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**Egypt's Faltering Hope of Production
and Export of Gold**

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Egypt's Faltering Hope of Production and Export of Gold

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Minister of Supply and Internal Trade Dr. Ali Moselhi's announcement to replace the traditional gold stamp with a new laser stamping within a one-year transitional period, has raised many questions, given that this announcement came a few days after the Minister of Petroleum Tarek El-Molla announced establishment of the first approved Egyptian gold refinery in the region, in the Eastern Desert's Marsa Alam area.

At the macro level, several questions were raised about the fate of the government's ambitions to produce and export gold, especially after the amendments to the Mineral Resources Law and the issuance of its executive regulations more than two years ago, as well as bids offered to foreign investors.

This paper will attempt to answer these questions through the following points:

First: Production of gold in Egypt

1- History of Egypt's gold production:

Egypt has the oldest geological map of gold mining in the world, which is currently in the Museum of Turin, Italy. In the early twentieth century, some gold mines started to operate in the same sites that had been previously discovered by the Pharaohs, including the Al-Barramiya mines located between Marsa Alam and Edfu -Barramiya, Red Sea Governorate- and the Al Fawakhir mines located between Safaga and Qena -in the Eastern Desert- at intermittent intervals. From 1902 to 1927, 10 mines were operated, but they were suspended in 1928, with activity resumed in 1930, and suspension again in 1931¹.

In 1948, Egypt operated six gold mines through private sector companies, but they all stopped in 1958² due to the high prices of production requirements and failure to adopt modern methods of gold

¹ Egypt's State Information Service: Egypt on the global map for gold mining, [link](#).

² The Gold Age in Egypt, The Petroleum Crescent, Issue 15, July 2007.

extraction, as some suggest. In general, it is estimated that about seven tons of pure gold were extracted during the period from 1902 to 1958³.

However, interest in gold exploration returned again in the 1990s, when two exploration and exploitation agreements were issued:

- The first agreement was concluded between the Egyptian Geological Survey and Mining Authority (EGSMA) and the Australian Pharaonic Company in the areas of: Sukkari, Barramiyah and Abu Marawat in 1995, for a one-year period, followed by three successive renewals of two years each. In 2001, the commercial discovery of the Gebel Sukari was announced but work was halted due to problems hampering production. In 2005, the company resumed its mining activities, where the Sukkari Gold Mining Company was established.

- The second agreement was concluded between the Egyptian Geological Survey and Mining Authority and Newcrest Mining company in the areas of Hamash, Hamata, and Umm Smoky in 1999, but it remained suspended until 2004.

The commercial production of gold in Egypt remained limited to Centamin Company operating in the Sukari mine, despite the tireless attempts to expand the production base, especially after Egypt's agreement with the International Monetary Fund and the excessive slippage in external debts and budget deficit.

2- The current gold mines in Egypt

According to the Ministry of Wealth and Minerals, there are about 270 gold sites in Egypt, of which 120 are well-known sites and mines from which gold used to be extracted in the past, where they are divided into 4 sectors, as follows⁴:

- The northern sector, located north of the Safaga-Qena road, including Fateri, Ruh Al Hadid, and Umm Balad.

³ The future of gold in Egypt, Petroleum Magazine, February-March 2010.

⁴ After signing 5 contracts to explore for gold... Learn about the most famous mines in Egypt, [link](#).

- The central sector, extending from the south of the Safaga-Qena road to the south of the Edfu-Marsa Alam road, including about 62 gold sites, most notably Al-Sadd, Umm Al-Rus, Al-Barramiyah, Al-Sukkari, Dengash, and Abu Marawat.
- The southeastern sector, south of Bernice on the Red Sea, including about seven sites, most notably Hotit, Romit, and Krupbay.
- The southern sector, located in the Al-Alaqi Valley, including about 19 gold sites, most notably Umm Geriyat, Gamour, Umm Al-Tawira, Saigah, and Shashouba.

In Egypt, gold is extracted in two ways: the old traditional method, that is digging mines and breaking up the shiny rocks; second, the modern method, where geological studies are carried out for the areas where gold is existing in the inner layers of the earth, using huge and large machines that make deep digs in these areas. Then, the gold mineral is extracted in its raw form with rocks and other minerals sticking in it, followed by the process of purifying gold from impurities and other minerals.

It is worth noting that in July 2020, it was announced that a commercial gold discovery was made in the Iqat area in the Eastern Desert of Egypt, with a reserve estimated at a minimum of over one million ounces of gold, with an extraction rate of 95%, which is considered one of the highest extraction rates, and with total investments of more than Billion dollar over the next ten years. The new discovery is located in the concession area of Shalateen Mineral Resources Company, where this new commercial gold discovery is the result of a purely Egyptian investment in the field of gold exploration and exploitation.

Second: A review of the amendments to the Mineral Resources Law

In the context of the poor production and export capabilities of Egyptian economy, and the inability to spend some of the external loans on maximizing the returns from the productive sectors and consequently commodity exports, the Egyptian mining sector has undergone reforms and transformations in effort to achieve optimal utilization of Egypt's mineral resources and to maximize the contribution of this sector in the national product to 5% by 2030, compared to just 0.5% now.

One of the highlights of the sector in general was the launch of a project to develop and modernize the mining sector in March 2018, with the help of major international specialized expertise institutions.

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A plan of action and a roadmap for the advancement of the sector has been drawn up, including seven main axes, including the workforce, infrastructure in the field of transport and energy, and legislation.

There were also amendments to some articles of the Mineral Resources Law, with issuance of Law No. 145 of 2019 on 7 August 2019 amending some provisions of the Mineral Resources Law No. 198 of 2014, as well as issuance of the executive regulations on 1 January 2020.

With regard to exploration and extraction of gold in particular, the key law articles amended included:

Article 3: The Egyptian Mineral Resources Authority (EMRA) and the competent body, as the case may be, may call the licensees to negotiate and agree on the application of the rental amount, the royalty and the fees charged for the exploration and exploitation licenses as set forth in the attached law on the licenses issued therefor.

Article 4: EMRA or the Competent Body, as the case may be, shall adopt the procedures of issuing the licenses related to the ores of mines, quarries and salt pans and to the operations of the exploration and exploitation thereof, provided that the license shall be approved by the Competent Authority after fulfilling the technical terms and conditions set forth by EMRA in accordance with the controls and conditions set forth in the Executive Regulations of this Law.

The Competent Body shall specify the areas of the quarries and salt pans located within its jurisdiction and which shall be exploited thereby after getting the approval of the Cabinet of Ministers in accordance with the controls set forth in the Executive Regulations of this Law.

EMRA may reserve the areas in which it shall carry out the operations of the exploration and exploitation of the mining ores by itself. Such reservation and duration thereof shall take place by virtue of a decree of the Competent Minister. The Executive Regulations of this Law shall specify the conditions of reserving and making use of the areas after the end of the exploration period.

Article 6: Certain areas may be put up for mineral exploration and exploitation based upon a resolution to be issued by EMRA's board of directors after obtaining the approval of the Competent Authority.

Putting up these areas for exploration or exploitation shall take place in accordance with a special regulation, which includes the organization of the contracting, putting up and awarding methods and procedures in the different cases with regard to the Mining and Quarry Ores and Materials as well as the controls of comparing among the applicants, without being restricted to the provisions of the Law on the Organization of the Contracts concluded by the public bodies promulgated by Law No. 182 of the year 2018. The view of Ministry of Defense shall be sought with regard to the conditions, rules and requirements of the state defense affairs decided thereby.

The competent bodies at the Ministry of Defense shall carry out the operations of the exploration and exploitation of the ores and materials subject to this Law in the land located within the Ministry's jurisdiction.

Article 8: Without prejudice to the provision of Article 7 of this Law, the licenses of the exploration and exploitation of mining ores shall be issued by a decree of the Competent Minister after getting the approval of EMRA's board of directors .

The exploration and exploitation licenses for the mines that the area of which does not exceed one square kilometer shall be issued by a resolution of EMRA's board of directors at a maximum of one mine per licensee from the persons of the private law.

Article 10: In return for the area subject of the license, the mining ore exploitation licensee shall pay a rental value and a royalty, on an annual basis to EMRA, the proceeds of which shall devolve to the State treasury.

The Executive Regulations of this law shall specify the due rental value that the licensee pays in return for each license for the Mining Ores. It shall be paid annually and in advance.

Every three years, EMRA's board of directors may suggest an amendment to the rental value of the mining areas; a decree of the Prime Minister -based on the proposition of the Competent Minister- shall be issued to determine that amendment.

The value of the royalty may not be less than (5%) and not more than (20%) of the value of the annual production of the ore exploited by the licensee, and as stipulated by the Executive Regulations of this Law, with regard to each ore. (1%) of this value shall be allocated for the contribution to the

community development in the Governorate where the exploitation area is located, all in accordance with the controls set forth in the Executive Regulations of this Law.

Article 11: The Competent Body may carry out the operations of the exploitation of the materials of the quarries and salt pans within its jurisdiction, whether by itself or in participation with others, after obtaining the approval of the Cabinet of Ministers and fulfilling the technical terms and conditions set forth by EMRA and under the technical supervision thereof.

In return for the area subject of the license, the licensee shall pay a rental amount and royalty annually to the Competent Body and the proceeds thereof shall devolve to the State treasury.

The Executive Regulations of this Law shall specify the due rental amount that the licensee pays in return for each license for the materials of the quarries and salt pans. It shall be paid annually and in advance.

The Competent Body, may, every three years, suggest an amendment to the rental value of the quarries and salt pans areas that shall be issued by means of a decree of the Prime Minister, based on a proposition of the Competent Minister.

The value of the royalty shall not be less than (5%) and not more than (20%) of the annual production value of the ore exploited by the licensee, in accordance with the stipulations of the Executive Regulations of this Law with regard to each ore. (6%) of this value shall be allocated to the contribution to the community development of the Competent Body where the exploitation area is located, in accordance with the controls set forth in the Executive Regulations of this Law.

Article 31: The Competent Authority, after obtaining the approval of EMRA's board of directors of the Authority with regard to mines, may issue a decree to cancel the license of the exploration or exploitation in the mines, quarries or salt pans, as the case may be, in any of the following cases:

- 1- Failure to pay the rental value or the royalty within sixty days from its due date.
- 2- Violation of any of the provisions of this Law or its Executive Regulations.
- 3- Violation of any of the license terms or conditions.

- 4- The issuance of an enforceable judgement declaring the licensee bankrupt.
- 5- Liquidation, dissolution or expiry of the duration of the licensee's company.
- 6- Non-commencement of the works subject of the license for a period not exceeding one month from the date of taking hold of the area for causes attributable to the licensee, or the stoppage of work without a written permission from EMRA or the Competent Body, as the case may be, for six consecutive months.
- 7- Waiver of the license to third parties or subletting the licensed area without a written approval from EMRA or the Competent Body, as the case maybe.
- 8- If the licensee stores the extracts in a land outside the borders of the licensed area without concluding a lease contract therefor.
- 9- If it is established that the licensee extracts ores from an area outside the licensed one.
- 10- If the licensee dies and the license is valid but none of his heirs requests to replace him within a period not exceeding ninety days from the date of decease or requests the replacement thereof but does not meet the efficiency required for the implementation of the license.
- 11- If the licensee violates the operation conditions and does not remove the violation within sixty days from the date of warning him by EMRA or the Competent Body, as the case may be.
- 12- If it is established that the licensed area is polluted due to a cause attributable to the licensee and the licensee does not remedy it, in spite of warning him by EMRA or the Competent Body, as the case may be.
- 13- If the licensee submits false data or documents established to be falsified to EMRA or the Competent Body, as the case maybe.

EMRA shall be notified in case of cancelling the exploration or exploitation license with regard to quarries and salt pans.

Reviewing the amended articles mentioned above , the following points can be noted:

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- After failure of its efforts to market gold mines, the state acquiesced and changed the profit-sharing method into the tax and royalties method, and the exploration activity was separated from exploitation activities.
- The offering of areas for exploration and exploitation, determining the rental value, and agreement on financial and control details is subject to the administrative authority, but the approval of the Ministry of Defense remains the decisive point in implementation of the contracts and agreements concluded.
- The law gave the right to the competent authorities of the Ministry of Defense to carry out exploration and exploitation of ores subject to this law in the lands that fall within their jurisdiction. The strange thing is that the law did not provide for the delivery of profits coming from this item to the Ministry of Finance, in addition to not providing for royalties or taxes to be paid by the Ministry of Defense, which means that the full return of exploration and exploitation in these areas goes to the Ministry of Defense.
- The law provisions included elastic phrases, which may raise the concern for domestic and foreign investors, such as giving the Ministry the right to reconsider the rental value every three years, which may change the feasibility of the project, especially in light of long-term exploration and extraction (seven years on average) in the case of gold mining, as well as the wide gap in the royalty value, which the law stipulates as ranging between a minimum of 5% and a maximum of 20% of the value of actual production, and the failure to establish real rules to determine the value, which leaves the door wide open to corruption, in addition to the possibility of manipulating the volume of production that will undoubtedly be determined by the extracting company.

The law gives the competent authority the right to cancel the license in twelve cases, including very loose cases, such as causing pollution, or sub-leasing without written approval from the authority or the competent body, or storing the extracts outside the limits of the licensed area without obtaining a lease contract. Accordingly, this could lead to conflicts that may waste the rights of the investor for the slightest reason.

Third: Other measures to support Egypt's gold mining sector

In addition to the above legislative amendments, the Egyptian government has taken a number of measures to support the gold mining sector, most notably:

- 1- Establishment of the [City of Gold](#) on an area of 150 acres
- 2- Establishment of a free of charge gold school in Qalyubia ([Egypt Gold School](#)).
- 3- Building the first certified gold refinery in Marsa Alam.

Fourth: Have the Egyptian bids succeeded in attracting investors to the gold sector?

After the amendments to the Mineral Resources Law and its executive regulations, the government offered the first bid in 2020, and then started to put up the second bid in late 2021. provision of some details about the first and second bids may answer the question about success or failure of these bids, and accordingly success of the legal amendments in attracting foreign investors.

1- Global Gold Bidding for 2020:

The Egyptian government put forward the first round of the [global gold bidding](#) for 2020 with a total of 320 sectors on an area of about 56 thousand km² in the Eastern Desert and the Red Sea, where the results were announced in November 2020, as the bid draw the interest of 23 companies that bought the available information packages, of which 17 companies joined the bid, with 11 companies winning 82 sectors on an area of 14 thousand km² in the Eastern Desert, with investment commitment of a minimum of \$ 60 million in the early exploration stages, including 7 international companies and 4 Egyptian companies.

The initial view of results of the first round indicates ridiculousness of the achieved results, as only 82 sectors were allocated out of a total of 320 sectors, i.e. only 25% of the total sectors offered by the bidding, in addition to requiring an initial investment ratio of only \$60 million for all sectors that have been allocated, which is a very meager figure that does not reflect the state of success promoted by the Ministry of Petroleum.

Even out of the 82 sectors that the ministry succeeded in marketing, contracts have been signed for about 31 of them only so far, as it was announced in early this year, which constitutes only 9.5% of the total sectors offered in the global bid for 2020.

Therefore, the Ministry of Petroleum quickly announced the second round of the first bidding, which was opened in November 2020 and was scheduled to close on 30 June 2021, but the ministry decided to extend the period for receiving offers for two months, up to 15 September instead of 15 July, as scheduled, and announcement of the results was [postponed](#) to the early 2022, but has not been announced yet.

The ministry attributed its decision to the Covid-19 Pandemic that the world is going through, and in order for more companies to have the opportunity to study the offered areas and apply for bidding, where the bidding included specific sectors in the Eastern Desert under the jurisdiction of the Egyptian Mineral Resources Authority (EMRA).

EMRA is also preparing to launch a new auction in cooperation with the Shalateen Company to explore for gold in seven new areas after approval of the Egyptian Parliament, which was scheduled to be put up last November, but it has not been announced so far.

In general, the ministry indicated that the new areas targeted for bidding are full of gold and other accompanying minerals, according to geological studies conducted by EMRA, in the areas of Wadi Al-Alaqi, Atoud, Al-Barramiyah, Hanjalialia, Umm Oud, Fatiri in the Eastern Desert, Umm Jarayat, and Hamata.

2- Some conclusions about the global bid for gold

Some conclusions regarding the extent of the success or failure of the Egyptian measures to activate investment in gold mines can be noted as follows:

- The potential gold mines in Egypt are precisely defined and carefully studied by specialized Egyptian authorities, where research and study activity of them is much easier and less expensive than their counterparts around the world.

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- The Egyptian government made its utmost effort in providing the appropriate environment to attract investment in the gold sector, where the legal amendment and compliance with internationally recognized financial conditions were at the forefront of that effort.
- Based on the figures announced by the Ministry of Petroleum about investment in the sector, whether 25% or only 9.5% of the proposed sectors, this is considered a clear declaration of the lack of interest in investing in gold in Egypt.
- Based on the above analysis of articles of the new law it appears that the concerns about elasticity of some articles, and granting the ministry and its bodies powers to cancel licenses and change some contracted financial clauses represents an important barrier that has caused a poor turnout for Egyptian auctions.
- Granting the Ministry of Defense the right to approve licenses after completing all procedures, may have constituted an additional reason for concerns and reluctance of foreign companies.
- Slow licensing procedures for the winning companies, despite the law giving the minister and the EMRA the authority to issue licenses, only eight contracts out of sixteen contracts were signed (i.e. 50%); and despite absence of official statements about the reasons for the delay in issuance of licenses for the rest of contracts, it is likely that the need to obtain approval from the Ministry of Defense was behind this delay.
- It seems strange that companies owned by Egyptian business tycoon Naguib Sawiris possess significant stakes in companies operating in gold around the world, and his negotiations with the government over owning a stake in Shalateen Mineral Resources Company, despite the government's keenness to attract foreign investment to this sector.
- In the end, it is noteworthy noting that according to the legal amendments, the Ministry of Defense has the right to own gold mines as well as mines of other minerals located on the lands in its possession, without holding auctions, or payment of royalties, taxes or rent, as it is the case in the private sector, where the important point here is that the entire Egyptian lands are owned by the Ministry of Defense, which means that it has the right to choose whatever wealth it wants, and what is left may be left for the people.

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- Perhaps this legal provisions that allow the Ministry of Defense to own whatever gold mines it wants in Egypt explain relinquishing the ownership of some of its own companies, [offering them on the stock exchange](#), and emphasizing it will be by the end of the current year, which means that these mines were a compensation for the waiver of those companies.
- In general, it can be said that the Egyptian government has actually failed to achieve its targets in gold mining - including targeting attracting foreign direct investments worth about \$ 375 million in the mining sector within two years, amid expectations of an increase in direct investments to reach one billion dollars in 2030 - with actually achieving 30 million dollars only so far.
- It is significant to stress that the returns on gold investments in Egypt, as well as the returns on production shared with foreign and local investors, seem extremely meager and do not seem so far likely to fill a significant part of the state's general budget deficit or the dollar gap, which is growing with the accumulation of external debt service and the expansion of external trade deficit.

Fourth: The new laser stamp for goldsmiths

The Egyptians were surprised by the Minister of Supply's announcement of replacement of the laser stamp with the traditional stamp known in Egypt since the British occupation.

Of course, laser stamping will reduce fraud, imitation of steel seals and manipulation of caliber size by some gold merchants, but the cost of laser stamping is relatively higher than traditional stamping, where this price will be borne by the seller and buyer, and therefore there will be additional fees on the price of gold as a result of the laser stamping tax.

Despite the official statements that the gold holdings in Egyptian homes are stamped with an [official non-counterfeit stamp](#), so that their owners hold official bills, then owners will not be forced to obtain a new laser stamp, however, it can be said that the situation is still largely murky.

Conclusion

The paper has reviewed government plans for gold mining in Egypt, in attempt to answer questions about the success or failure of government plans for exploration and exploitation of gold, providing additional resources to support the state's general budget and fill a percentage of the dollar gap.

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Based on many indicators and signs, the paper concludes failure of these plans and the difficulty of relying on gold returns, whether from investments or from joint production with companies to cover significant proportions of these targets.

The paper also concluded that it is difficult to generalize the new laser stamping on gold holdings in Egyptian homes, both technically and practically.⁵



⁵ The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of the Egyptian Institute for Studies