

THE MINERAL INDUSTRY OF

ERITREA

By Philip M. Mobbs

Agricultural production accounted for about 50% of Eritrea's gross domestic product, and the output of energy and minerals sectors contributed about 1% (U.S. Embassy Asmara, March 1998, Eritrea's economy—Sector report—Mining and energy sectors offer opportunity for U.S., accessed September 16, 1998, at URL <http://usiahq.usis.usemb.se/abtusia/posts/ET9/wwwhc01x.html>).¹ The Government, interested in the potential economic enhancement that mineral production and beneficiation could provide, continued to seek international investment in its mineral industry. The petroleum operations code was issued in July 1993; a general investment code was issued in 1994; and Mining Proclamation No. 68/1995, Mining Income Tax Proclamation No. 69/1995, and Regulations on Mining Operations Legal Notice 19/1995 were issued in March 1995. Royalties were 5% on precious metals and 3.5% on other minerals, the mining corporate income tax rate was 38%, and there was no export tax on minerals. The Government could acquire 10% free equity interest in new mining investments, and acquisition of an additional 20% equity in the venture by the Government was negotiable.

War between Eritrea and Ethiopia erupted in May 1998 and effectively eliminated mineral exploration in southern Eritrea. Because of the war, the joint venture of Anglo American Prospecting Services (Proprietary) Ltd. of South Africa (60%) and Rift Resources Ltd. of Canada (40%) declared force majeure on exploration operations on the Augaro gold property in western Eritrea. The joint venture of Dragon Mining NL of Australia, Genesis Resources NL of Australia, and Africa Wide Resources Ltd. of Hong Kong applied for exploration permits on the Zara gold project. Eritrean-Timmins Resource Ventures Plc, a subsidiary of Rift Resources, continued exploration on the Ketina, Nefasit-Mount Subub, and Tekeze exploration licenses. Marchmont Gold Corp. of Canada acquired 75% interest in Eritrean Minerals Corp. when it purchased Gold Corp. of Africa. Nevsun Resources (Eritrea) Ltd. of Barbados, a subsidiary of Nevsun Resources Ltd. of Canada, acquired an option on the Akurdet 1-4, Bisha, and Okreb gold prospects from Ophir Ventures Inc. Pan African Resources Corp. of Canada, a subsidiary of Golden Star Resources Ltd., relinquished its Galla Valley license. In July, Rift Resources acquired an option on the Adi Nefas gold and polymetallic massive sulfide concession of LaSource Développement SAS, a subsidiary of LaSource Compagnie Minière SAS of France.

Other companies with Eritrean exploration licenses included Phelps Dodge Exploration Corp. of the United States; Sanu Resources Inc.; Tan Range Exploration Corp. of Canada on the

Asmat, Erota, and Melebsc concessions; and WMC (Overseas) Pty. Ltd. of Australia. Other mineral occurrences in Eritrea included asbestos, barite, beryl, copper, feldspar, iron deposits, kaolin, lead, nickel, petroleum, potash, sylvite, and zinc (Ministry of Energy and Mines, 1997).

The Government and Kaengnam Enterprises of South Korea initiated a joint venture to construct a 400,000-metric-ton-per-year cement plant. Ethiopia had been a major Eritrean salt purchaser; with the onset of the war, Ethiopia discontinued salt imports from Eritrea.

The joint venture of Anadarko Eritrea Co., a wholly owned subsidiary of Anadarko Petroleum Corp. of the United States, (50%); Azienda Generali Italiana Petroli S.p.A. of Italy (30%); and Burlington Resources Inc. of the United States (20%) drilled two dry exploration wells on the offshore Zula block.

The nation's infrastructure, which suffered severe damage from the 30-year Ethiopian civil war that ended in 1991, was being rehabilitated. The 308-kilometer railroad from Ak'orda through Asmara to Massawa was being rebuilt, and the Red Sea ports at Assab and Massawa were being renovated. In May, transshipment of Ethiopian freight ceased at the outbreak of the war, primarily affecting Assab where 98% of the cargo had been from Ethiopia (Africa Online, August 31, 1998, War wipes out Eritrean ports trade, accessed January 8, 1999, at URL <http://news.africaonline.nu/view.asp?ID=3218>).

International mining investment was focused on the sites of historical operations in Eritrea. The war, disappointing results of exploration on some initial license areas, and the drop in the price of gold made 1998 a frustrating year for the Government and the exploration companies.

Reference Cited

Ministry of Energy and Mines, 1997, Mineral prospects of the state of Eritrea: Ministry of Energy and Mines, 16 p.

Major Sources of Information

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¹This U.S. Information Agency URL has been moved to <http://www.usia.gov/abtusia/posts/ET9/wwwhc01x.html>.

Major Publication

Wegner, Hans-Ulrich, and Häusser, Ilse, 1996, Eritrea:

Hannover/Berlin, Bundesanstalt für Geowissenschaften und Rohstoffe, Rohstoffwirtschaftliche Länderberichte XL, 41 p.
[In German.]

TABLE 1
ERITREA: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity	1994	1995	1996	1997	1998
Basalt	114,483	233,555	509,300	489,686 r/	403,219
Cement	45,000 e/	49,947	47,031	60,000 e/	50,000 e/
Clays:					
Common	62,970	88,676	81,600	80,000 e/	80,000 e/
Kaolin	5,231	3,200	2,620	4,670 r/	3,809
Coral	74,404	78,603	69,269	96,535 r/	245,112
Feldspar e/	6,823 2/	--	--	--	--
Gold kilograms	78	59	98	612 r/	573
Granite	43,803	82,007	130,000	111,062 r/	249,829
Gravel	80,622	1,172,500	1,715,000	798,055 r/	941,129
Gypsum	15	20	23	20 e/	20 e/
Lime e/	6,294 2/	6,955 2/	7,000	7,000	6,000
Limestone 3/	-- r/	8,218 r/	4,552 r/	5,585 r/	4,077
Marble 4/	190	292,400	218,300	220,000 e/	200,000 e/
Pumice	183	233	300 e/	754 r/	391
Quartz	488	276	870	604 r/	731
Salt	207,836	254,700	200,412	252,073 r/	114,137
Sand e/	464,883 2/	911,508 2/	1,000,000	2,000,000	1,000,000
Silica sand	38,014	966,200	1,481,100	1,500,000 e/	1,500,000 e/
Talc	3	--	--	--	--
Petroleum products thousand 42-gallon barrels	5,150	4,336	4,500	3,000	--

e/ Estimated. r/ Revised.

1/ Includes data available through August 3, 1999.

2/ Reported figure.

3/ For other than cement.

4/ In addition to tonnage listed in this table, 108,545 square meters of marble were produced for the construction industry in 1995.