

# Tainted Gold

## Five reasons not to buy shares in the Toka Tindung gold mine project of Archipelago Resources Plc.

On March 4, 2010, Archipelago Resources PLC (Australia) raised GBP 30.6 million with a placing of 102,000,000 new ordinary shares ("Placing Shares") to institutional investors. The proceeds of the placing provide up to approximately 80% of the funds required to complete construction of the Toka Tindung gold mine project, on North Sulawesi, Indonesia. Our findings point out that your institution is among the buyers of Archipelago's shares, (see: <http://tinyurl.com/37p98uu>).

We, the undersigned organisations, herewith like to express our deepest concern about your financial involvement in the Toka Tindung gold mine, which is a highly controversial one, and in the mining company Archipelago Resources. We urge all investors to withdraw from this project and company, because of the risks posed by the project to local communities and the people of North Sulawesi in general, as well as the risks involved for investors. **Here are five strong reasons to disinvest from the Toka Tindung gold mine project and Archipelago Resources:**

### 1. No social license to operate:

The gold mine from its very beginning has been strongly rejected by the great majority of local people. The majority of North Sulawesi people, including local fishing communities, the North Sulawesi Fishing industry, the North Sulawesi Tourism and Diving industry, environmental organisations and the people in the surroundings of the mine, all strongly reject the project. There are clear risks involved in operating a mine without having obtained a proper social License to operate from the local population.

### 2. No legal permits:

In December 2009 the North Sulawesi Coastal People's Alliance Against Tailings (AMMALTA) filed a law suit against the former Indonesian Minister for Environment demanding the Environmental Impact Assessment (EIA) to be cancelled. Granting the EIA violated two valid Indonesian laws. On October 5<sup>th</sup>, 2009, former Minister for Environment, Rahmat Witoelar, signed the companies' EIA, although in the past he had repeatedly publicly stated that he would not grant his permission. He then unexpectedly signed the EIA during his five last days in office as Minister for Environment and three days after the new government regulation UU No 32/2009 relating Environment Management and Conservation had replaced the old regulation UU No 23/1997. When signing the EIA, Witoelar violated two laws:

- Signing the EIA is not the minister's but the provincial governor's authority and prerogative right.
- He signed the EIA on grounds of a government regulation which had already been

cancelled.

To operate a mine without the proper legal permits obviously presents a serious risk to both the operating company and the investors involved in the project.

### **3. Human rights violations by the company:**

Security forces of the company violated human rights when they attacked peaceful villagers returning from a mass demonstration against Toka Tindung in Manado in July 2006. Several villagers suffered severe injuries and a woman seven months pregnant miscarried as she was repeatedly kicked into her stomach. In the October 4<sup>th</sup> edition of the local newspaper *Komentar* North Sulawesi's vice governor, Freddy Sualang was cited: *"It can't be tolerated that people peacefully demonstrating are attacked and intimidated."* Despite this, the case was never seriously investigated. Investors must be aware of the risk of being associated with human rights violations.

### **4. Threat to local economy and livelihoods:**

Toka Tindung inherits the risk to severely damage the viable economy of North Sulawesi Province, which heavily relies on its main pillars Fishery, Agriculture, and Tourism. The mine is located in a densely populated region in the vicinity of its industrial heart and international harbor Bitung and above the major fishing region Rinondoran Bay between Lembeh and Bangka. These latter areas are also premier dive areas already renowned in the world. It is feared that thousands of jobs will be lost permanently if these sectors will be harmed by the impact of Toka Tindung, which will only produce gold for a maximum of 6 to 8 years and provide just a little more than 100 jobs for local people. The economy of Sulawesi may provide much more sustainable investment opportunities to investors than those provided by the Toka Tindung mine.

### **5. Severe environmental risks:**

Toka Tindung endangers the local and regional environment. Villages in the immediate vicinity are at risk to be buried in mud floods when the storage facility overflows during the rainy season. This already happened once during the construction of the mine in March 2007.

The project will require huge amounts of water which will endanger the water supply for Bitung, a city of 250,000 and industrial heart of North Sulawesi province. The nature reserves Tangkoko and Dua Saudara which border Toka Tindung host some unique and rare wildlife species, in an eco system which is most sensitive to human interference, the Wallacea. If Toka Tindung should enter production, the mixture of cyanide and acids released into the ground water system is feared to harm this ecosystem that hosts more than 224 bird species -among which 41 are endemic-, and 127 mammals (62% is endemic). The tailing storage facilities planned by the company are situated in an area which is classified as a high risk earthquake area, prone to Tsunamis and volcanic eruptions. For this reason it cannot be guaranteed that the tailings produced by Toka Tindung will be safely stored for a sufficient long period of time -running into decades- and not enter the environment.

For all the reasons above we call upon you to reconsider your engagement in the Toka Tinding gold mine project and Archipelago resources and to immediately disinvest from this highly controversial project and its owning company Archipelago Resources.

**Signatories:**

BankTrack, International  
AMMALTA North Indonesia, Indonesia  
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The Mineral Policy Institute, Australia  
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More information about the Toka Tinding goldmine project can be found on [http://www.banktrack.org/show/dodgydeals/toka\\_tinding\\_goldmine](http://www.banktrack.org/show/dodgydeals/toka_tinding_goldmine)

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