends did.
18. Did you suffer ill-health whilst working at the mine? If so, did you receive any medical	I was once infected by malaria. I had to sleep for a week in a tent. The medical treatment I received was very poor.	As a result of heat exposure, chemical smells, combined with lack of adequate food and water, I suffered from H-pylori [stomach/intestine ulcers].	While working at Bisha Mine, I did not have protective gloves and injured my small finger seriously while levelling the ground and working under a bull-dozer. But I only	I was under great stress that led me to take anti-depressant pills but I was only given the medication when I went to Asmara, not at the Bisha Mine.

treatment and where?	The area where the mine is located is extremely hot and inhospitable. In 2009, I witnessed a builder die of heatstroke - the heat outside was 46 degrees Celsius. His name was [REDACTED]	I was also repeatedly under stress, suffered from malaria. The national service clinic could not provide assistance beyond first-aid and I had to get treatment in Asmara at my family expenses.	received first aid. I had to go to Asmara to get a proper treatment at my own expenses.	
19. Do you now have any health issue from working at the Mine?	I still have urinal pain. I believe this is due to heat exposure and excessive working hours whilst I was at the Mine.	I still suffer from H-pylori and from sleep disorder.	I am still unable to bend my small finger and it gives me constant discomfort.	Due to extreme exposure of the cyanide chemicals with lack of protection, combined with lack of medication I now suffering from: 1. short-sightedness; 2. Depression for which I still take medication; 3. Quick temper and lack of attention; 4. Loss of memory; and 5. Physical exhaustion.
20. When and why did you leave your "work" at the mine?	I fled to Ethiopia in September 2010 when it became clear that I was targeted because of my critical views of the working conditions at the Bisha Mine.	I fled from the Mine and the country in September 2015 because of the working conditions.	I fled from conscription and the country in November 2015 because of the working conditions.	I left the Mine in June 2013 and attempted to flee the country illegally in 2014. But I was caught and imprisoned and eventually managed to flee the country to safety in Ethiopia in 2015.

21. Do you know of any former mine workers who are now in diaspora?	Yes, I know several people. Like me some of them are plaintiffs in the lawsuit against Nevsun.	Yes, some who have fled the country as me, including [REDACTED] living in [REDACTED].	[REDACTED] in Khartoum; [REDACTED] in Germany; [REDACTED] in Cairo.	Many of my former colleagues are still in Eritrea, but there was one of my former team member who used to work in soil test section who was interviewed in the documentary film «The Fifth estate: Nevsun resources dealing with dictatorship» His name is [REDACTED] and he was in Ethiopia at that time.
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At a meeting with Nevsun, Freedom United, M&G Investments and Eritrea Focus on 6 December 2017, Nevsun executives promised to send anonymised payslips, but these have not been received at the time of writing (May 2018).

At the same meeting, Nevsun executives agreed to look into the wages paid to the workers in comparison to the hourly rates paid to Segen Construction Company. Whilst Segen is paid c. \$21 per day per worker, the payment to the workers was roughly 5 per cent of the sum the Company actually receives. No information on this had been received from Nevsun at the time of writing.

## **11. Modern Slavery & Human Trafficking Statements**

### **11.1 M&G Investments/Prudential Plc**

The obligation on companies operating within the UK to publish an annual statement on modern slavery and human trafficking is clear and indeed most companies have started to publish them, but their contents can sometimes differ from the reality on the ground. For example, M&G Investments is obliged by the requirement to publish a modern slavery statement and has done so through Prudential Plc, stating that “slavery, human trafficking, child labour or any other abuse of human rights has no place in our organisation or supply chain”. The document also states that relationships with third-party suppliers are “actively managed”, and that its UK businesses are “evaluating potential Modern Slavery risks for any new suppliers” and assessing existing suppliers “so as to understand the steps they themselves are taking to identify instances of Modern Slavery in their operations and supply chains”.<sup>193</sup>

UK financial institution M&G Investments/Prudential Plc is one of the largest investors in Nevsun, a company that has been repeatedly accused of using slave labour and currently facing a lawsuit by 59 plaintiffs in Canada.

The Companies Act 2006 requires the directors of M&G Investments/Prudential Plc to “promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the impact of the company's operations on the community and the environment, and the desirability of the company maintaining a reputation for high standards of business conduct. M&G Investments/Prudential Plc’s investment in Nevsun is, in our view, inconsistent with these obligations.

### **11.2 JP Morgan (UK)**

J P Morgan is a financial services firm with assets of \$2.5 trillion. It operates in more than 100 countries, including the U.K.

The Company's U.K. Modern Slavery Act Transparency Statement for the financial year-ending 31 December 2016 claims “fundamental principles of human rights across all lines of our business and in each region of the world where we operate. We recognize that modern slavery issues, such as forced labor and human trafficking, are a significant global challenge. We also believe that our company has a role to play in promoting respect for human rights. To that end, this Transparency Statement, made pursuant to section 54 of the U.K. Modern Slavery Act 2015, outlines the steps we are taking across J P Morgan Chase, which we believe will mitigate the potential risk of modern slavery occurring in our business and supply chain”.<sup>194</sup>

J P Morgan is the largest investor in Danakali Ltd, a company that has been accused of forcible removal of the Afar indigenous people from the Danakil Depression on the Red Sea coast of Eritrea. Human Rights Concern Eritrea

– as noted above – also alleges the road from Colluli to the Marena coastline was fortified and rebuilt using forced labour.<sup>195</sup>

J P Morgan also has a stake in Nevsun Resources Ltd, which is facing a lawsuit for its alleged use of slave labour at its Bisha Mine.

Eritrea Focus and its partner organisations have written to J P Morgan (UK) on a number of occasions setting out details of forced labour in Eritrea with an offer for a meeting. However, the company has so far declined to engage with us.

### **11.3 Andiamo Resources Ltd**

At the time of writing, the company's most recent set of financial statements on its website are for the year-ending December 2015, which show nil revenue (turnover) for the year. As such, under UK law the company is not required to make a statement on forced labour.

### **11.4 NurtureEx B.V.**

NutureEx B.V. of the Netherlands holds 25 per cent of Andiamo Resources Ltd issued share capital. The company does not seem to publish financial statements on its website, and we were unable to ascertain the company's turnover nor its total assets.

The Netherlands currently does not require companies to publish a statement on slave labour and forced labour in their supply chain.

### **11.5 Ortac Resources Ltd (Known as Arc Minerals from January 2018)**

Ortac is a British Virgin Islands registered Company listed on the AIM in London. Its offices are located at 97 Jermyn St, St. James's, London SW1Y 6JE.

Ortac is the second largest shareholder (18.5 per cent) in Andiamo. The company's financial statements for the year-ending 31 March 2016 state that "legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions".<sup>196</sup>

For the year-ending 31 March 2016 the company generated revenue totalling £45m (2015 = £74m). However, the statements are silent on forced labour and people trafficking, which seems inconsistent with the UK Modern Slavery Act 2015 given that the company operates from the UK and has revenue above the disclosure threshold of £36m.



### **11.6     Nevsun Resources Ltd**

Nevsun's financial statements for the year-ending 31 December 2016 show revenue totalling US\$ 230.7m (2015 = \$356.9m) with net assets as at that date of \$1.3 billion, an increase of c 30 per cent on prior year.

Canadian firms are not required to provide a statement on forced labour and people trafficking in their published accounts or on their websites.

### **11.7     Danakali Ltd**

Danakali's financial statements for the year-ended 31 December 2017,<sup>197</sup> released on 11 April 2018, show revenue for the year of A\$1.17m (2016: \$1.9m), of which most relates to the unwinding of joint ventures. The expenditure for the year totalled \$ 6.8m (2016: \$4.9m) plus equity accounting cost of c. \$1m. The net result for the year was a loss of \$7.8m (2016: Loss = \$4.7m).

Australian companies are currently not required to disclose a statement on forced labour and people trafficking in their financial statements.

<p>What is lacking from those companies that have issued statements on slave and forced labour is supporting evidence and an independent verification by auditors of those statements.</p>
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## **12. Campaigning**

### **12.1 Monitoring mining companies' websites**

Mining companies are not telling visitors to their websites about the true nature of the Eritrean regime. Danakali website describe Eritrea as “a safe, stable and progressive country”, which is far from the reality on the ground. Eritrea has the highest number of people per capita fleeing the country to seek asylum around the world because their homeland is not safe for them. It is the ‘fastest emptying’ nation in the world with 400,000 people leaving in the last decade; in 2015 alone, more than 45,000 Eritreans applied for asylum in Europe.<sup>198</sup> Many perish along the way. The country has been at war with all its neighbours at various times in the last two decades.

In recent years, a number of human rights groups have campaigned to raise the international public awareness of forced labour in the name of national service in Eritrean mines. Awareness of labour conditions remains relatively low, as reporting is sporadic. These campaigns have taken many forms including petitions, demonstrations, and writing letters to financial institutions and mining companies.

### **12.2 Petition**

Petitions demanding investors and mining companies divest from Eritrea have been organised by campaigning organisations. In May 2017 more than 180,000 signatures were delivered to Nevsun Resources Ltd at its Annual General Meeting, calling upon investors to divest over abuses at its Eritrea mine. This action was organised by Freedom United in partnership with the Mining Justice Alliance and Mining Watch Canada, and drew wide publicity.<sup>199</sup>

Joanna Ewart-James, Advocacy Director at Freedom United, said: “The tens of thousands of petition signatories are shocked that a Canadian company can produce goods sold around the world in an environment synonymous with forced labour and human rights violations. The fact that this company is backed by investors such as pension funds makes our responsibility even more clear.”

### **12.3 Leafletting at events**

The Chelsea Flower Show in London has been sponsored for the last eight years by M&G Investments/Prudential Plc, one of the largest investors in Nevsun.

In May 2017 Eritrea Focus, in partnership with Freedom United, handed out leaflets on the opening and closing days of the Chelsea Flower Show to raise awareness of the link between the Show and Eritrea. Campaigners distributed leaflets and stickers to visitors to raise support for the call upon

M&G Investments/Prudential Plc to divest from Nevsun. Many visitors expressed surprise and disappointment at the connection.



#### **12.4 Letters to financial institutions and mining companies**

Over the last few years, Eritrea Focus, with Freedom United and others, have identified the top ten investors in the main mining companies operating in Eritrea, and written letters to their respective CEOs to explain the human suffering and forced labour conditions in the country and requesting that they divest.

#### **12.5 Does campaigning work?**

There are many ways of campaigning beyond those set out above, but the question is, does it work? Companies divest for various reasons (primarily financial), but in a limited way we think recent campaigns have had the desired impact on institutional investors and mining companies. Here are some examples:

- (i) Nevsun – has cut the projected life of Bisha mine in half. In addition, Nevsun has decided to make capital investment for a four-year open-pit, rather than the larger, eight-year operation that had been expected initially.
- (ii) M&G Investments – the company seems to have proactively assessed its holdings in Nevsun over the past year including:

- (a) M&G statement on Nevsun – on 19 May 2017 M & G issued the following Responsible Investment Statement on Nevsun:

*“M&G Investments holds 12% of the shares of Nevsun, a Canadian-listed mining company. Campaign groups including Freedom United and Eritrea Focus have called on shareholders in Nevsun to divest in protest at its alleged use of forced labour through the national service programme of Eritrea during the construction of its Bisha mine between 2008 and 2009.*

*As a responsible investor and signatory to the United Nations Principles for Responsible Investment (PRI), M&G takes the issue of forced labour very seriously. We raised concerns with Nevsun when we first became aware of these allegations several years ago and engaged ISS Ethix, an independent human and labour rights research group, to advise us on the issue”.*

- (b) Reduced stake in Nevsun – M&G Investments’ stake as at April 2018 stands at 9.5%, compared to 12% about a year ago. This remains a significant stake, but the reduction is a step in the right direction.

- (c) M&G Investments’ ongoing engagement with Eritrea Focus and Freedom United – the company is willing to liaise with us and seems interested to listen to our concerns, which we very much welcome.

### 13. Conclusion

The mining operation in Eritrea is in its infancy but it already generates a crucial source of foreign revenue and has been a traumatic experience for its citizens. With a government shrouded in secrecy, no one apart from the President and his close associates knows the precise amount of revenue generated from its natural resources. What is clear, however, is that whatever proportion of the revenue reaches the country, it is spent to abuse and humiliate the Eritrean people. Over the last decade, Eritrea has produced the largest number of refugees per capita in the world – much more than countries ravaged by war such as Syria, Afghanistan and Yemen.

It is against this background that Eritrea Focus, with the support of its partner organisations, commissioned a study into the extractive sector in the country – believed to be the first of its kind.

This paper pulls together what is in most cases publicly available information on the Eritrean extractive sector. Our research has identified 17 mining companies, from various countries, operating in Eritrea. But like the Eritrean Government, a large number of these mining companies publish little or no information on their operations, which makes it difficult to obtain a complete picture of the mining sector in the country.

The two most recent reports of the UN COI (2015 and 2016) have exposed an endemic use of forced labour in the country, and its link to mining. These reports state categorically that forced labour and torture in Eritrea, including at the Bisha Mine, may constitute crimes against humanity.

Our research study, underpinned by testimonials from four ex-miners whose time at the Bisha Mine covers the period from 2008 to 2015 - and the ILO definition of forced labour (9.1 above) - supports the UN COI conclusion. The 2014 ILO Labour Protocol to Convention 29 (1930) provides indicators of forced labour. We have thus used those indicators to establish whether or not slave labour exists in the extractive sector in Eritrea:

- *Work exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily* – all four ex-miners interviewed were assigned to the Bisha mine against their own free-will as national service conscripts. They were intimidated and threatened with imprisonment, leaving them with little option but to oblige until an opportunity arose for them to flee the mine and their homeland, risking everything.
- *Abusive working conditions* – the working environment, as the ex-miners describe, was “very hot and inhospitable”. They had to work in extreme hot weather, with temperatures at times reaching 46 degrees Celsius. They witnessed three workers and a 3-year-old child of a maid die of heatstroke.

Workers suffered from various illnesses, including malaria, diarrhoea, depression, urinal infection and in one case H-pylori (stomach/intestine ulcer) as a result to chemical exposure.

- *Abusive living conditions* – the “professional workers” camp, equipped with all modern amenities, was largely occupied by expatriates with a handful (around 50) of Eritreans. Two kilometres from this camp, the “non-professional workers” were accommodated up to 12 workers-to-a room without basic amenities such as refrigerators or air conditioning. In an area where temperatures frequently exceed 40 degrees Celsius they had no option but to sleep in the open air.

There was acute shortage of food, and hunger was a daily occurrence to the extent that workers had to go on strike to get food. When food was provided, they say, it was scarce and of poor quality. On the other hand, the “professional workers” had good food with plenty of surplus.

The ex-miners claim that national service conscripts were transported between their accommodation and the mine by trucks that were also used to transport hazardous substances extracted from the mine.

- *Withholding of wages* – this is apparently a common practice at all of the mines in the country. Supervisors seems to have the absolute power to reduce or to altogether withhold the meagre allowance the conscripts receive for months on end.
- *Excessive overtime* - the ex-miners interviewed worked between 54 and 78 hours a week – a mean average of 62 hours – for exceptionally low “wages”. Based on the evidence received, the highest rate of pay was 38 cents per hour and the lowest 21 cents at the official exchange rate, which would be halved if exchanged at the unofficial rate.

In our view and based on our understanding of the ILO definitions and indicators noted above, all four ex-miners interviewed by Eritrea Focus had their freedom denied. They were used, controlled and exploited by the Government of Eritrea, and the mining companies were complicit in their forced labour.

Much has been sacrificed by so many to liberate the Eritrean people from Ethiopian oppression only to be enslaved by their own government. As Abraham Lincoln once said, “Whenever I hear anyone arguing for slavery, I feel a strong impulse to see it tried on him personally.”<sup>200</sup>

## 14. Recommendations

The British Government's first responsibility is to ensure UK companies behave in a manner compliant with UK legislation and corporate guidance. These are Andiamo Resources Ltd, Ortac Resources Ltd (Arc Minerals), JP Morgan (UK), M&G Investments/Prudential Plc and other minor players such as Barclays Stockbrokers.

A number of Acts and international regulations apply to current and future operations in Eritrea:

### **The UN Guiding Principles on Business and Human Rights<sup>201</sup>**

Section 17 concerns Human Rights due diligence.

*This requires that “In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.”*

The British Government states in its guidance for companies that “The UK was the first country to produce a National Action Plan to implement the United Nations Guiding Principles on Business and Human Rights (UNGPs). When our National Action Plan was published on 4 September 2013, the Government set out the belief that the promotion of business, and the respect for human rights, go hand in hand: “responsible action by the private sector on human rights is good for business and communities; it helps create jobs, customers and a sense of fairness; it contributes to a market’s sustainability and therefore its potential to generate long-term growth.””<sup>202</sup>

The key principles of the UNGPs “guide the approach that companies should take to respect human rights wherever they operate”. In accordance with the National Action Plan, companies have an obligation to:

- comply with all applicable laws and respect internationally recognized human rights, wherever they operate;
- seek ways to honour the principles of internationally recognized human rights when faced with conflicting requirements;
- treat as a legal compliance issue the risk of causing or contributing to gross human rights abuses wherever they operate;
- adopt appropriate due diligence policies to identify, prevent and mitigate human rights risks, and commit to monitoring and evaluating implementation;
- consult people who may potentially be affected at all stages of project design and implementation, in a manner that ensures free and informed participation and takes into account language and other potential barriers

- to effective engagement, paying particular attention to indigenous peoples and other groups, including women and girls;
- emphasise the importance of behaviour in line with the UNGPs to their supply chains in the UK and overseas. Appropriate measures could include contractual arrangements, training, monitoring and capacity-building;
- adopt or participate in effective grievance mechanisms which are transparent, equitable and predictable, to enable the remediation of any adverse human rights impacts they cause or to which they contribute;
- be transparent about policies, activities and impacts, and report on human rights issues and risks as appropriate as part of their annual reports.<sup>203</sup>

In their annual reports, companies must therefore demonstrate that they have complied with these requirements.

**The first recommendation** is that the All-Party Parliamentary Group on Eritrea invites the company directors of M&G Investments/Prudential Plc, Ortac Resources Ltd, and JP Morgan UK, along with the relevant officials from the Foreign and Commonwealth Office who deal with the implementation of the UNGPs, to appear before the APPG to address the concerns raised in this report.

2. There is, rightly, *growing pressure on financial intermediaries* and investors to conduct their own human rights impact assessments, or at least demand that companies carry them out and – crucially – act on them.

The **second recommendation** is for the All-Party Parliamentary Group to write to M&G Investments/Prudential Plc, JP Morgan UK, Halifax and Barclays, to ask what steps they are taking to produce human rights impact assessments.

3. *The UK supports Anti-bribery legislation, the Modern Slavery Act and the Extractive Industries Transparency Initiative.*

The **third recommendation** is for the All-Party Parliamentary Group to ask the appropriate government departments what steps are being taken, in the light of the evidence of gross human rights violations, to ensure that measures in accordance with UK Anti-bribery legislation, the Modern Slavery Act, and the Extractive Industries Transparency Initiative are applied to company activities in Eritrea.

4. *The abuses inflicted on Eritreans (particularly those conscripted into National Service – outlined above) are so flagrant that it is questionable whether British companies should be involved in the exploitation of the mineral reserves of the country while the current regime is in power.*

The **fourth recommendation** is for the All-Party Parliamentary Group to issue a statement highlighting the abuses outlined in this report, publicly



calling for companies to end their activities in Eritrea until there is a sustained and verifiable improvement in human rights within the country.

5. The extraction of minerals is developing rapidly in Eritrea. *The role of Chinese companies* in this regard is particularly significant, while Australian and Canadian companies have also taken a lead.

The **fifth recommendation** is for the All-Party Parliamentary Group to write to the relevant ambassadors and High Commissioners of the countries in which companies operating in Eritrea, and their investors, are headquartered, raising the human rights concerns detailed in this report while at the same time remaining actively informed about the developments in Eritrea's mining sector.

6. *Eritrea continues to pose a threat to the region* (as recognised by UN Security Council Resolution 2023 of 2011). The resolution, which was supported by the UK, recognised the role of mining revenues in exacerbating that threat. The resolution called on UN member states to “undertake appropriate measures to promote the exercise of vigilance by their nationals, persons subject to their jurisdiction and firms incorporated in their territory or subject to their jurisdiction that are doing business in this sector in Eritrea including through the issuance of due diligence guidelines”.

The **sixth recommendation** is for the All-Party Parliamentary Group to write to the Foreign and Commonwealth Office and the Department for International Trade, asking what steps have been taken to force the provisions of UN Security Council Resolution 2023, and what the outcome of such advice has been.

## **15. Annexes – Full Testimonials, Scripts & IDs**

### **15.1 Interview: Annex 1 – Ex-miner (GA)**

Interviewee: [REDACTED]

Interviewer: Dr. Daniel R. Mekonnen (on behalf of Eritrea Focus)

Date: 21 December 2017

Place: [REDACTED] Switzerland

#### **1. Personal details**

Full name: [REDACTED]

Age: 46 [REDACTED]

Home Address: Asmara

Current Address: [REDACTED] Switzerland

#### **2. What did you do before starting work at the mine?**

I was educated up to Grade 10. Then I joined the Eritrean People's Liberation Front (EPLF) in 1989 as a freedom fighter. I was demobilised in 1993. After that I went to Ethiopia. At the start of the 1998 border conflict between Eritrea and Ethiopia, I was imprisoned in Ethiopia for about 4 years along with many other former freedom fighters and former national service conscripts. In 2001, I was released and sent back to Eritrea through the intervention of the Red Cross. I was immediately assigned to the Department [REDACTED]

[REDACTED] Initially, I refused to serve at the Department citing no relevant background in the area of [REDACTED] but my concern was not taken into account.

#### **3. How were you recruited to work in the mine and by whom?**

After my return from Ethiopia and serving at the Ministry [REDACTED] for some years, I obtained a release from the Ministry [REDACTED]. Then I started working with a private construction company, known as [REDACTED]. I worked as a carpenter. I had already trained in carpentry, in 1993, by the German Organisation for Technical Cooperation (GTZ), right after my demobilisation as a former freedom fighter of EPLF. In 2006, all privately owned construction companies were shut down by the government. As a result, I lost my job. My only available option was to seek employment at a government or ruling party owned enterprises. I ended up been "employed" by Segen Construction Company, which is one of the major construction companies of the People's Front for Democracy and Justice (PFDJ), the only political party in Eritrea.

By the end of 2007 and beginning of 2008, I was assigned by Segen Construction to work in Bisha Mine. This was at the very start of the mining project. I started as a carpenter. But later on, I became a safety officer in the mining site. I took a nine-month training to become a safety officer. The

training was given by the South African company, SENET. A person by the name [REDACTED], who worked for SENET, gave me the training (see the attached photo). He was also in charge of supervising the work undertaken by SENET at the Mine.

To my knowledge, all work in the site was undertaken and supervised by SENET in collaboration with Segen. My understanding is that the main mining work was contracted to SENET by the Canadian mining company Nevsun. SENET in turn sub-contracted Segen for the provision of manpower. Since there were no other privately-owned construction companies in the country, it was a must for SENET to sub-contract Segen. There was no other option. As I will explain later, the working conditions for Eritreans was extreme and unbearable.

**4. Were you shortlisted, interviewed before signing a contract of employment?**

In my case, there was no job application I had to complete. Actually, this is not a very common practice in Eritrea. Almost everyone working for Segen and other similar construction companies are assigned to work in those companies as conscripts of the national service. In my case, after I lost my other job at [REDACTED] I personally begged the Manager [REDACTED] (also known as [REDACTED], to hire me. Partly, owing to my background as a demobilised freedom fighter, it was not difficult to get a job with Segen. I was hired on a very low salary. But later on, this would become a devastating experience to me as explained below.

**5. Do you have a copy of your contract of employment with Bisha mine?**

No, I do not have and never had a contract of employment. This is not very common practice in Eritrea. Besides, it needs to be noted that I had no direct contractual relationship with SENET or Nevsun. My contractual relationship was with Segen but for sure I was working in a project fully and wholly controlled and managed by the two other companies, SENET and Nevsun.

**6. Who do you think was the real employer?**

In my case, the real employer was Segen Construction.

**7. Who was the line manager? Were you disciplined whilst at the mine? What was the reason for the discipline and what form did it take?**

The [REDACTED] of Segen [REDACTED] Naturally, he was the most senior official in the area. I worked under the supervision of two-line managers: [REDACTED] a civilian with a background in architecture and who was in charge of project management; and [REDACTED] a freedom fighter, who was in charge of the Department of [REDACTED]

Employees at the mining site were disciplined in a number of ways. Salaried employees (civilians), although very few in number, may be disciplined in

the form of monetary charge or fine. National service conscripts were subject to all sorts of military disciplines, as are also commonly practiced in the army. For example, they would be ordered to dig a hole and fill up the hole with the same soil extracted from the hole in the first place. A person who does not report to the work for whatever reasons may be subjected to a term of arbitrary detention (imprisonment), equivalent to a length of time calculated based on the length of absence from work. For example, a person who disappears from work for a period of 2 months would be condemned for an imprisonment of 2 months regardless of the reason for his failure to report to work. A person condemned to imprisonment may be sent to a detention centre outside the sphere of the mine site. The most common place was the infamous Prima Country Detention Centre located in the town of Barentu.

Personally, I was once disciplined during my work in Bisha Mine as will be explained later. I was always on the “watch list” of the bosses, especially that of [REDACTED]. This is mainly due to my critical opinion about low levels of payment or salary (including mine) as well as other abusive practices I used to observe in the mining site. I will further explain this in my answer to question 12 below.

#### **8. When did you start to work at the mine?**

I started working in early 2008. But work in the mining site actually started sometime in 2007. This may be before the arrival of Nevsun in the area. At the very start, national service conscripts were deployed in the area by way of clearing the land and making it ready for infrastructure development.

#### **9. What work did you do?**

Initially, I worked as a carpenter. Later on, I worked as a safety officer.

#### **10. Where were you based?**

I was based at Bisha Mine.

#### **11. How many hours a day and how many days a week did you work?**

The working hours were very intensive. In most cases, we used to work a minimum of 10 hours a day. Many times, we worked for more than 10 hours a day without additional pay. I had weekend breaks from Saturday afternoon and Sunday the whole day. But in the context of overloaded weekdays, the weekend breaks were not sufficient.

For example, if there were a special assignment that required intensive labour force, the entire work force would work until very late in the evening. At some point they introduced working shifts (day and night). I remember there were some national service conscripts who refused to obey further instructions to work as night shift guards, arguing that they were coming back to their sleeping quarters too exhausted by prolonged working hours in the mine site, and thus they did not have any energy to stand as night

guards (which is a standard procedure in any military unit or militarised context).

## **12. What was the condition of work? Did you have protective clothing?**

The working conditions in the mine were deplorable. As a safety officer, I had an obligation to make sure that everyone who worked in the mining site, including national service conscripts, had to be sufficiently protected by wearing helmets and protective clothing. Not all Eritreans working in the mining site were provided with helmets and protective clothing. I used to raise concerns about this. My comments were not liked by my supervisors, in particular by the head [REDACTED].

There were times when national service conscripts were working in the mining site without adequate safety measures. We used to have additional workers coming directly from the Eritrean defence forces. These were mainly made up of national service conscripts, who received no formal salary, except for meagre amount of money known as “pocket money,” not even official salary.

There were instances when a certain military unit (a battalion or a brigade) may be deployed in the mining site for several weeks or months during which time the entire workforce would work without helmets, protective clothing and shoes. This was problematic in terms of safety requirements, so much so the foreigners who were working onsite also found it difficult to understand. The foreigners who worked in the Mine included, South Africans, Zimbabweans, Filipinos and others. The foreigners were well paid. They earned hundreds of US Dollars per month as a salary, compared to those Eritreans who were working without formal salaries. They lived in accommodation equipped with all sorts of modern amenities. In terms of safety measures, all foreigners working in the area were well protected.

From dismal conditions of accommodation to bad working conditions and to no formal salaries, Eritreans were subjected to all sorts of abuses. It was embarrassing to see that Eritreans were treated in their own country as second-class citizens, not even on equal terms to the foreign mine workers. Eritreans were working under extremely dismal conditions. This was unbearable, that is why I used to raise concerns about the matter frequently by which reason I was not liked by [REDACTED] Segen. Finally, I had to flee to Ethiopia in September 2010 to save myself from possible retaliatory measures. In fact, I was tipped off by an insider to flee, to avoid persecution.

## **13. Was accommodation and food provided by the company?**

No food or salary was provided by the companies: neither by SENET nor Nevsun. As I noted earlier, all Eritreans working in the site were hired by Segen, thus the responsibility to provide for salaries or accommodation was for Segen. They were not provided with adequate accommodation, salary or food. National service conscripts were fed in the same way they would be fed in their military barracks. The quality of food was so poor. I remember

that some foreign workers used to offer leftover food to Eritrean workers. It was obvious that Eritrean workers were underfed and the foreigners knew the abusive working conditions of the national service programme.

Work in the mining site was very dangerous and workers were exposed to extremely hazardous working conditions. For example, many national service conscripts were transported from and to their sleeping quarters and the mining site by the same trucks that were used to transport hazardous substances extracted from the mining site. In order to cover up such abusive practices (from the eyes of foreigners onsite), Eritrean workers would be transported to the work site very early in the morning hours before other workers arrive in the area. At the end of the day, they would be transported back to their sleeping quarters after all other workers have left the area. The practice was hideous.

#### **14. How frequently and for how long were you allowed to visit family?**

All workers in the mining site were allowed to visit their family members twice a year for a brief period of no more than 5 to 10 days on each occasion. The practice is haphazard. Mostly such visits were allowed on a particular time during which all workers would be sent back home and the work onsite would be halted temporarily. No other visits for whatsoever nature, including for family emergency, were allowed outside these official leaves.

#### **15. How frequently were you paid, how much and by whom?**

In my case, I was paid every two weeks. I was a salaried employee. But the salary was too little as will be explained below. National service conscripts were paid on a monthly basis. Most of them used to receive a monthly pocket money of Nakfa 150, which frankly is peanuts.

#### **16. Were issued payslips?**

No. But I used to sign a payroll register instead. My salary was Nakfa 60 a day, which turns out to be plus/minus Nakfa 1400 a month. This was too little a salary even by the standards of the day, and in particular compared to the salary that was paid to foreigners (Zimbabweans, South Africans, Filipinos, etc.) who were doing similar work. This was one of the reasons that compelled me to tender my resignation to the [REDACTED]. My request was denied. Effectively, this means that after I tendered my request for resignation I was forced to continue working in the mine without my will and at a salary that was not acceptable to me. Finally, due to my continued comments about the mistreatment of national service conscripts and overall malpractice in the area I was suspended from work for one month. I was reinstated when the [REDACTED] (from SENET) complained about the gap that emerged as a result of my suspension from work. Professionally, he was appreciative of my work ethic and commitment, thus he insisted on my reinstatement. However, I did not stay long after my reinstatement. By that time, it was very clear that I was already targeted by [REDACTED], as also confirmed to me by another insider shortly after that.

Based on this advice, I decided to flee to Ethiopia in September 2010. In 2014 I arrived in Switzerland. I was reunited with my family in 2017.

**17. Did you work in only one mine?**

Yes, I worked only at the Bisha Mine.

**18. Did you suffer any ill-health whilst working at the mine? If so, did you receive any medical treatment and where?**

I was once infected with malaria. I had to sleep for one week in a so-called clinic, in a camping tent. The medical treatment I received was dismal. Even our accommodation was very poor. In contrast, in a distance of about 2 kilometres from the mine site, the foreign workers were living in modern accommodation, known as “full accommodation.” It is equipped with the most up to date and modern facilities: from hygiene to internet and other services. I was involved in the construction of the accommodation during the initial period when I worked as carpenter. It took us nine months to build it.

There were many other health issues. As mentioned earlier, basic safety and protection measures were not respected. Eritrean workers were transported to and from their sleeping quarters and the mine by heavy trucks that were also used in the day-to-day operations of the mine. The area is inhospitable in terms of weather. There were times when the weather would get extremely hot. I remember one builder who fell down in the middle of work as a result of heatstroke. He was suffocated as he suffered from shortage of breath and he fell down while he was working. He died shortly after that. His name was [REDACTED] This happened in 2009. It was reported that the temperature was approaching 46 degrees Celsius when the incident happened. There was one time when there was a widespread problem of diarrhoea that affected many people and they did not receive sufficient medical care. The medical officers in the area are not allowed to give a sick leave of more than 5 days for whatever health issues, even for the most serious ones.

**19. Do you now have any health issue from working at the mine?**

Ever since I started working in Bisha Mine I experienced a problem of urinal pain and I still do to this day. I believe this was due to exposure to high level of heat and excessive working hours under extreme weather conditions.

**20. When and why did you leave your “work” at the mine?**

I fled to Ethiopia in September 2010 when it became clear that I was targeted because of my critical opinion of the working conditions at the Bisha Mine, including the exploitation and abuse of Eritrean workers.

**21. Do you know of any former mine workers who are now in diaspora?**

Yes, I know several people. They live in different countries. Some of them have joined me in the lawsuit we started in 2014 against Nevsun at the Supreme Court of British Columbia (Canada), which is still pending.

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## **15.2 Annex 2 – Interview with Ex-miner (AB)**

Interviewee: [REDACTED]

Interviewer: Mr Abraham Zere (on behalf of Eritrea Focus)

Date: 21 December 2017 and clarification on 28 January 2018

Place: By Skype; Abraham in Athens, Ohio, USA and [REDACTED] Egypt

### **1. Personal details**

Full Name: [REDACTED]

Date of Birth/Age: 27

Gender: Male

Home Address: [REDACTED] [a village outside of Asmara]

Current Address: [REDACTED] Egypt

### **2. What did you do before starting work at the mine?**

After failing to get the required college entrance grades during matriculation exam, I was assigned to Gedom Construction Company as part of the national service program where students are assigned after finishing their secondary school if they do not earn grades to go to college. In 2010, I was caught while attempting to cross the border illegally and stayed in military custody for eleven months. After release from the custody, in October 2011, I was assigned to Segen Construction Company as a national service conscript to work at Bisha Mine.

### **3. How were you recruited to work in the mine and by whom?**

I was assigned to Bisha mine as part of the national service.

### **4. Were you shortlisted, interviewed before signing a contract of employment?**

No, I was simply assigned to the mine as a conscript of the national service.

### **5. Do you have a copy of your contract of employment with Bisha mine?**

There is no such contract employment paperwork. But ID cards that show I was working in Bisha Mine and Segen Construction are attached. Although the card does not indicate date of issuance, it was issued to me in early 2013 when they started to issue such ID cards to national service members working in the site.

### **6. Who do you think was the real employer?**



The real employer was Segen Construction Company that took a sub-contract from the contractors, Senet, a South African company that took the contract of the refinery, in which Segen was the sub-contracted to finalize the infrastructure of refinery. Senet was also a sub-contractor of Bisha/Nevsun.

**7. Who was the line manager? Were you disciplined whilst at the mine? What was the reason for the discipline and what form did it take?**

I reported to the [REDACTED] manager; [REDACTED]. I am not sure his exact whereabouts now but I think he is mostly likely in the UK. I do not have direct contact with him, but that is where I assume he is based on information I have from former colleagues.

**8. When did you start to work at the mine?**

In late January 2012 when I was assigned to Bisha Mine.

**9. What work did you do?**

I worked in three units: First coordinator/personnel of the national service; then time keeper and as a safety officer of Segen's representative.

**10. Where were you based?**

I was based at Bisha Mine.

**11. How many hours a day and how many days a week did you work?**

Although the hours of work were slightly varying, especially with "overtime," but generally it follows some routines that starts at 7:00 am with an hour lunch break at 1:00 pm. Resume work at 2pm and then usually stay until 7:00-8:00 pm. This the regular routine Monday-Saturday. Sunday is called half-day and they work from 8:00 am till 2:00 pm.

**12. What was the condition of work? Did you have protective clothing?**

They used to give helmet and gloves, but there were acute shortages of the safety kits. For example, we were never supplied with safety boots or glasses. Although as safety officer I repeatedly brought the case to the discussion, at some point my immediate boss instructed me to stop asking.

**13. Was accommodation and food provided by the company?**

Segen Construction oversaw lodging and food ration although they did not supply food in the beginning. There was acute shortage of food supplies and hunger that led to a strike. Later they started to provide food but they deducted money from our pay for it.

The food was never enough and it was of extremely poor quality. The regular meal was poorly cooked lentils with sauce and hard bread with occasional meat. In the work place they had refrigerators but not at their accommodation. We lived in a room with ten beds. It was unbearable to sleep inside the rooms because of the heat and so we all slept outside in the open air. The rooms did not have any facilities such as refrigerator, AC. The bathrooms were not enough, some were continuously out of order and the once that worked were overused/unclean.

**14. How frequently and for how long were you allowed to visit family?**

We were allowed about 20 leave a year. When I visited my family in July 2012 I overstayed. When they started rounding up in Asmara, as such searches are hard to escape, I thought it is safe to report to the workplace in Segen Construction's central office. I did that because my pass paper had expired and without such paper I can't move around town and if caught I would be put in a military custody. Later I was sent back to the mine to work without pocket money for six months. The free-labour practice, is the usual disciplinary mechanism taken if workers, particularly those on national service, cross the red line.

**15. How frequently was he/she paid, how much and by whom?**

I was paid 800 per months like all national service members; with required overtime I would be paid around 1,100 -1,200 Nakfa per month.

**16. Would you have a copy of a payslip?**

There is no such practice in Eritrea.

**17. Did you work in only one Mine?**

Yes, I only worked at the Bisha Mine.

**18. Did you suffer any ill-health whilst working at the mine? If so, did you receive any medical treatment and where?**

The extreme exposure to sun, chemical smells, combined with lack of adequate food and water, I suffered from H-pylori [stomach/intestine ulcers]. I was repeatedly under stress, suffered from malaria, and that is the reason why I was forced to leave my family. The national service clinic does not provide assistance beyond first-aid. There is very good hospital inside Bisha's main camp that is exclusively designated for the expatriates. National service members—who were in effect segregated from others—did not receive any of the benefits. When my H-pylori was getting worse, I went to Asmara for medication. My family covered all of my expenses although as a Bisha worker they had high expectation that I would have enough money to pay for it myself. It was felt distressed when I realised I

could not even cover my medical bills and had to depend on my family to help.

**19. Do you now have any health issue from working at the mine?**

I still suffer from H-pylori and from sleep disorder.

**20. When and why did you leave your “work” at the mine?**

I fled from the mine and the country in September 2015 because of the working conditions.

**21. Do you know of any former mine workers who are now in diaspora?**

Yes, some who have fled the country as me, including [REDACTED] living in [REDACTED] Egypt.

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**15.3 Annex 3: Interview with Ex-miner (FK)**

Interviewee: [REDACTED]

Interviewer: Mr Abraham Zere (on behalf of Eritrea Focus)

Date: 24 December 2017

Place: By Skype; Abraham in Athens, Ohio, USA and [REDACTED] Egypt

**1. Personal details**

Full Name: [REDACTED]

Date of Birth/Age: 27

Gender: Male

Home Address: [REDACTED] [A small village north of Asmara]

Current Address: [REDACTED] Egypt

**2. What did you do before starting work at the mine?**

I studied at Mai-Habar Technical School; a vocational school that accepts students from 9<sup>th</sup> grade of secondary school. Later students combine regular academic studies and vocational training until the final year of secondary school. After studying for three years in the technical school, I was assigned to Segen Construction Company in the fall of 2009 as part of the national service program. While most students finish their last year of secondary school education (12<sup>th</sup> grade) in Sawa [conscripts training camp] and take matriculation exam in Sawa, those who attend the technical school (there are about four-five such technical/vocational schools in the whole country), they are directly assigned to respective ministries or other places after completing their military training in Sawa. Hence, unlike their contemporaries, they do not study one full academic year in Sawa.

**3. How were you recruited to work in the mine and by whom?**

I was assigned to Segen Construction Company as a national service conscripts. The process does not need the regular job applications. As a staff of Segen Construction Company, I was assigned to work at Bisha mine.

**4. Were you shortlisted, interviewed before signing a contract of employment?**

The national service procedure does not entail the regular job application nor interview. As a member of the national service I did not have the choice about my workplace and had to oblige when I was assigned to Bisha Mine.

**5. Do you have a copy of your contract of employment with Bisha mine?**

Attached is a copy of my Segen ID card. I also have photos and documents that shows I was working in Bisha Mine but they are in Eritrea. I will forward my supplementary documents when I receive them. My supporting documents are mainly from Segen Construction. There was strict division between the national service workers, like myself, and other civilians in the site. Until 2012, all national service members were strictly instructed to keep their distance from the expatriates and were working under harsh conditions that resembles slavery or apartheid. Only after 2012 did the supervisors and other key officials receive the Bisha mine ID card to enable them to join the clubs that is strictly accessed by the professionals and civilians. National service members on the other hand had to stay in their designated and shabby camp all the time after work that was about 1.5 kilometres away from the main camp.

**6. Who do you think was the real employer?**

Although I was in frequent contact with expatriates, my employers were Segen Construction Company. I received a safety training and I was supervised by expatriates, mainly employees of a South African mining company called SENET.

**7. Who was the line manager? Were you disciplined whilst at the mine? What was the reason for the discipline and what form did it take?**

As an employee of Segen Construction Company my chain of command and assignments were directly linked with Segen Construction Company, the Department [REDACTED] But apart from the routine work of construction, as member of the national service I also had another line of command and if slightly slipped of the expected duty, I was disciplined as a soldier. For example, when I went on leave and over-stayed few days mainly

to receive treatment for my finger injury in Asmara, I was later punished - received only about half of my pocket money for one month.

#### **8. When did you start to work at the mine?**

I started to work at Bisha Mine in August 2009. After being assigned to Segen Construction Company as part of the national service program, shortly after that I was sent to the Bisha Mine.

#### **9. What work did you do?**

At first, we were working under severe conditions without any facilities and enough lodgings. Although I was assigned as a surveyor, I was required to do multiple works such as digging, preparing and mixing cement and conducting soil test.

#### **10. Where were you based?**

During my tenure at the Bisha Mine, I was stationed in Segen camp, which is an adjacent camp to the main residential camp of the “professionals” and expatriate workers. All national service members were stationed in a camp that is located outside the main camp. The main camp, that was inhabited by the professionals and expatriates—as [REDACTED] relates called ‘human camp’—is equipped with all facilities such as air-conditioner, refrigerator, and enough supplies of food and lodging. The other camp inhabited by the national service, and mainly Segen camp—“the inorganic camp” as the national service members referred it—barely had any facilities such as the basic refrigerator or others such as internet access. Just like regular soldiers they had to cook and were required to eat their meals together in a hall; if they come late to the cafeteria they would usually have to go without food.

#### **11. How many hours a day and how many days a week did you work?**

I did not have any fixed time or regular schedules. Especially when I was first deployed in the camp, as they were trying to establish the basic structure, we were working daily for indefinite time. For example, at the beginning we were required to wake up at 4:30 am and after quickly eating breakfast we had to be ready by 5:30 am. We were then transported to the construction site by trucks and start work at 6:00 am. Starting from 6:00 am we only took lunch break of one hour at 1:00 pm. After taking one-hour break then we would resume work at 2:00 pm. Although most of those who performing manual labour would leave around 6:00 pm—even that was arbitrary—the engineers had to stay and prepare plans for the next day. Most of the time the engineers had to stay until mid-night and as all other workers they had to be ready for the morning routine the next day. Apart from Sunday, especially the first two years we were working all days in similar schedule with Saturday leaving at 2:00 pm. Although I cannot

remember when exactly it started some were also working night shifts.

## **12. What was the condition of work? Did you have protective clothing?**

We received safety training when we first started working by the expatriates, but we did not receive any protective clothing or boots apart from the helmet. The lack of safety equipment was causing many difficulties. As a result of the lack of protective equipment, many of us sustained injuries. While working under a machine, some equipment fell off and I injured my pinky finger. As all other workers in the same situation, I only received first-aid. I also witnessed others sustaining major injuries. For example, I saw one of my co-worker seriously injured his leg, which was profusely bleeding and later lost consciousness because of the bleeding. The worker—himself member of the national service—was taken from the camp to be hospitalized. As they did not have clinic in the national service camp, if they face serious injuries after receiving the basic first-aid they were taken to Agordat or Barentu. As Kesette tells his co-worker sustained severe foot injury by a bull-dozer while operating, mainly because he did not have protective boots.

## **13. Was accommodation and food provided by the company?**

The food was extremely poor, and many were forced to cook privately in their rooms at their own expenses despite the meagre national service pay. After repeated complaints the supervisors came up with some solution and that was to deduct some money from the national service conscript pay to improve the food quality, which never happened but the pay deductions continued.

The living quarters were barely equipped with basic facilities. Most houses of the national service members would be equipped with about 10-12 beds. Their houses rooms were merely for putting our clothes. We had to sleep outside because the heat was unbearable - reaching around 42-43 degree Celsius at times. The rooms did not have facilities such as refrigerator, AC, not even keys. Anyone can just access the rooms and the national service members see them as mere storage for their beds and clothes, water gallons and other small belongings. This type of living condition is the same for the foot-soldiers in the military.

Because of the unbearable weather and difficult living conditions, many were routinely falling sick but they hardly received any treatment. Although they were not members of the national service, but because of the unbearable hot weather and humidity one construction worker of Segen died of severe heat right on the spot, before reaching to a hospital. Another three-year old child of a maid and South African national who was working with them also died of the heat stroke.

**14. How frequently and for how long were you allowed to visit family?**

As a member of the national service I was allowed to visit my family for a month. There was on occasions compassionate leave in case of family emergency, death, marriage, etc.

**15. How frequently was he/she paid, how much and by whom?**

Initially I started with the regular national service salary of 450.00 Nakfa per month (which would amount to about 30 USD in the official exchange rate), but later with the slight improvement of national service salary, combined with overtime I was earning around 1080 Nakfa per month.

Although I was paid onsite, as member of the national service, the money actually came from the Eritrean Ministry of Defence. Even those who were working with Segen had their chain of command from the ministry of defence that paid their monthly salaries, issued pass-papers and decided annual leave entitlements.

**16. Would you have a copy of a payslip?**

Payslips are not common in Eritrea. Most ministries have their finance/cashier branch. At the end of each month, employees of the ministry go to the cashier office to collect their monthly salary in cash. In the case of national service this is slightly different. The finance department is stationed in the headquarter, mostly Asmara. Then they send some members of the finance department to different regions with the cash. Respective army divisions then come and collect the monthly allowance for national service from the finance officer sent from Asmara. They would take their allocated shares and pay their respective members and then bring back the payment book signed by each person who received their salaries.

Similarly, in Bisha Mine, those who were working directly for Nevsun would be paid directly by them and probably have their payslip, but members of the national service follow similar mechanism of payment as other army divisions.

**17. Did you work in only one mine?**

I only worked in Bisha. But visited Zara for a quantity survey and as an as an “employee” of Segen Construction Company. I visited Zara mainly to supervise and to do quantity survey. Even at Zara, they follow similar structure and working conditions as in Bisha. I also witnessed members of the national service who were stationed in Bisha been transferred to Zara to work on similar project.

**18. Did you suffer any ill-health whilst working at the mine? If so, did you receive any medical treatment and where?**

While working at Bisha Mine, I barely had any protective gloves and the reason why my pinky finger was seriously injured while levelling the ground and working under a bull-dozer. An iron rod fell off from top and crashed my pinky finger which made me bleed profusely. I still have the pain and my finger unable to function properly. Beyond the first-aid, I did not receive any medical assistance at the mine. Eventually, I went to Asmara and I was treated at Orthopaedic Referral Hospital. All expenses were paid out of my pocket and I used my leave to get medication.

Apart from the finger injury, he reports he has been repeatedly hit by malaria like many other co-workers.

**19. Do you now have any health issue from working at the mine?**

I am still unable to bend my pinky finger. I can function normally using my other fingers but the pinky finger causes discomfort when, for example, cutting hair and holding scissor as I currently work as hair-stylists (barber) in [REDACTED]

**20. When and why did you leave your “work” at the mine?**

From 2009 and to 2013, I was stationed at Bisha mine. Later I was transferred to a different construction site, near Barentu, with Segen. But my next assignment did not directly deal with any mine site, yet until I finally fled the country in November 2015, I used to visit Bisha site from time to time to supervise and oversee the work as part of Segen Construction employee/national service.

**21. Do you know of any former mine workers who are now in diaspora?**

[REDACTED] in Khartoum; [REDACTED] in Germany; [REDACTED] Egypt. (I cannot remember their last names offhand, but I will check with them)

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**15.4 Annex 4: Interview with Ex-miner (MF)**

Interviewee: [REDACTED]

Interviewer: Mr Abraham Zere (on behalf of Eritrea Focus)

Date: 19 December 2017 and clarification on 26 January 2018

Place: By Skype; Abraham in Athens, Ohio and [REDACTED] Kenya

**1. Personal details**

Full Name: [REDACTED]



Date of Birth/Age: 28

Gender: Male

Home Address: [REDACTED] [Asmara]

Current Address: [REDACTED] Kenya

**2. What did you do before starting work at the mine?**

I studied civil engineering in Eritrea: Institute of Technology, Mai-Nefhi. After I completed my study in the college, I was assigned to Segen Construction Company in 2011 as part of the national service program. After finishing college, graduates are assigned to different ministries as part of the national service. Students do not have the choice where to work and it is usually done arbitrarily by either the Ministry of Education or the Ministry of Defence. However, there is a general trend that students are assigned to respective ministries to work closely in an area they studied in the college.

**3. How were you recruited to work in the mine and by whom?**

I was assigned to work in Segen Construction as part of the national service after college graduation. As continuation of this program, Segen in return can assign its staff members to whichever place the management deemed is important. Again, workers do not have a choice and they are required to follow orders and do what they are told.

**4. Were you shortlisted, interviewed before signing a contract of employment?**

The national service program in which students are assigned to respective ministries after study does not entail interview or job application. In effect even, ministries cannot oppose those that are assigned to their ministry. It is through such process that I was assigned to Segen Construction Company and later to working in Bisha mine. None of the recruitment process required job application and interview.

**5. Do you have a copy of your contract of employment with Bisha Mine?**

I never had a contract with the mining company that shows the terms and conditions of employment;

Attached document indicates my duties and responsibilities onsite. The letter was written by [REDACTED] of Segen Construction. I cannot find my ID card but had written the number elsewhere which is: ID: C-0384 for Bisha and SEG 1797 for Senet.

**6. Who do you think was the real employer?**

The main contractors were Senet, which sub-contracted from Bisha/Nesun.

Again, Segen Construction Company took another sub-contract from Senet. So the structure goes: Bisha/Nesun>Senet>Segen.

**7. Who was the line manager? Were you disciplined whilst at the mine? What was the reason for the discipline and what form did it take?**

SENET, [REDACTED] was the person to whom I directly reported to. I was not disciplined as I went along with what I was told by my immediate supervisors.

**8. When exactly did you start to work at the mine?**

I started in March 2011

**9. What work did you do?**

Planning and executing works with the contractors, Senet; coordinating; collecting relevant data; and reporting the progress (his duties and responsibilities are listed in the letter attached).

**10. Where were you based?**

I was based at the Bisha site in Segen camp

**11. How many hours a day and how many days a week did you work?**

I worked Monday to Saturday 8:00 am – 5:00 pm, sometimes goes to late night – even midnight. Sunday 8:00 till 2:00 pm

**12. What was the condition of work? Did you have protective clothing?**

Only site bosses get full facilities, but majority did not have the basic protective kit such as helmets, boots, reflector, etc. As an engineer, I was in a better protection and had protective clothing and helmet. Most of the national service members—see photos attached —worked under harsh situation without adequate protective clothing and helmets or boots.

**13. Was accommodation and food provided by the company?**

The food was inadequate and of a very poor quality – the bread was as hard as a rock and difficult to chew. We were fed the same food for many days without any change.

This was coupled with bad accommodation where we did not have the refrigerator or AC in our accommodation. As a result, we were forced to sleep outside in the open air. We had bathrooms but they were not properly maintained nor cleaned regularly.

**14. How frequently and for how long were you allowed to visit family?**

During my three-year tenure at Bisha Mine, I was only allowed to visit family three times. On the third time I did not return and fled from the country instead.

**15. How frequently was he/she paid, how much and by whom?**

I was paid 800.00 Nakfa per month – standard pay by Segen to national service conscripts.

**16. Would you have a copy of a payslip?**

I do not have one – generally payslips are not issued at Eritrean Mines.

**17. Did you work in only one mine?**

I only stayed in Bisha mine, but there was a rumour that I would be transferred to Zara as some of my friends did.

**18. Did you suffer any ill-health whilst working at the mine? If so, did you receive any medical treatment and where?**

I was under great stress that led me to take anti-depressant pills when I went back to Asmara. I was not given any medication for the stress while at Bisha and preferred to keep my illness to myself fearing it might ostracize me from my colleagues and friends. I also suffered from malaria, diarrhea. I did not receive any medication while I was in the Mine.

Apart from the basic first aid and minimum medicine such as Amoxicillin and Panadol there was not enough medical supplies at the Mine for Eritreans and those who were critically ill were medicated in Barentu or Agordet. Due to the poor hygiene and inadequate food, many suffered from diarrhea and malaria was so prevalent.

**19. Do you now have any health issue from working at the mine?**

Due to extreme exposure of the cyanide chemicals with lack of protection, combined with lack of medication I now suffering from: 1. short-sightedness 2. Depression for which I am forced to regularly take anti-depressant; 3. Quick temper and lack of attention; 4. Loss of memory - I quickly forgets some of the most crucial dates and years in my life; and 5. Physical exhaustion.

**20. When and why did you leave your “work” at the mine?**

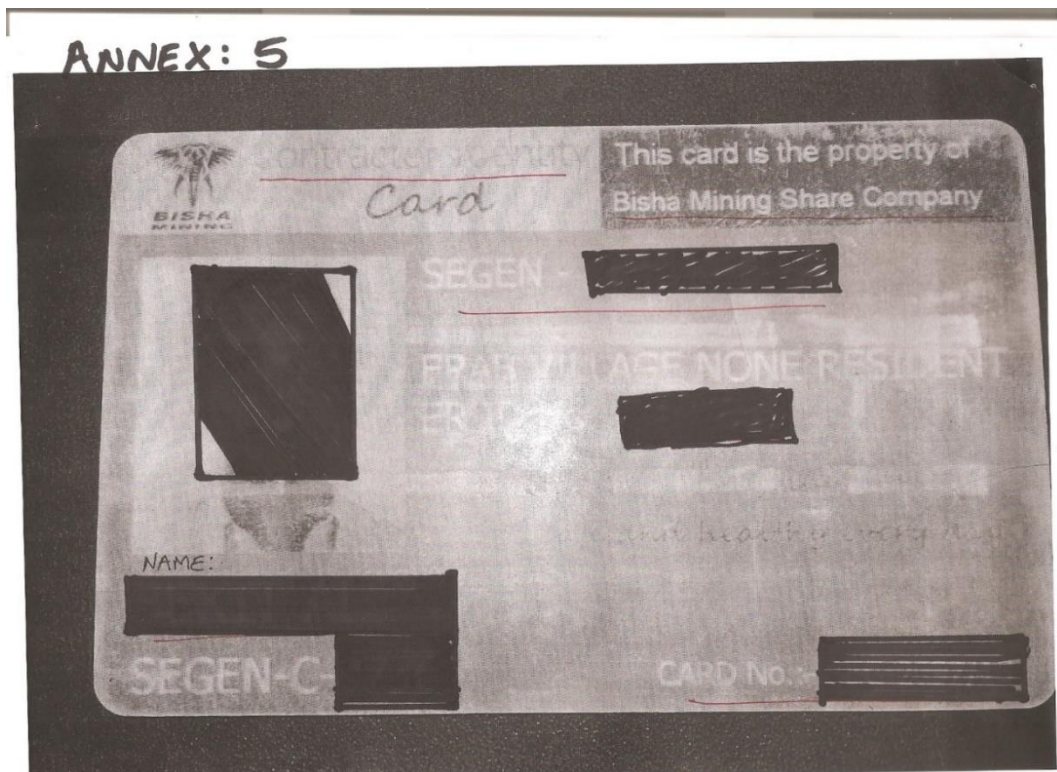
I left the mine in June 2013 when I was allowed on leave to take care of my ill mother and never returned to the camp. Then I attempted to flee the country illegally in 2014 and was caught and imprisoned. Finally, I was able to flee safely to Ethiopia around the end of 2015.

**21. Do you know of any former mine workers who are now in diaspora?**

Many are still in the country, but there was one of my former team member who used to work in soil test section who was interviewed in the documentary film «The Fifth estate: Nevsun resources dealing with dictatorship» His name is [REDACTED] Then he was in the refugee camp in Ethiopia, but I am not sure of his whereabouts now.

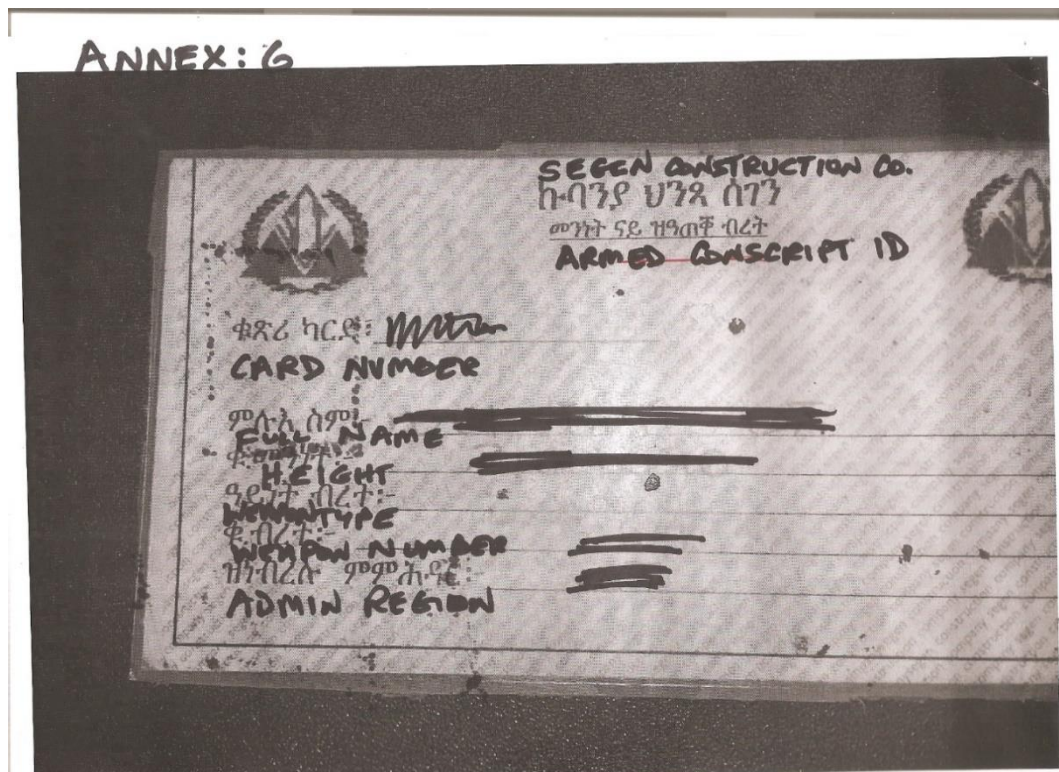
### 15.5 Annex 5 – Bisha ID Card

[belongs to one of the ex-miners' interviewed]

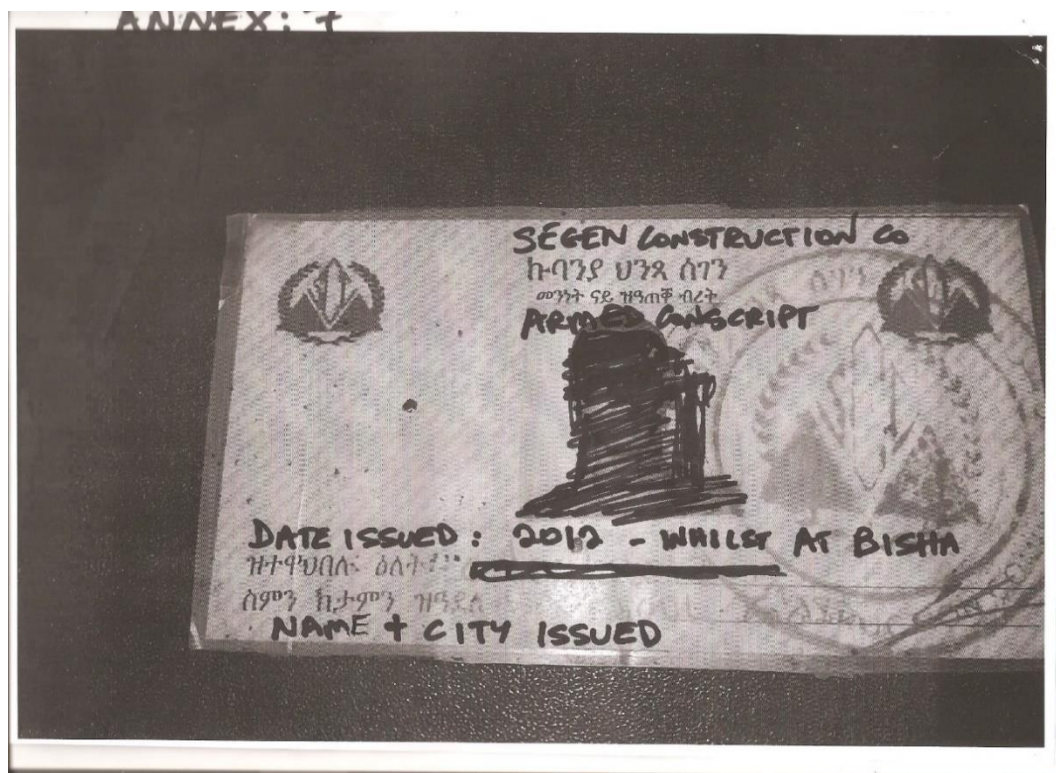


**15.6 Annex 6: Armed Conscript weapon description and serial number**

[Appears to have been issued in 2012 whilst the conscript was at Bisha Mine]



15.7 Annex 7: Front of Armed Conscript ID Card



## **16. Acknowledgements**

A large part of this document was written or compiled by Habte Hagos, a Fellow of the Association of Chartered Certified Accountants and Chair of Eritrea Focus. Petros Tesfagiorgis, a veteran freedom fighter and human rights activist, led the gathering of testimonials from ex-miners. Martin Plaut, an expert on Eritrea, a journalist and ex-BBC Africa Editor, provided an invaluable steer, input and commentary at various stages of drafting the paper. A network of individuals and organisations provided comments and assistance on the many different drafts of this report which is much appreciated.

We would like to extend our gratitude to Freedom United for their support, and to the London Mining Network, which contributed funds to this project from the allocation of a European Union grant. We also wish to thank War on Want, and a UK-based family Trust, for their generous financial assistance to this endeavour.



## 17. Glossary

- **Accelerated depreciation:** A deduction of the costs of capital assets from revenue (income) over a very short time so that the taxable profit is lower.
- **Allowable expenses:** Legitimate costs that can be offset (deducted) from revenue/income so that the taxable profit is lower.
- **Balance sheet:** A statement of the assets, liabilities, and capital of a business or other organization at a point in time.
- **Capital costs:** Costs of a project above a defined threshold (e.g. above £10,000), including the costs of construction, equipment and machinery. These assets have more than one year of expected life and are depreciated over the life of the relevant asset.
- **Capital gains tax:** A tax on income gained when a capital asset (or shareholding) is sold.
- **Cash flow:** The total amount of money being received and paid out of a business.
- **Corporate income tax:** A tax assessed as a percentage of the net profits of a company, after deducting allowable expenses.
- **Depreciation:** Expense the cost of an asset to the profit and loss account over its expected life
- **Dividends:** Money paid to shareholders usually out of in-year profit.
- **Fiscal regime:** The set of terms, laws and regulations that determine how the revenues from projects are shared between company and the government.
- **Gross revenues:** Total of all revenues collected from sales without any deduction of cost or tax.
- **Investment incentives:** A range of policy options that governments employ to attract investors.
- **Net revenues (or net income):** Income after allowable expenses.
- **Offshore account:** bank accounts held outside the jurisdiction of the country where the mine/business is carried out.

- **Payback Period:** the length of time required for an investment to recover the initial outlay through profit generated from the business.
- **Profit and Loss Account (P & L):** A financial statement showing a company's net profit or loss in a given period.
- **Royalty:** Tax based on the value of the commodity e.g. mineral extracted.
- **Straight-line depreciation:** A process of depreciating an asset in equal amounts over its expected life e.g. cost of £10m with an asset expected life of 10 years is depreciated on £1m per annum basis.
- **Stamp Duty:** Tax on the purchase of land or property.
- **Tax avoidance:** A legal process to minimise a tax bill by taking advantage of a loophole.
- **Tax base:** The revenue against which tax rates are applied.
- **Tax evasion:** The illegal non-payment or under-payment of taxes.
- **Tax exemptions:** The waiving of specific taxes that would normally apply.
- **Tax havens:** Counties or regions that attract business by applying no or minimal taxes.
- **Tax break (tax holiday):** Reduced or eliminated corporate taxation for a defined period as an incentive.
- **Transfer Pricing:** The setting of the price for goods and services between related legal entities within the same business/company.
- **Windfall tax:** An additional tax designed to allow the government to levy a larger share of revenue for highly profitable projects.
- **Withholding tax:** A tax levied on payments to non-residents.

## **18. Abbreviations**

- AIM: Alternative Investments Market (part of the London Stock Exchange)
- APPG: All-Party Parliamentary Group
- ASX: Australian Stock Exchange
- BMSC: Bisha Mining Share Company
- EGME: Essel Group ME Ltd
- ENAMCO: Eritrean National Mining Corporation
- GDP: Gross Domestic Product
- GSE: Government of the State of Eritrea
- HRCE: Human Rights Concern Eritrea
- ICC: International Criminal Court
- ILO: International Labour Organisation
- LSE: London Stock Exchange
- NGOs: Non-Governmental Organisations
- PFDJ: Peoples Front for Democracy and Justice
- RSADO: Red Sea Afar Democratic Organisation
- SDG: Sustainable Development Goals
- SFECO: Shanghai Foreign Economic & Technical Cooperation
- TBC: To be Confirmed
- UN: United Nations
- UNESCO: United Nations Educational, Scientific and Cultural Organisation
- UNGP: United National Guiding Principles

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This publication has been produced with the financial assistance of the European Union. The contents of this report are the sole responsibility of Eritrea Focus and can under no circumstances be regarded as reflecting the position of the European Union.