

Newmont Mining: Big Promises, Disappointing Returns

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“Mining, done the right way, is much more than simply extracting a resource. It’s investing in people and communities, generating jobs and income...and enhancing access to education and health care resources in ways that will benefit the area even after mining is completed.”

-- Wayne Murdy

*Chairman and CEO, Newmont Mining Corporation
April 2005*

Last April, community representatives from five continents traveled thousands of miles to Denver to voice their concerns about Newmont Mining’s operations in their home countries. Speaking at the company’s annual shareholder meeting, the representatives from Ghana, Indonesia, Peru, Romania, and Nevada questioned Wayne Murdy about the social and environmental impacts from his company’s gold mining operations.

Describing problems ranging from the displacement of communities to the dumping of mine waste into the ocean, they demanded that Newmont reform its practices to fully respect human rights and the environment. They re-iterated their concerns in face-to-face meetings with Mr. Murdy and other senior Newmont executives.

Mr. Murdy has said Newmont is a company committed to transparency, engagement with local communities, and environmental stewardship. Both publicly and in meetings held with the community representatives, Mr. Murdy and others from Newmont promised to address community concerns and ensure that Newmont operations would be conducted in an environmentally and socially responsible manner.

Although Newmont continues to discuss some of the critical issues from last April, these discussions have not been matched by significant and necessary reform. In a majority of the places where Newmont operates, criticisms of the way the company conducts its business remain or have increased. This report outlines Newmont’s failure to address community concerns in Ghana, Indonesia, Peru, Romania, and Nevada.

GHANA

Displacement of farmers and nondisclosure of environmental risks threaten rural livelihoods and water resources.

The Ahafo gold mine will be Newmont's first mining operation in Ghana. Construction of the project has been ongoing since April 2004, and gold production is expected to begin in the second half of 2006. The overall development benefits of this project for the people of Ghana hinge largely upon the restoration of lands and livelihoods for the displaced farmers and the protection of clean water for the communities affected by the project. The Ahafo project will generate a relatively paltry \$300 million over 20 years for the government of Ghana and create just 620 long-term jobs, while resulting in the economic displacement of nearly 20,000 people when the project's two phases are completed (Ahafo South and subsequently, Ahafo North).

The first phase of the project (Ahafo South – 4 open pits) has displaced roughly 9,500 people, at least 95 percent of whom are subsistence farmers. Although the International Finance Corporation (IFC), the World Bank's private sector arm, approved \$175 million in loans to Newmont for the development of the Ahafo project, an assessment prepared for Newmont and the IFC in January 2006 showed the Ahafo project violated IFC standards on involuntary resettlement. Land replacement measures critical to restoring the livelihoods of the displaced farmers remain incomplete or uncertain, posing an immediate threat to food security in the region.

Communities are also concerned that the project will pose a serious threat to the environment and community health.

Consider:

- An independent technical review of the mine's Environmental Impact Assessment (EIA) conducted by the Center for Science and Public Participation indicated that Newmont did not adequately assess risks of serious water contamination by acid mine drainage.
- Newmont is not following the International Cyanide Code, a set of standards to which it is a signatory.
- Newmont has not provided a meaningful financial guarantee to ensure clean-up and reclamation of the site.
- A similar review of the EIA conducted by the US Environmental Protection Agency (EPA) confirmed these environmental risks.

Perhaps most damning, the EPA also found that Newmont withheld from the public the results of company tests that reveal significant acid generation potential from waste rock at the mine. This critical information is missing from the EIA and has not been disclosed to the public despite requests by civil society groups. Newmont has not specified how it will prevent and address the generation of acid. Instead it simply states that "as part of the adaptive management approach, additional mitigation measures can be considered and implemented, as necessary, to address potential impacts."

INDONESIA

Controversial waste dumping practice still being used; exploration in protected forests leads to clashes with local communities.

Indonesia is the only country where Newmont uses a controversial practice of dumping mine wastes directly into the ocean. Between 1996 and 2004, the company employed this waste disposal practice – known as submarine tailings disposal -- at the now-closed Minahasa Raya mine in North Sulawesi, dumping more than 4 million tons of waste directly into Buyat Bay and giving rise to several lawsuits and investigations in Indonesia. Facing environmental contamination, declining fish catch, and human health impacts, 66 families of the Buyat Bay fishing village relocated in June 2005 to another coastal village to resume their traditional livelihood as fishermen.

The Indonesian government agreed to settle the civil suit against Newmont in the Buyat Bay pollution case in February for a sum of \$30 million, part of which will be used to clean up and monitor the bay. The criminal case against Newmont and its top executive in Indonesia, Richard Ness, still continues.

Although the practice of submarine tailings disposal is effectively banned in the United States and Canada, Newmont continues to dump mine waste into the ocean at its Batu Hijau mine, which is located on Sumbawa Island. Batu Hijau dumps 120,000 tons of tailings daily into Senunu Bay -- roughly 60 times more than what was dumped daily into Buyat Bay.

In September 2005, a burst pipe that carries mine waste into Senunu Bay released thousands of tons of waste, 75 meters below the ocean's surface. In such relatively shallow waters, waste can easily disperse, and seriously impact marine life and coral reefs. Previous tailings pipe leaks at Batu Hijau occurred in October and November 2000 and January 2001. Indonesian environmental groups have strongly urged the Indonesian government to revoke Batu Hijau's license to dump mine waste into the ocean and to hold Newmont responsible for finding an alternative method of waste disposal.

According to the Mining Advocacy Network in Indonesia and the Sumbawa-based Life Management Institute, farmers in Sumbawa are reporting water shortages following Newmont's damming of two main rivers that used to provide irrigation for their farms. Newmont uses the water from the rivers for its ore processing operations at Batu Hijau. The water shortage has driven many farming families to depend on food assistance from the government.

In March, villagers burned a Newmont exploration camp in the Elang/Dodo Rinti protected forests. At least 5100 hectares of Newmont's exploration area in Dodo and 7539 hectares in Rinti are classified by the Indonesian government as protected forests. Drilling for exploration has been going on for the past two years. The affected rural communities depend on forest products like honey and rattan for their income.

Exploration and mining activities directly threaten their way of life in terms of lost access to these forests and the forest products upon which they depend. Dodo Rinti is also a sacred area for the local people who regard it as their ancestral land.

PERU

Choropampa mercury spill victims await long-term health insurance and independent health assessment; lack of formal statement on Cerro Quilish continues to worry communities.

Father Marco Arana and attorney Mirtha Vasquez, both with the environmental and human rights organization GRUFIDES in Cajamarca, Peru (site of Newmont's giant Yanacocha gold mine), met with CEO Wayne Murdy last year and made several specific proposals for reform of the troubled Yanacocha operation.

They proposed:

- establishing an independent environmental monitoring mechanism;
- conducting an independent analysis of the health of residents of the town of Choropampa (site of a mercury spill in 2000);
- making a definitive statement that Newmont will never mine or explore Cerro Quilish (a local mountain and critical watershed) and supporting efforts to declare it a national park;
- resolving claims of unfair compensation for land bought by the mine when it began operations in the early 1990s;
- and resolution of conflicts related to proposed expansion areas, including San Cirilo, where conflict between police and villagers broke out last year.

In their private meeting and again at the shareholder meeting, Murdy promised to respond in writing to these specific proposals. Murdy also stated that the company had a "golden opportunity" to try to restore confidence and improve relations with the local community.

According to Arana, the company has made little progress in any of these areas. The company has extended health insurance provided to the people of Choropampa through November 2006 and has provided a doctor for the town. And the company has committed to dialogue on resolving the outstanding land compensation claims, which is an advancement from its past refusal to engage on the issue

Newmont has not, however –

- committed to carrying out an independent health assessment;
- committed to providing lifetime health coverage as demanded by the Choropampa mercury spill victims; six years after the spill occurred, residents continue to report health problems such as memory loss, skin irritations, and learning disabilities in children

- refused to declare Cerro Quilish off-limits -- instead working actively to try to convince communities living near Cerro Quilish to accept mining (massive protests forced the company to withdraw in 2004).

The tensions around the proposed expansion to San Cirilo have abated as the company completed its exploration activities (under police protection). Community opposition to expansion in the area remains high, however, and tensions could reignite if and when the company decides to return to the area.

Despite his repeated promises to do so, Murdy has not sent a written response to Arana on the proposals made at last year's shareholders meeting.

ROMANIA

Doubling of investment in Gabriel Resources' beleaguered Rosia Montana project raises questions about Newmont's intentions; opposition to the mine proposal remains strong and loud.

In August 2004, Newmont bought a 10 percent stake in Toronto-based Gabriel Resources for \$25 million. Gabriel, a small resource-strapped company with no previous mining experience, plans to develop a gold mine on top of the historic town of Rosia Montana in Romania.

If constructed, the Rosia Montana project would:

- become Europe's largest open-pit gold mine.
- transform the densely inhabited Rosia Montana valley into four open-pits,
- transform the neighboring equally inhabited Corna valley into an unlined cyanide storage "pond."
- tear down 900 homes, forcing 2,000 people to relocate.

From the outset the venture has been beleaguered by scandals, operational problems, and vehement local, national and international opposition. Running out of cash and facing such formidable roadblocks, Gabriel said in an April 2004 announcement that it had "limited financial resources, no source of operating cash flow and no assurance that additional funding will be available for further exploration and development of its projects."

The Rosia Montana project was essentially considered shelved, until it attracted Newmont's attention. The August 2004 announcement that Newmont was investing in Gabriel immediately boosted Gabriel's share price. Analysts remarked that the involvement of an experienced miner such as Newmont would lend credibility to the project, help secure permits, and improve community relations.

Alburnus Maior, an association of Rosia Montana property owners who oppose the mine's development sent representative Stephanie Roth to the 2005 Newmont

shareholder's meeting. Roth described the controversy and risk associated with the Rosia Montana project to Newmont executives and shareholders, citing as an example the October 2002 withdrawal of financial support from the IFC (the World Bank's private sector arm) because of the significant social and environmental concerns.

Wayne Murdy and other Newmont executives tried to reassure Roth by saying that Newmont had made no decision as to what it would do with the Gabriel investment. "If the people don't want it, if the government doesn't want it, we won't step a foot in there," Wayne Murdy was quoted in press reports of the shareholder meeting.

"It has challenges in terms of community and in terms of the environment...and those are factors that will play into our decision on how we proceed," added Doug Hock, a Newmont spokesperson.

Although public opinion polls conducted by Romanian national television and print media (e.g. Ziu, OTV) show that 95 to 98 percent of Romanians are opposed to the mining project, in December 2005, Newmont roughly doubled its original 10 percent stake in Gabriel to 19 percent. Newmont paid Gabriel \$30 million and exercised all 15 million share warrants that were issued to the company by Gabriel in 2004, putting Gabriel in a strong financial position to continue moving forward with the Rosia Montana project.

But opposition to the project remains strong, both in Romania and in neighboring Hungary which could face the risk of pollution stemming from the mine. Consider –

- In March, approximately 700 representatives of 240 Hungarian environmental organizations sent a letter to Romania's minister for the environment in opposition to the Rosia Montana mine proposal.
- The 140 year old Romanian Academy, a prestigious national institute of science, the arts, and Romanian culture, also reaffirmed its position against the project, stating that "the gold mine proposal is not in the public interest and the collateral negative effects as well as the risks involved are not justified."
- In the latest development this month, the Romanian environment ministry suspended the Environmental Impact Assessment (EIA) process for the project as a result of previous court rulings invalidating certain licenses of Gabriel's that are required in order for the EIA procedure to take place.

NEVADA

Western Shoshone ask Newmont for corporate policy on Shoshone rights and lands; mercury emissions from mines create public health concern in Nevada and neighboring states.

In Nevada, Newmont operates several mines on the traditional lands of the Western Shoshone – with neither their consent, nor compensation to the Shoshone for past and present gold extraction. The Western Shoshone have a strong cultural and spiritual

connection to the land, water, and air. Mining impacts such as scarring of the landscape, pollution, and groundwater depletion directly threaten the Western Shoshone's traditional way of life.

The Western Shoshone maintain that the US government recognized their land rights in the 1863 Treaty of Ruby Valley. The US ignores these rights, instead claiming Shoshone lands for the federal government and allowing them to be used for activities such as gold mining. In March of this year, the United Nations committee on racism called on the US to freeze plans to privatize Western Shoshone traditional lands for transfer to extractive industries, and to initiate a dialogue with the Western Shoshone in order to find a solution to the current violation of their rights.

Because Newmont is mining disputed lands, the Western Shoshone argue that Newmont is party to their human rights violations. They want the company to establish a formal corporate position regarding mining on Western Shoshone lands. This demand was presented to Newmont executives and shareholders by Shoshone representatives in Denver last year.

Starting last year, Newmont did agree to quarterly meetings with the Western Shoshone (four meetings have been held so far). However, no formal written agreement has been reached regarding the Shoshone's concerns, including disputed land, fair compensation, and the right to free, prior, and informed consent for new mining and expansion projects.

Also, the issue of mercury air emissions from gold mines in Nevada is causing widespread public concern. Most of the known mercury air emissions from Nevada gold mines are released by thermal processes, such as ore roasters or autoclaves. Under these processes, the mercury residing in the ore is released into the air when the ore is heated to extract the gold. Fugitive emissions from waste rock piles or tailings also contribute mercury into the air, but the amount is not measured.

Newmont, one of the largest operators in Nevada, released 617 pounds of mercury into the air in 2004, the most recent year for which data are available from the EPA's Toxics Release Inventory. (That number is a total for Carlin North, Carlin South, Lone Tree, Twin Creeks, and Echo Bay McCoy Cove.) Mercury is a neurotoxin that is linked to brain damage, birth defects, and cancer in humans. High levels of mercury have been found in neighboring downwind states Utah and Idaho which officials source to Nevada's unregulated gold mines. Both Utah and Idaho have issued fish consumption advisories, and Utah issued the nation's first-ever waterfowl consumption advisory.

After toxics release data from mining first became disclosed in 1998 and showed the extent of toxic pollution from mining, the Nevada Department of Environmental Protection and EPA chose to develop a voluntary mercury reduction program in 2001 with four mining companies (including Newmont) rather than developing mandatory regulations as required for other large mercury emitters. This year, in response to public pressure from public health organizations, conservation groups, Tribes, and hunters and anglers, the state of Nevada decided to adopt mandatory regulations. But the new

regulations are not strong enough to adequately curb mercury emissions. Among concerns are that monitoring would be done only once a year and be conducted by the mining companies. Another was that no monitoring would be done to measure mercury released from mines by means other than known point sources. A key problem is the regulations don't require reduction in mercury emissions and that mercury discharged into the air could increase with the growth of new mining operations.