

GEMFIELDS

COMMENTARY: ON THE GROUND IN MOZAMBIQUE

OPERATIONS AT MONTEPUEZ RUBY MINING LIMITADA (MRM), MOZAMBIQUE

Background

Rubies were first discovered in the Montepuez region in northern Mozambique in 2009.

Montepuez Ruby Mining Limitada (“MRM”) is a registered holder of a ruby mining concession in the Montepuez region of around 340sq. km (the wider Montepuez ruby-mineralised area exceeds 10,000 sq. km). MRM is a joint venture between Gemfields (75%) and a local Mozambican minority partner, Mwriti Limitada (25%). Gemfields, together with other minority partners, holds seven further licences in the Montepuez ruby-mineralised area.

MRM commenced operating in February 2012 after being granted the requisite licences.

Aims

Gemfields, together with MRM, aim to lead a sector that has historically remained unregulated and largely illicit, by showcasing the benefits of a more systematic, modern and transparent approach to coloured gemstone mining so that the industry becomes more responsible and legitimate, providing sustainable long-term social, economic and environmental benefits to both the country and local communities.

Employment, training and corporate responsibility

Since initiating operations in February 2012, MRM has become a fully functioning, industry-leading coloured gemstone operation providing direct employment to 1,110 people, 95% of whom are Mozambican nationals. MRM is proud that the salaries of these workers is above national and industry average, that there is 100% unionisation and that, in 2018, MRM is set to roll-out a skills-development centre to equip 600 community members with new skills and jobs to build a resettlement village for 105 families, during the period 2018 - 2020.

MRM has set new standards of human rights training in the coloured gemstone sector and the process of continuous improvement is ongoing. Since 2015, we have worked with international training experts who provide weekly training to ensure that our entire security team and operational management teams continually meet the standards of the Voluntary Principle on Security & Human Rights. MRM has well-established grievance procedures both internally and externally, and diligently investigates any arising case, referring to and co-operating with the relevant authorities for further investigation as required. Given the predominantly male workforce at the mine, MRM ensures that women are represented at the operation via a committee specifically set up to investigate internal grievances raised by women.

Sustainability and the local community

In addition to providing consistent employment, MRM has invested significantly in the long-term sustainability of the communities in and around its concession, engaging and collaborating with the local community to identify areas of greatest need and long-term benefit, selecting to invest in education, health and agricultural livelihood projects. The local population benefit from these projects as both recipients and as project partners, through continuous engagement with the company's community liaison team. Improvements to infrastructure, such as road, electricity and telecommunications networks, that came with organised development of this project, has also assisted in improving the local population's livelihoods.

Since 2012, MRM has invested \$1.1million directly into the community through these projects, a sum which is additional to the provincial repatriation of tax revenues that the Mozambique government reinvests in the local area. This direct community investment has resulted in the establishment of 9 farming associations (two of which are dedicated to empowering women and in total represents 290 partner farmers), the building of school infrastructure for 4 primary schools and the establishment of a mobile health clinic that serves 10,000 people across 6 villages. As a result of this investment, farming yields amongst the participating partner farmers has improved by 200%, 1,000 primary school-aged children have received education and 25,000 patients received health care from the mobile health clinic since March 2017. In addition, MRM responds to disaster relief to aid the local community, for example flood or storm damage, or pest problems affecting farmers' crops.

MRM also contributes to Mozambique's wildlife conservation efforts. Since 2015, MRM has provided funds to the Niassa Carnivore Project (NCP) located in the Niassa National Park in the neighbouring province. The NCP has to date received \$75,000 of conservation funding with a further commitment of \$150,000 over the three-year period 2018 – 2020 to help them meet their aims to enhance and promote community livelihoods through wildlife conservation. MRM has also recently agreed to provide the same level of three-year funding to the Quirimbas National Park in Cabo Delgado, to promote and support conservation efforts in the coastal and inland areas closer to Montepuez and the port-city of Pemba.

Contributions to government and legacy

Since commencement of its operations in February 2012, MRM has made a total investment of US\$130 million in the project and has contributed an amount of US\$73 million to the Mozambican Government in the form of taxes and royalties, until 30 June 2017.

MRM's first Mozambique ruby auction took place in Singapore in June 2014 and generated revenue of US\$33.5 million. A total of eight ruby auctions to 30 June 2017 have generated total revenue of US\$280 million, marking a milestone for the global ruby trade.

MRM is the largest generator of foreign currency in the province of Cabo Delgado and has been the biggest tax-payer in the province for two years in a row – 2015 and 2016. MRM was the second biggest mining exporter in 2015 and the biggest overall exporter in 2016.

Operating context

The presence of artisanal miners in the Montepuez region is characteristic of the coloured gemstone mining sector in other regions of the world such as Tanzania, Madagascar, Malawi, Afghanistan and Sri Lanka.

Unlicensed artisanal mining and the illegal trade

The discovery of rubies in the Montepuez region in 2009 gave rise to an influx of unlicensed artisanal miners and the illicit dealing and smuggling of rubies. The artisanal miners operating in the Montepuez region risk their lives to dig for rubies which are easily accessible at between 3 – 10 meters below the surface. Typically, the artisanal miners are young men, sometimes boys, funded by exploitative gemstone traders – mainly from West Africa, but also Thailand and Sri Lanka – who profit at the expense of local communities. Local and religious leaders inform us with great concern for how artisanal miners and traders have changed the social fabric of their communities, through marrying under-age girls, and bringing alcohol and drugs into the community. This type of artisanal mining is unregulated, unsafe and environmentally damaging. The illicit trade deprives the Mozambican government of taxes and royalties, which could otherwise be applied to longer-term sustainable development of the mining industry or nation-building. Further, the traders, often forming rival gangs, compete for control of territory in the wider mineralised area, including illegally mining within concession areas such as that held by MRM. Gang rivalry has led to incidences of violence between groups and in rare cases, we have heard of the burning of artisanal miners' houses in tit-for-tat retaliation.

Separately, artisanal miners occasionally become victims of the collapse of their own excavations, with tragic consequences. On numerous occasions, MRM has been called upon to provide humanitarian assistance to trapped artisanal miners by digging them out of collapsed pits and tunnels, providing them with food and water, and if needed, transport to the local medical centre.

Despite this, MRM employees have, over the years, been victims of serious attacks by illegal miners, a small handful of which have been life-threatening. Preserving the safety and wellbeing of individuals and assets is critical to the safe and sustainable extraction of this vital national resource and we enlist private security to protect the gemstones, our people and our property.

MRM's response

MRM's security response to artisanal miners has been guided by Mozambican mining law, which prohibits mining without possession of an appropriate licence. Since the artisanal miners that MRM encounters do not possess licenses, they are in breach of the mining law, and MRM's legal responsibility is to facilitate their removal by the Mozambican police. Upon discovery of artisanal miners on the concession, the police arrest and transport them off the concession. Our internationally-trained security team plays a crucial but limited role in support of this process by initially apprehending the artisanal miners and confiscating their equipment and transport, which is then handed over to the Ministry of Mineral Resources & Energy's local administrators. The artisanal miners are then charged following due legal processes. Once the relevant areas have been confirmed to be clear, MRM must make safe any cavities or pits in the concession by filling these in. This deters further digging, enables vegetation to recover and eliminates the possibility of people and animals passing through the concession falling into the pits. The process is carried out in the documented presence of the police.

In rare circumstances, parts of the concession have been inundated by thousands of artisanal miners, reminiscent of the early days of the ruby-rush. In those circumstances, MRM communicate by loud-speaker and hand out written communications (in the form of leaflets, usually in up to 4 languages) to give the miners up to a week to disperse. Artisanal miners usually disperse peacefully, although arrests by the Mozambican police are made if they do not. Foreign artisanal miners from Tanzania, Guinea and Nigeria and traders from Thailand and Sri Lanka have recently been apprehended on the concession and locally in the town of Montepuez, and repatriated by the authorities as a deterrent to their illegal activities.

History and our experience shows that illicit and violent activities dissipate over time as the benefits of formalised methods of extraction and their associated advantages, particularly with regards to community livelihoods, begin to take shape and provide alternative sources of income than are provided by artisanal mining. These positive transformations are often actively opposed by the perpetrators of illegality (in whose interest it is not to support a more transparent, open and legitimate sector).

Gemfields and MRM remain undeterred from our view that market regulation and transparency will radically transform the coloured gemstone sector for the better, improving the lives of the communities they touch and providing sustainable long-term social, economic and environmental benefits to the region and the nation.

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ENQUIRIES:

Emily Dungey
Head of PR and Communications
T: +44 (0)207 518 3418
emily.dungey@gemfields.co.uk

About GEMFIELDS:

Gemfields is a leading supplier of responsibly sourced coloured gemstones.

Gemfields is the operator and 75% owner of both the Kagem emerald mine in Zambia (believed to be the world's single largest producing emerald mine) and the Montepuez ruby mine in Mozambique (one of the most significant recently discovered ruby deposits in the world). In addition, Gemfields also holds a 50% interest in the Kariba amethyst mine in Zambia, as well as controlling interests in various other gemstone mining and prospecting licenses in Zambia, Mozambique, Colombia, Ethiopia, Madagascar and Sri Lanka.

Gemfields' outright ownership of Fabergé an iconic and prestigious brand of exceptional heritage enables Gemfields to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the wider group's "mine and market" vision.

Gemfields has developed a proprietary grading system and a pioneering auction and trading platform to provide a consistent supply of quality coloured gemstones to the global downstream markets. This is a key component of the company's business model and has played an important role in the appropriate distribution and associated resurgence of the global coloured gemstone sector.