

# Paladin lies to Malawi Government on its Kayelekera uranium mine

Posted by Nick on April 2nd, 2014



By William Nyirenda, Citizens for Justice.

It has been over a year now since Paladin started threatening to shut down the Kayelekera Uranium Mine, following a continuous trend of losses. Finally, on Friday 7th February 2014 Paladin Energy Limited announced that production at Kayelekera Uranium Mine (KUM) had been halted citing the continuous downward trend in global uranium prices as the main reason. According to Paladin, the shutdown would improve the company's cash position by \$7 million to \$10 million this year and by up to \$25 million next year. Meanwhile the mine has been put on care and maintenance and production would not be re-started until the uranium price hits US\$75 a pound.



*Trends in uranium oxide spot prices since 1988*

## **The truth behind the closure**

When interviewed by our team on 21<sup>st</sup> February, Paladin country Director for Malawi Mr. Gregory Walker argued that their other uranium mine in Namibia, the Langer Heinrich Mine (LHM) would not be closed down as well, as it's production costs are much lower than that of KUM i.e. US\$5.60 per pound cheaper. He further indicated that connecting KUM to electricity grid would reduce production costs by US\$5.00 per pound. The implication being that production costs at LHM in Namibia would be almost the same as that of KUM if KUM was connected to the grid, but surprisingly Paladin CEO John Borshoff openly declared that the KUM would not open even if it was connected to the grid (<http://www.marketwired.com>). This however raises a lot of questions as to whether the downward trend in uranium spot prices is indeed the main reason for the closure of the KUM.

CFJ has carried out a research talking to ex-employees of Paladin and representatives of the Ministry of Mines and Energy. We have also followed up quite closely on the issues coming out through the media. For fear of reprisals, the names of our informants will not be revealed in this write-up. Interviews were carried out between 10th to 28th February.

An inside source from KUM revealed that Paladin has not been affected with the low uranium oxide prices as they have been selling their product ( $U_3O_8$ ) at around US\$70 following a fixed-price contract that the company had with its buyers, which dates back to 2008.

It is also noted from Paladin Energy Limited's annual report of 2013 that the mineral resource at Kayelekera Uranium Mine will be depleted due to mining activities by June 30, 2013. This would indicate that the KUM is in the process of shutting down. Inside sources further confirms that the uranium ore at Kayelekera is almost exhausted and that the pit had already started collapsing. A leaked memo from Colin Arthur, a Geology Superintendent to the Mining Manager, Arthur Mulilo, gives a detailed 'Geological Summary' of the high wall pit failure, identified on 21st September 2013. All this points to the fact that KUM is actually in the process of shutting down, and that Paladin is not telling the public the truth.

## **Closure not in line with Malawi Laws**

Section 46 of the Mines and Minerals Act stipulates that a mining licence holder cannot suspend mining without a six-month prior notice to the Mining Commissioner. Greg Walker, Malawi country manager for Paladin, had a meeting with the President of the Republic of Malawi on February 5th (2 days before the closure) informing him of the development. A day later, on the 6<sup>th</sup> of February 2014, the CEO of Paladin, John Borshoff flew to Malawi to finally endorse the suspension of production at the KUM. In the Weekend Nation newspaper (8<sup>th</sup> March 2014), the Principal Secretary Mr. Leonard Kalindekafe confessed that the Malawi government only came aware of the suspension on the February 7th 2014. He further argued that what Paladin did was illegal: "The law was not followed and we are working with several lawyers to follow up on these issues". The Government of Malawi has set up a team to investigate the closure.

## **Retrenchments effected in an inhumane-like manner**

Paladin further announced that following the suspension of mining at KUM the company has retrenched 294 Malawians and 71 expatriates, and that therefore it would retain 194 local staff and 27 expatriates. Interviews with some of the retrenched workers revealed that all but one expatriate are still working. Moreover, it has been reported that management at Kayelekera told the remaining 40% of the local staff that most of them will be retrenched in April.

Paladin further lied to the general public that the retrenched employees were paid an equivalent of 10 months' salary. The interviews conducted revealed that most of the retrenched workers were actually given a pay-out ranging from three to seven months' salary. Paladin went on to advise all the associated commercial banks to deduct the remaining loan amounts in full for all the retrenched workers who were servicing loans, a development which left a good number of the workers with no money.

The retrenched workers further complained of unfair treatment following the way the retrenchment was handled. "First we were surprised with the arrival of eighteen armed policemen at the mine early in the morning on February 7th only to be told later on that we have been retrenched," complained one of the ex-workers. He continued to say that with the help of armed police, they were "packed like animals" in different buses on their way home on the very same day, and they were not even allowed to get their personal files from the computers.

## **Environmental Pollution and Rehabilitation Issues**

Following the retrenchment of workers at KUM, it becomes obvious that there would be a significant reduction in capacity to operate programs on radiation pollution control and monitoring at the mine. Malawians fear the consequences of this closure because the government to date still does not have the capacity to monitor or control radiation pollution.

Furthermore, Greg Walker further revealed that the tailings dam is now full and thus they soon need to start releasing 'treated' water back into the environment before the tailings dam overflows. Paladin was supposed to build a second tailings dam, but this never happened. It is now imperative that the KUM goes into the rehabilitation phase. The release of water is pending government approval, something which is also being delayed, according to Mr Walker.

Paladin gave the Government of Malawi (GoM) a bond of US\$20 million for the rehabilitation of the mine. Yet, according to a government employee that was interviewed, all works required to complete rehabilitation of KUM are estimated at US\$100 million. The GoM therefore needs to be very careful here as this may lead to massive radiation pollution of the streams and rivers passing through the mine and possibly Lake Malawi itself.

## **What exactly is behind the high production costs at KUM**

One of the main reasons for the high production cost at KUM is the need to import diesel for electricity generation. Other reasons are not publicised; inside sources (workers at KUM) have always argued that the costs of having a large number of expatriates working in the mine is the main cause for the inflated production costs. One source further revealed that a monthly salary of one expatriate in some departments could be several times more than the sum of the

monthly salaries of all locals in the department. He gave an example of the stores department where six expatriates worked, whose job was simply to issue shoes and protective clothes to workers. He also cited the flying in of a jet twice a week from Johannesburg to Karonga as one other main reason behind the high production costs at KUM.

### **Our Demands**

We therefore join the people of Karonga to demand that:

1. All operations at Kayelekera including processing of the ore should be stopped with immediate effect.
2. The government team investigating the closure of Kayelekera should involve civil society representatives and traditional leaders for transparency purposes.
3. The government of Malawi should immediately institute a team to closely monitor the rehabilitation of KUM to ensure that it is done in accordance with Malawian laws as well as global standards.
4. Appropriate penalties should be given to Paladin for not adhering to the laws of Malawi.