EGYPT

By Gavin Bowyer

President Mubarak, who was re-elected in 1999, is in the third year of his fourth term of six years. The ruling National Democratic Party (the NDP) has control of the 454-seat house with the support of 213 of the independent members. The opposition includes a 17-strong Muslim Brotherhood faction. So, with its reliance on the support of independent members of parliament and a more vocal opposition, the government has to be more responsive to other points of view. The next presidential election is due in October 2005 and at the same time, October to November 2005, the next parliamentary elections will be held.

In 2001, the real GDP is estimated to have fallen to 2.5%, down from 3.2% in 2000. The annual consumer price inflation fell from 3.2% to 2.4%. Petroleum and gas account for over 50% of exports and some 8.5%of GDP.

Oil and Gas

The average production of crude oil continued to fall through 2001 from 780,000 bbl/d in the first quarter to 750,000 bbl/d in the third quarter. Two- thirds of the crude production is refined domestically. Almost 80% of production comes from the long established oilfields of the Gulf of Suez, with exploration concentrated on fields in the Western Desert and the Red Sea Coast south towards the Sudan. Crude oil reserves have been reported in September 2001 as some 3.75 billion bbl, but it is considered that if advanced extraction techniques are employed another 10 billion bbl could be recoverable.

The most exciting planned developments are in the exploitation of natural gas. Natural gas resources and reserves have been estimated in mid-1999 as from 1,100 billion m^3 up to 1,700 billion m^3.

In June 2001, Egypt signed a 30-year agreement to supply Jordan with 1.1 billion m^3/y of gas from 2003, rising to 2 billion m^3/y by 2008. This is planned to be achieved by laying a pipeline across Sinai and under the Gulf of Aqaba to the Port of Aqaba. From Jordan, pipelines could be extended to supply Syria and Lebanon, and even ultimately Turkey and Europe. This scheme appears to replace or at least provide an alternative to the previous plan to lay an 800 km long pipeline, of which the first 400 km would be under the sea, to transport natural gas from Egypt to Lebanon and Syria with possible extensions to Jordan and Turkey.

In January 2002, the Egyptian LNG Co., which is a joint venture of the BG Group (UK), Edison (Italy) and the Egyptian Natural Gas Co., signed a provisional agreement with Gaz de France to supply it with 3.6 Mt/y of gas. In November 2000, the Spanish Egyptian Gas Co., Segas, was formed to establish a liquified natural gas plant (LNG) at Damietta. The plant will supply 4 billion m^3/y of natural gas to new power stations in Spain.

Gold

Centamin Egypt Ltd, formerly Centamin NL, through its wholly-owned subsidiary Pharaoh Gold Mines NL, holds three gold concession areas, Sukari, Barramiya and Abu Marawat/Hamama in the Eastern Desert. It has concentrated its exploration and evaluation activities on its Sukari gold project in the Eastern Desert, near Marsa Alam on the Red Sea coast. On December 21, 2001, Centamin listed on the Alternative Investment Market in London and raised £2.7 million to complete and upgrade its feasibility study. In-pit mineral resources are estimated to be measured and indicated resources of 11 Mt at 1.73 g/t Au for 0.61 Moz at a cut-off grade of 0.7 g/t and an ore to waste ratio of 1:3.9, plus additional inferred resources of 3 Mt. Drilling is continuing to convert the inferred resources to indicated and to test northern extensions.

The investigations on the other two gold concessions, Barramiya and Abu Marawat/Hamama have been on hold, while attention concentrates on Sukari. These concessions lie to the west and the north of Sukari. Centamin has an agreement with the Egyptian Geological Survey and Mining Authority, (EGSMA) which if mining goes ahead allows for a 30-year mining lease, renewable for a further 30 years, with a 15-year tax holiday and a 3% royalty payable on net proceeds.

Other Minerals

In October 2001, Gippsland of Australia, signed a US$40 million, 30 year, agreement with the EGSMA to form a joint venture company, Tantalum Egypt, to exploit tantalite deposits at Abu Dabbab in the Eastern Desert. The deposit has estimated mineral resources of: measured resources 12 Mt at 274 g/t Ta_2O_5 and indicated resources 2.1 Mt at 260 g/t Ta_2O_5 at a cut-off grade of 100 g/t Ta_2O_5 plus an additional inferred resource of 26 Mt at 240 g/t Ta_2O_5. The planned plant throughput is 1 Mt/y with expansion to 2 Mt/y to produce 420,000 lb/y Ta_2O_5 with expansion to 840,000 lb/y Ta_2O_5.

In the Nile Delta, to the east of Alexandria, Centamin Egypt Ltd and Kara Gold NL each own 50% of Egyptian Pharaoh Investment, EPI, an Egyptian company, which has an agreement with the Egyptian Government to develop a heavy minerals project at Rosetta, The government estimated the area to contain resources of some 37 Mt of heavy minerals. Under the agreement, EPI and the Egyptian Government will share the profits from the mining and separation of the heavy mineral, after EPI recovers all of its development costs. EPI then plans to upgrade the ilmenite separated to pigment grade titanium oxide, TiO_2.

The iron and steel project of the Aswan Development & Mining Co., (Ademco) and its affiliate company the Aswan Iron & Steel Co. (Aisco) ended in a court case early in 2001. Muhammad Bahgat and Mohammed Al Shimy, chairman and vice-chairman of the Aswan Iron and Steel Co., reportedly used forged documents to persuade the Faisal Islamic Bank and state-owned National Investment Bank, Al Chark Insurance and Bank Misr to provide E£112 million, ostensibly to build a new steel plant in Aswan. In fact, they used the funds to renovate an old steel works. Both were sentenced to long jail terms and heavily fined.

Iron ore is mined near the Baharia oasis in the Western Desert, and the Lakah Group with Hysla of Mexico are reported to be considering constructing a sponge iron plant in the New East Port Said industrial zone.

Coal resources in Sinai are estimated at some 50 Mt. To exploit some of these resources, the Maghara mine was re-opened in 1996 at a production rate of 125,000 t/y of coal, which was targeted to rise to 600,000 t/y in five years. However, doubts have been expressed as to whether this expansion is now economically viable.

The Abu Tatur phosphate mine, northwest of El Kharga, is planned to produce 4.5 Mt/y at 31% P_2O_5, yielding 2.2 Mt/y of concentrate. The phosphate rock will be mined using longwall techniques. An associated chemical fertiliser plant is planned. Reportedly, some US$1.5 billion was spent on developing the mine and possibly twice as much again on infrastructure. However, the project has been beset by cost and management problems and the government may bring in private sector management. Elsewhere, phosphate and limestone are mined near Bur Safaga and Quseir on the Red Sea Coast.

Egypt also has deposits of manganese, potash, sulphur and uranium.