

SOURCING ADVISORY

**BRAZIL, DEMOCRATIC REPUBLIC
OF CONGO, SUDAN, UNITED
ARAB EMIRATES, ZIMBABWE**

V1, 12.12.2023



Contents

Introduction 2

Focus on Brazil: Changes to Good Faith Law 3

Focus on DRC: The Primera Group 5

Focus on Sudan: Conflict-Gold 7

Focus on UAE: Zimbabwean Gold 9

Introduction

This Advisory is intended to raise awareness of Good Delivery List (GDL) Refiners and Assurance Providers (APs) to ad hoc sourcing threats and vulnerabilities brought to LBMA's attention.

It includes information and links to external references. Please note that LBMA has not verified the accuracy or authenticity of all the referenced articles. Information shared with Refiners and Assurance Providers is done so with the purpose and intention of sharing market intelligence, raising awareness of supply chain risks, and supporting proactive due diligence monitoring and risk mitigation.

Refiners are expected to apply the appropriate enhanced due diligence measures on potentially affected supply chains and report any adverse findings to the LBMA.

Information herein should not be considered a definitive record of possible sourcing threats in the highlighted jurisdictions. Refiners remain responsible for undertaking due diligence commensurate with the risks in their supply chains.

Focus on Brazil: Changes to Good Faith Law

At Issue:

Illegally-mined gold in Brazil represents the second most profitable environmental crime after logging. Nearly half of gold traded in Brazil between 2015 and 2020 contains traces of illegality, according to an estimate by Instituto Escolhas, a Brazilian think-tank. The amount represents 229 tons of gold, with most of it coming from wildcat miners illegally operating in protected environmental and cultural areas in the Amazon.

The main contributing factor behind this phenomenon was Law 12844 (2013), commonly known as the 'Good Faith Law', which allowed gold miners and traders to provide written self-declarations of origin and conformance with legal requirements at the time they sell their production to Distribuidora de Títulos de Valores Mobiliários, Brazilian financial entities colloquially known as DTVMs..

Until the Supreme Court struck the Law down in April 2023, there was no way to reconcile these self-declarations against electronic mining licences or the cadastre. Compounding matters is Brazil's shared border with Suriname and Venezuela, both of which have sizeable illicit gold markets, weak government oversight, and (in the latter's case) substantial legal jeopardy due to US/UK/EU sanctions against the Maduro administration.

A new law completely overhauls existing legal requirements and will impact **all Refiners** that source gold bearing material from suppliers **other** than large-scale industrial mines.

The new changes, **effective as of 3 July, 2023**, include:

- The elimination of the "good faith" declaration and the introduction of a mandatory electronic invoice for all purchase and sale transactions.
- The first sale of gold can only be made by the holder of the mining permit to a DTVM. Details of the operation will be registered with the National Mining Agency (ANM).
- Owners of DTVMs (and their family members) that trade in gold are prevented from also owning mines.
- Each sale is accompanied by a new electronic tax document (NF-e Ouro Ativo Financeiro) issued at point of sale, and requires payment through a bank transfer.
- Each shipment of gold is issued a "Gold Transport and Custody Guide" that contains detailed data that identifies the seller and buyer of the gold, place of origin of the metal, environmental license number, gold content, transporter and an indication of the origin of the mercury used in the extraction process.
- A unique registration number is also issued to all gold shipments and must accompany the gold at all times during transport inside Brazil.

Identified Sourcing Risks:

Gold of unknown provenance; material originating from a CAHRA; smuggling; money laundering; mining inside a UNESCO site; environmental damage due to mercury and poor mining techniques; introduction of new legal framework.

Resources:

Information on the new legal requirements:

- <https://www.camara.leg.br/noticias/972213-PROJETO-CRIA-NOVO-MARCO-LEGAL-PARA-MERCADO-DE-OURO-NO-BRASIL>
- <https://www.gov.br/receitafederal/pt-br/assuntos/noticias/2023/julho/instituicoes-autorizada-a-operar-com-ouro-devem-utilizar-a-nf-e-ouro-> financial asset

Contextual information on sourcing vulnerabilities in the Amazon:

- [The Uncovered Traces of Illegality in Brazilian-Sourced Gold |... | LBMA](#)
- [Gold_Mining_in_Yanomami_Indigenous_Territory__TIY__report_2023_FINAL.pdf \(ctfassets.net\)](#)
- [How illegal gold mining threatens biodiversity in the Amazon - Greenpeace International](#)
- [Illegal Gold Mining in the Amazon - Instituto Igarapé \(igarape.org.br\)](#)
- [Gold Flows from Venezuela \(oecd.org\)](#)

Key Considerations:

GDL Refiners sourcing from non-industrial mines in Brazil must review existing supplier contracts to ensure the material they are receiving conforms with the new legal framework governing gold sourced from artisanal and small-scale miners and/or DVTMs.

During annual assurance engagements, Assurance Providers should validate that Refiners have undertaken this review, and where necessary amended their due diligence and risk assessments of suppliers.

Focus on DRC: The Primera Group

At Issue:

On 30 December 2022, the Government of the Democratic Republic of Congo (GDRC) signed a 25-year agreement with the Primera Group, an Abu Dhabi based company, for the preferential export rights (and rates) for artisanally mined gold, coltan, tin, tantalum and tungsten.

The \$1.5-billion agreement was made with two subsidiaries that are majority owned by the Primera Group: Primera Gold DRC and Primera Metals.

All exports are shipped to Auric Hub, Primera's refinery in Abu Dhabi.

While DRC has touted the agreement as a means to fight the trafficking of minerals linked to armed groups, a June 2023 report from the UN Group of Experts (GoE) raised several concerns including:

- The agreement was signed without the involvement of the Minister of Mines, despite it falling clearly within her mandate (p. 37).
- Officials in the Ministry of Mines (including the Minister herself) have come under pressure from the Office of the President to align themselves with the Primera agreement. Officials that have questioned the conformity of the exports under Congolese law (i.e. gold must be traded from a validated site, not linked to funding armed groups or involve child labour) have been overruled and fear retaliation (p. 37).
- There are shortcomings in the implementation of Primera's due diligence obligations, notably related to the origins of traded gold. It is "highly possible" that their supply chain is permeated by gold produced from sites which remain under the control of armed groups (p. 38).
- Several suppliers source from illegal sites in conflict-affected areas, thus making Primera an official channel to launder illegally mined gold (p. 38).
- Auric Hub has not yet undergone any UAE or internationally recognized responsible sourcing audits (p. 38).

A second report issued by the UN GoE in December 2023 concluded there were "important shortcomings in the implementation of the company's due diligence obligations, notably relating to the origin of traded gold" (p. 3).

The UN GoE provided additional details to support their concerns (pp. 20-21), including:

"Primera's de facto monopoly resulted in some of its managers and buyers adopting a privileged posture in defiance of [Congolese] mining authorities. Several officials informed the Group that they were hampered in their work, fearing reprisals by Primera representatives. For example, on 14 August 2023, a Primera manager reprimanded a mining officer from Fizi territory who had arrested an individual suspected of transporting illegal gold."

"One of Primera's main suppliers, Regimalic, which sold the equivalent of nearly \$6 million in January and February 2023 to Primera, did not specify the origin of the gold in documents consulted by the Group. Other suppliers, including Coopérative Minière de Kimbi, similarly failed to specify the origin of gold sold to Primera. Several sources reported that these suppliers obtained most gold from mining sites in Fizi territory, an area controlled by [militia group] Mai Mai Yakutumba."

"[The Group] confirmed that on several occasions, Primera purchased gold sourced illegally by Coopérative Minière Emmanuel du Kivu (COOPEMEK) in Lugushwa sites located at Wamuzimu, Mwenga territory. The Group obtained a letter from a mining authority stating that mining by COOPEMEK in that area was illegal."

Identified Sourcing Risks:

Conflict financing; inadequate due diligence; unknown provenance of material; sourcing from illegal mine sites; presence of child labour; government corruption and intimidation.

Resources:

[Congo Signs Deal to Ship Over \\$1.5 Billion of Gold a Year to UAE](#)

[Final report of the Group of Experts on the Democratic Republic of the Congo, June 2023](#)

[Mid-year report of the Group of Experts on the Democratic Republic of Congo, December 2023](#)

Key Considerations:

Refiners and Assurance Providers should familiarize themselves with all reports issued by the UN Group of Experts. The next report will be released 30 December, 2023.

Refiners and Assurance Providers are encouraged to consult the GoE report and other sources for additional information on Primera.

Because of possible of the OECD Annex II risks identified above, refiners should review their supply chains for the below listed entities and carry out the appropriate enhanced due diligence. LBMA should be immediately notified if any of the entities appear in any Refiner's supply chains:

Primera Group

Primera Metals.

Primera Gold DRC

Auric Hub refiner

Focus on Sudan: Conflict-Gold

At Issue:

In April 2023, a new civil war broke out in Sudan, spawned ostensibly by a political struggle between the Sudanese Armed Forces and the paramilitary Rapid Support Forces (RSF), aligned with Mohamed Hamdan “Hemedti” Dagalo.

Hemedti came to public attention in the early 2000s due to his role as a leading commander of the Janjaweed, the militia group responsible for widespread human rights abuses, including rape and genocide, in Darfur.

Hemedti and the RSF, led by his brothers Algenei and Abdulrahim (the latter of whom is listed by OFAC), are reported to rely on gold sales as a key financing source. The RSF have been reported to have received military and logistical support from the Wagner Group, the sanctioned mercenary company aligned to the Putin government. Two Sudanese gold mining companies linked to Wagner—Meroe Gold and M Invest—have also been sanctioned; OFAC recently added “AISolag” as an “AKA” of Meroe Gold. The Wagner Group is also known to be engaged in gold mining and trading in Central African Republic, Mali, Libya, in addition to providing military support.

Following the outbreak of hostilities, most foreign industrial mining companies ceased operations, and the formal system for legal exports of gold from Sudan collapsed. However, according to a 2023 report by the UN Group of Experts on Sudan there is still a vibrant trade of gold exiting the country—much of it from Sudan’s sizeable artisanal and small scale (ASM) deposits, including the Jebel Amir mining area, and used to fund the ongoing hostilities. Sudan is the 5th largest gold producer in Africa, with an annual production estimated at 80 tonnes, according to the World Gold Council.

In June 2023, the US government issued an update to its May 2022 business risk advisory. In the June update, the US, explicitly classified Sudan to be a conflict-affected and high-risk area (CAHRA) and emphasized the need for companies doing business with Sudanese entities to apply enhanced due diligence. Both the US and the UK have also sanctioned companies connected to the gold sector, including Al Junaid, Multi Activities Co Ltd.

Among the only active industrial mining operations are those run by Emiral Resources, a UAE-Russian joint venture based in Dubai. Emiral Resources run an exploration project in Kush and a production subsidiary, Alliance for Mining.

While there are still daily direct flights from Khartoum and Port Sudan to Dubai (the longtime destination of choice for Sudanese gold), illicit material is believed to cross overland to neighbouring Egypt, Chad, Ethiopia, and South Sudan. The latter is a major conduit to Uganda and Kenya, the biggest export markets in the region. Lesser amounts are estimated to be smuggled by boat to Saudi Arabia.

Identified Sourcing Risks

Conflict financing; sanctioned entities; forced labour; unknown provenance.

Resources

[Report by the UN Group of Experts on the Sudan, February 2023](#)

[June 2023 Update Risks for US Businesses Operating in Sudan - United States Department of State](#)

[Sudan exclusive: Evidence emerges of Russia's Wagner arming militia leader battling Sudanese military | CNN](#)

[What Is Russia's Wagner Group Doing in Africa? | Council on Foreign Relations \(cfr.org\)](#)

[Gold Mine Production 2022: World Gold Council](#)

Key Considerations:

Due to Sudan's CAHRA designation, the presence of widespread conflict, and the absence of legal exports, all gold of Sudanese provenance poses significant legal and reputational threats to Refiners.

Refiners should apply enhanced due diligence on all suppliers of ASM or recycled material that purports to come from Chad, Egypt, Ethiopia, Kenya, Saudi Arabia, UAE and Uganda and gain absolute comfort as to the origins of such materials. LBMA should be immediately notified of any adverse findings.

Refiners and Assurance Providers should review supply chains for the below listed entities. Because of the OECD Annex II risk—most notably conflict financing—Refiners should immediately suspend any sourcing relationships if any of the entities below appear in their supply chains.

Al Junaid Multi Activities Co Ltd

Meroe Gold/AlSolag

M Invest

Focus on UAE: Zimbabwean Gold

At Issue:

In April and May 2023 Al Jazeera ran an investigative series, both in print and via a video series available on YouTube, entitled the Gold Mafia, examining the smuggling of Zimbabwean gold to the UAE.

Al Jazeera stated: “The investigation reveals how billions of dollars’ worth of gold is smuggled every month from Zimbabwe to Dubai, allowing criminals to whitewash dirty money through a web of shell companies, fake invoices and paid-off officials.

The investigation also shows on video how Zimbabwean President Emmerson Mnangagwa’s government is systematically using gold smugglers to get around the chokehold of Western sanctions imposed on the country. The money laundering and gold-smuggling schemes involve one of Zimbabwe’s most influential diplomats, and go all the way up to the president and his circle.”

Zimbabwe is widely considered a Conflict Affected and High-Risk Area (CAHRA) due to the high levels of political violence, corruption and sanctioned individuals and entities, both state-owned and private, many of them linked to the trade of precious metals and stones.

The illicit trade in Zimbabwean precious metals is known to be laundered primarily through South Africa, Mozambique and UAE. Refiners should apply heightened due diligence on the provenance of recycled gold purporting to originate in these three countries.

Identified Sourcing Risks:

Money laundering; corruption; criminal networks; smuggling; tax avoidance; sanctioned individuals and entities; intentional masking of provenance.

Resources:

Six secrets uncovered by Al Jazeera’s Gold Mafia investigation | Investigation News | Al Jazeera
Gold Mafia - Episode 1 - The Laundry Service | Al Jazeera Investigations - YouTube
Gold Mafia - Episode 2 - Smoke & Mirrors | Al Jazeera Investigations - YouTube
Gold Mafia – Episode 3 – El Dorado | Al Jazeera Investigations - YouTube
Gold Mafia – Episode 4 – Have The King With You | Al Jazeera Investigations - YouTube
European Union CAHRAs (cahraslist.net)

Key Considerations:

While the UAE was the identified destination of the smuggled gold, the investigation highlights the role of individuals or entities domiciled in multiple jurisdictions including Canada, Kenya, the People’s Republic of China, South Africa, Zimbabwe, and the United Kingdom.

Refiners should consult the resources above and check their supplier records to see if any of the individuals or entities mentioned in the investigative series impact their supply chains. Refiners should also review the methods used by the smugglers and illicit traders shown in the videos to assess their exposure to similar types of activity.

Refiners must make a determination as to whether any enhanced due diligence or remediation measures are necessary. In line with disclosure requirements set out in the Responsible Gold Guidance, Refiners should proactively share any adverse findings with the LBMA and disclose the details in their annual Compliance Report.