

Twenty Years of Independence Series – No. 4

Eritrea: Land of Gold, Heart of Gold

By Benyam Solomon

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Since the beginning of recorded history up to 1991, various empires, kings and so called democracies have invaded, plundered and attempted to subjugate the people of Eritrea. The struggle for dignity and independence has taken many forms including a protracted 30 year armed struggle. The victory in 1991 and the referendum that followed two years later had given birth to a new nation. However, 100 years of colonialism, particularly Ethiopia's plunder and wanton destruction, had left the country in ruins. Yet, this African country had something no other country can match, a dignified and proud people determined to build the country by its bootstraps. In its twenty years of Independence, Eritrea has managed to build what some have called a beacon of hope in a continent known for its share of tragic stories. The country has had very little income, yet the people of Eritrea have managed to build the vital structures of a country – schools, hospitals, roads, dams and much more. A feat only matched by the richest and most developed countries. The country now has vital income from its production of gold and enormous income potential from its explorations of potash.

Eritrea in 2011 became a gold producing nation!

In February of 2011, Nevsun Resources Ltd. (TSX:NSU)(NYSE Amex:NSU), a Canadian company that has been exploring in Eritrea, declared commercial production in its Bisha Gold Mine. It is now producing over 1,000 ounces of gold per day. The Bisha Mine is expected to produce 1.14 million ounces of gold in the next two years. The Bisha Mine has a life of ten years and it will produce gold for the first two years and high-grade copper, silver and zinc for the remaining eight years. Under the current forward looking business partnership agreement, the government of Eritrea gets 10% for free and the right to purchase additional 30% shares. The State also collects around 20% in taxes. The government of Eritrea has purchased its 30% share.

Eritrea is becoming a gold producing nation at the right time. Gold prices are currently above \$1500 an ounce. When Nevsun Resources Ltd. started its gold exploration, gold prices were below \$400 an ounce. Gold prices have recently soared due to the severe financial crises experienced in major financial markets around the world as investors seek safe haven investments like gold. If we do the math at the current prices of gold, Eritrea will be getting its share of \$1.5 billion dollars in the next two years from Nevsun Resources Ltd. and more as other companies come in line. In the next two to three years both Canada's Sunridge Gold Corporation (TSX:SGC) and Australia's Chalice Gold Mines Limited (ASX: CHN) (TSX: CXN) are planning to go to production. Both companies report similar deposits to Nevsun Resources Ltd and are expected to have similar agreements with the government of Eritrea.

Eritrea is believed to be sitting on the Arabian-Nubian Shield that is known for its gold deposits and stretches across many countries in the region all the way to Israel. There are 16 mining and exploration

companies operating in Eritrea from around the world including China, India, UK and United Arab Emirates. However, Eritreans are also exploring alongside the foreign companies and they are developing the skills and the knowhow. Soon, this nation with its determination and a “can do” spirit will be able to rely on its own citizens for further exploration.

Potash is another mineral the country is blessed with. According to Wikipedia, an online reference, Potash is a mineral that is used in the manufacturing of glass and soap. However, the primary use of Potash is as an ingredient in fertilizers. While most countries use potash as a fertilizer for their crops, it is only produced in about a dozen countries. World consumption of potash has greatly increased over the years and it is expected to outstrip supply over the next 5 to 10 years. Eritrea's southern Red Sea region (Danakil Depression area) has proven reserves of world class potash deposit that is in high demand and short supply.

A Canadian company Ngex Resources Inc. (TSX: NGQ) and an Australian company South Boulder Mines (ASX: STB) have been granted Exploration Licenses. The relative shallow nature of the mine (close to the surface), the proximity to ports and the corruption free and investor friendly government promises to make the exploration and mining of potash in that region a very successful endeavor in a very short time.

Africa is full of nations with abundant natural resources yet they are still at the bottom of the economic ladder. Corrupt leaders have found many ways to bankrupt their country while enriching their pockets. However, Eritrea's leadership is different. During the struggle for independence, the army was an all volunteer army. Both the generals and infantry men and women ate, slept and fought together. It is widely believed that each Eritrean family has contributed and sacrificed either one or more members of a single family or at least an extended family member. When Eritrea got its independence in 1991, the country had no money to pay its army or civil servants and they continued to work without pay for another two years while a United Nations sponsored referendum was conducted. After the referendum was conducted and the country was recognized by the international community, the country was just beginning the recovery process from decades of neglect and systematic destruction and had very little financial resources. Yet, the government of Eritrea refused to take the easy money of NGOs that breed dependence and only took in aid that promotes sustainable development. The country's leadership lives in modest means amongst its people and has been working hard to fight corruption and those who have been the tools of corruption. A committed and dedicated leadership, a hard working population known for its golden heart, a land abundant in natural resources are the winning combination that has many of us convinced the country's future is paved with gold.

Congratulation Eritrea for 20 years of Independence!