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AngloGold resorts to international arbitration as illegal mining worsens in Ghana

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6TH MAY 2016

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BY: [MARTIN CREAMER](#)
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JOHANNESBURG (miningweekly.com) – Gold mining company [AngloGold Ashanti](#) has resorted to international arbitration to resolve the worsening illegal mining incursion at [Obuasi gold mine in Ghana](#), where underground mining has been stalled to allow for lower-cost redevelopment.

The company, headed by CEO [Srinivasan Venkatakrishnan \(Venkat\)](#), stated in a stock exchange announcement that its Ghanaian subsidiary had been forced to invoke its [mining lease dispute resolution provisions](#) at [Obuasi](#), where the [security situation](#) continued to deteriorate.

Owing to the failure of Ghanaian authorities to restore law and order at the mine, an arbitration case had been registered by the International Centre for Settlement of



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Investment Disputes, an international arbitration institution headquartered in Washington, in the US, which facilitated dispute resolution between international investors and host States.

The Ghanaian Attorney General had been notified of the commencement of arbitration proceedings, which came against the backdrop of AngloGold Ashanti Ghana being forced to declare force majeure following the incursion of hundreds of illegal miners inside the fenced area of the mine site.

In the statement, the Johannesburg- and New York-listed mining major referred to “increasing lawlessness, trespassing, property damage and threats to employee safety”, which might force it to withdraw all essential site personnel, including those operating the mine’s critical underground water pumps.

AngloGold Ashanti Ghana suspended underground mining operations at Obuasi at the end of 2014, after incurring heavy and ultimately unaffordable financial losses over several years.

In February this year, AngloGold Ashanti executive VP **Graham Ehm** flashed a tenement map on to a large screen at the company’s presentation of results in Johannesburg to illustrate that at that stage, illegal mining was only taking place at the small northern extremity of the tenement – a situation that has changed radically, with illegal miners now in underground tunnels and areas hosting key

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infrastructure within the mine area itself. (Also view attached Creamer Media video).

The worsened situation has taken place after AngloGold Ashanti had agreed to cut the size of its tenement by 60% to accommodate illegal mining, which has been causing considerable disruption across Ghana.

In early 2013, the spread of illegal mining prompted the Ghanaian government to implement a programme to remove the so-called galamsey tenements across the country, including at Obuasi.

Through the Chamber of Mines, the Ghanaian mining industry entered into an agreement with the government to provide ongoing security support to supplement mining company efforts to secure property and mining leases.

But after supplementary security forces withdrew, AngloGold Ashanti communications manager **John 'Big John' Owusu** was fatally injured on February 6 after being hit by a retreating vehicle that had been confronted by an aggressive mob.

As a consequence, AngloGold Ashanti removed all



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noncritical staff from the mine while keeping government stakeholders updated and engaging with the authorities at the highest levels for the re-establishment of law and order and the removing of illegal miners from the site.

At the same time, the company continued with its feasibility to redevelop Obuasi.

As reported in *Mining Weekly* in April, Ghana Chamber of Mines external relations and communications director **Ahmed Nantogmah** expressed the view that enforcement of the new Minerals and Mining Amendment Act would do much to reduce the onslaught of illegal miners on mining concessions in Ghana.

The Act, which was passed in 2015, prohibits every form of illegal mining and criminalises mining without a licence. It also mandates the judiciary to confiscate the equipment used in illegal mining, along with the products of such activities.

Multidisciplinary consulting engineers and scientists SRK Consulting Ghana country manager **John Kwofie** was quoted in the same *Mining Weekly* report as saying that the impact of illegal mining activities had been worsened by



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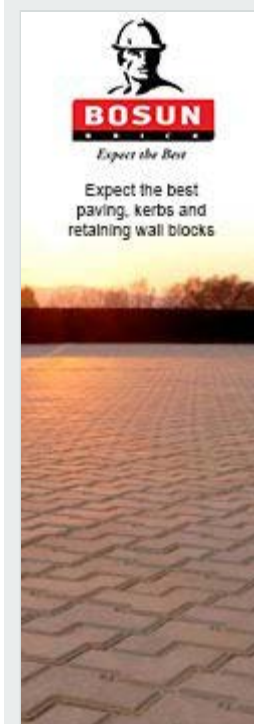
While the galamsey had traditionally been artisanal, increased mechanisation had boosted their production rate and the extent of the environmental damage, owing to their activities, impacting rivers and forests especially.

He expressed the view that law enforcement agencies had not yet been effective in enforcing regulations.

Australian gold explorer, developer and producer Perseus Mining CEO Jeff Quartermaine was quoted in Mining Weekly as stating that neighbouring West African country Côte d'Ivoire had created an investment environment that was more attractive to foreign capital than Ghana.

He explained that this has not always been the case and that, in 2011, when Perseus established its Edikan mine on the Ashanti gold belt of Ghana, the country had an international reputation as one of the most attractive destinations for gold mining investment.

Progressively, that reputation had diminished and Côte d'Ivoire was certainly a beneficiary of this change.



Quartermaine said modern galamsey were highly organised and well equipped, and allowed to continue unchecked by some of those who were empowered to prevent illegal activities.

AngloGold said that despite the difficult global mining environment, it had continued to invest significant time, skill and financial resources in building the case for Obuasi's redevelopment into a much needed, long-term contributor to the local, regional and national economies.

Since the suspension of operations, Obuasi had been in a government-approved limited operations phase, whilst AngloGold Ashanti Ghana conducted the feasibility study needed to determine whether the mine could be redeveloped into a profitable, productive operation that could once again be a significant employer and contributor to the local, regional and national economies in Ghana.

In its declaration of force majeure, AngloGold Ashanti Ghana had explained that the current situation was precluding it from fulfilling certain conditions of its amended programme of mining operations.




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In particular, the presence of illegal miners on the mine's operational footprint, in its underground tunnels and in areas which hosted key infrastructure at the mine was impacting directly on AngloGold Ashanti Ghana's ability to continue to perform even the most essential services, including the treatment of water for pollutants.

If allowed to continue unchecked, this illegal occupation of the lease area would undermine investor confidence and threaten the long-term viability of the mine, as AngloGold Ashanti Ghana might be forced to withdraw all essential personnel currently on site, including personnel operating the mine's underground water pumps, and suspend critical services to the community.

AngloGold Ashanti Ghana expressed the hope that the commencement of international arbitration proceedings will expedite the reinstatement of law and order at the mine. (Also watch attached Creamer Media video). 

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