



**GLOBAL
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ORGANIZED CRIME

THE SOMALI GOLD RUSH

MILXO AND THE UNGOVERNED
MINING FRONTIER

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CONTENTS

Acronyms and abbreviations	2
Executive summary	3
Key findings	5
Methodology	5
Milxo: History of a frontier mining town	7
A hotly contested neighbourhood	7
Al-Shabaab: A silent partner in the mining sector?	14
Attempts to 'tax' gold.....	14
Beneficiaries of the regulatory vacuum	19
Maandeeq Group Energy and Minerals	19
From mine to market: How Milxo's gold reaches the global supply chain	22
All flights lead to Dubai.....	23
Dubai: A melting pot for African gold.....	26
Implications for governance, security and the environment	28
Appendix 1: Gold extraction in Milxo – methods and practices	30
Appendix 2: Mining site surveys	34
Notes	39

ACRONYMS AND ABBREVIATIONS

AML	Anti-money laundering
CFT	Countering the financing of terrorism
FGS	Federal Government of Somalia
FMS	Federal member state(s)
ISS	Islamic State in Somalia
SSC	Sool, Sanaag and Cayn State
MoCII	Ministry of Commerce, Industries and Investment (Puntland)
MoEMW	Ministry of Energy, Minerals and Water (Puntland)
OSINT	Open-source intelligence
UAE	United Arab Emirates



EXECUTIVE SUMMARY

Over the last decade, one of Africa's least-known gold booms has been unfolding in Milxo, a tiny mining settlement in a remote and contested region of north-eastern Somalia. The lure of easy riches has drawn thousands of prospectors from all over the country, as well as from abroad, particularly Sudan, Yemen, Tanzania and Ethiopia. Milxo, which in 2016 was little more than a collection of a few dozen structures housing a population in the low hundreds, has ballooned to a sprawling settlement of upwards of 10 000 to 15 000. This influx has brought both opportunity and social disorder fuelled by rapid migration, easy cash and weak governance. The Islamist militant group al-Shabaab, an al-Qaeda affiliate that operates nearby, has sought to exploit these conditions to extend its influence and extract revenue.

Although Milxo's gold boom has brought new livelihoods to a neglected region, it has also unfolded in a legal and political vacuum. The town lies in a region of overlapping territorial claims by Puntland, Somaliland and the Federal Government of Somalia (FGS). Various self-declared autonomous regional administrations have also claimed the area in which Milxo is located, most recently North-Eastern State, which received formal recognition from the FGS in 2025. None of these authorities exercise effective control, and local miners describe the area as a 'free zone' – a de facto political vacuum where no authority regulates extraction, issues licences or enforces taxation. This landscape of contested sovereignty has created ideal conditions for elite enrichment and armed group infiltration.

Within this vacuum, a fragmented and unregulated mining economy has taken shape. Field teams documented 20 mining sites operated by at least 18 commercial entities, most employing foreign technical workers and rudimentary, often hazardous, chemical processes – including widespread mercury use and cyanide leaching plants. Virtually none of these 'companies' hold licences issued by the FGS, which maintains that their operations are illegal under federal law. Furthermore, Puntland lacks a codified framework governing mineral extraction altogether.

The lack of regulation has also opened the door to elite capture. Evidence collected by Global Initiative Against Transnational Organized Crime (GI-TOC) researchers indicates that at least one major operator is linked to the Puntland president, Said Abdullahi Mohamed Deni. Meanwhile, al-Shabaab maintains entrenched positions in the nearby Golis Mountains and has repeatedly attempted to tax or infiltrate mining operations. Although the degree of al-Shabaab revenue generation is contested, phone records and eyewitness accounts indicate extortion activity.



The lure of gold has attracted thousands of prospectors to a settlement in the foothills of the Golis Mountains, shown here. *Photo supplied*

Downstream, Milxo's gold flows almost exclusively to Dubai, typically carried by human carriers on commercial flights. Official imports of Somali gold into the United Arab Emirates (UAE) have nearly doubled since the onset of the Milxo rush, growing from 2.8 tonnes in 2017 to more than five tonnes in 2023.¹ Meanwhile, the UAE's own regulatory efforts appear unevenly enforced. One courier reported that UAE customs officials do not request licences, certificates of origin or compliance documentation.² As a result, Somali gold mined in a conflict-affected, unregulated zone enters the global supply chain with minimal scrutiny.

At its core, the Milxo phenomenon reflects deeper structural fissures in Somalia's incomplete federal system. The 2012 Provisional Constitution requires resource management to be jointly agreed between the FGS and federal member states (FMS), yet there is no binding extractives framework in place (and past agreements, such as those governing fisheries or petroleum, have been short-lived or ignored). In the absence of clarity, powerful actors benefit from the legal ambiguity and resist reforms that would undermine their interests.

This report examines the Milxo gold rush through several lenses: tracing its origins, documenting mining practices, mapping supply chains, identifying key operators and analyzing how resource extraction intersects with elite networks, armed groups and the wider regional political economy. It provides the first comprehensive assessment of how an ungoverned goldfield in northern Somalia has become embedded in the global gold market.

Key findings

- Milxo functions as an ungoverned mining enclave. No authority – Puntland, the FGS or Somaliland – exercises effective control, allowing extraction to proceed without licences, regulation or state oversight.
- Puntland lacks a functioning extractives regulatory framework. No mining law is in force, key legislation remains unpassed and ministries responsible for licensing have no operational system in place.
- The state derives almost no revenue from the gold sector. Puntland collects only a token customs levy at Bosaso airport, representing a fraction of potential revenue. Most of this income appears not to be reflected in Puntland's official revenue accounts.
- Local elites and international actors stand to benefit most from the gold boom. One operator in Milxo appears to have direct links to President Deni's family.
- Al-Shabaab seeks to exploit the gold economy through efforts to 'tax' mining operations. Somalia's Islamic State faction also maintains a strong presence in the nearby mountains and may similarly seek to exploit mining activity as a source of revenue.
- Gold flows to Dubai with almost no due diligence. Exports are carried informally by courier, and the UAE's authorities seldom appear to request proof of origin or compliance, despite recent changes to regulations intended to strengthen oversight of the gold trade.

Methodology

This study employed a mixed-methods approach over several months to document and analyze the illicit gold trade in and around Milxo, Somalia. The research combined field-based data collection with documentary review, satellite imagery analysis and open-source intelligence (OSINT) investigation.

Field research

Two independent teams of Somali researchers conducted fieldwork to ensure data reliability and reduce bias. Between February and April 2025, one team conducted structured visits to key mining and processing locations, documenting activities and interviewing local actors. The results of these surveys, as well as a list of survey questions, are presented in Appendix 2. A second team carried out a parallel set of interviews and was also tasked with verifying data provided by the first team.

The first team surveyed a total of 20 sites. A key challenge was access: in many cases, researchers were unable to negotiate entry with companies operating at or around the sites, limiting direct observation. Field researchers collected photographic evidence to support the identification of mining areas and processing equipment facilities, with selected images included in the report.

A further methodological challenge concerned defining what constituted a discrete site and identifying the relevant operators. In several cases, multiple commercial entities appeared to exploit the same mining area, using shared infrastructure or informal arrangements. All field data underwent a quality-control process involving cross-validation of findings from both teams and review by the author.

In addition to the site surveys, the fieldwork included structured and semi-structured interviews with a range of interlocutors, including:

- employees, management and owners of gold-mining companies operating around Milxo;
- community activists and residents familiar with the evolution of local extraction activities;
- current and former Puntland security, intelligence and other government sources; and
- local and international businesspeople involved in trade and logistics.

Documentary and OSINT research

The research team collected and reviewed a combination of publicly available and confidential grey literature concerning the gold trade in Somalia and the UAE. Sources included company filings, trade records and mobile phone records obtained through confidential channels. Puntland customs documentation provided insight into levies applied to gold exports through Bosaso airport.

Satellite imagery was analyzed to verify the location and extent of surveyed mining sites and to identify additional extraction zones that were inaccessible to field teams. OSINT methods were used to investigate the ownership structures and affiliations of companies and individuals linked to the trade, including potential connections to al-Shabaab and to regional government officials.

All findings were subjected to systematic triangulation. Data from the two field teams were compared against documentary evidence, customs records and satellite imagery to confirm findings. Interview material was cross-checked across sources where possible and discrepancies were flagged for follow-up verification. Sensitive information and personal identifiers have been withheld or anonymized to protect the security of participants and field researchers.

Right of reply

All individuals, companies and government bodies named in this report were offered an opportunity to comment on the findings before publication. Each was sent a right-of-reply request outlining the relevant sections of the report and invited to provide corrections, clarifications, or additional information. At the time of publication, Liban Muse Boqor and Euro Mark Group were the only parties to have provided responses.



MILXO: HISTORY OF A FRONTIER MINING TOWN

It is difficult to pinpoint when the Milxo gold rush began, as commercial satellite imagery of the area is limited. According to an assessment by local intelligence services, gold was first discovered in the Milxo area in 2006,³ after which the site gradually began attracting artisanal miners. Signs of human activity consistent with small-scale alluvial mining appear in satellite imagery around 2010, suggesting that initial surface-level extraction was already underway by that time.

The first permanent structures associated with the settlement now known as Milxo are visible in imagery dated June 2014, marking the point at which the site is likely to have transitioned from a transient mining camp to a more established settlement.

As operations expanded and new actors arrived, the extraction process became increasingly organized, setting the stage for the diverse range of mining methods now observed in the area.

A hotly contested neighbourhood

Milxo lies in the northern foothills of the Golis (or Cal Madow) mountain range, a slender stretch of rugged hills rising above dense forests and fertile valleys. The Golis Mountains extend from north-western Puntland into eastern Somaliland. Administratively, Milxo falls within Sanaag, one of the 18 regions defined under the former Somali Democratic Republic (1969 to 1991).

Sanaag and its considerable mineral wealth – believed to include not only gold, but also significant deposits of copper, tin, lithium, platinum, tantalum, titanium and uranium – sit at the centre of a complex and long-running political contest. The region has, at various points, been claimed or administered by Puntland, Somaliland, the FGS and several self-declared local administrations.

Sanaag and neighbouring Sool regions are inhabited by the Warsangeli and Dhulbahante clans, both sub-clans of the larger Harti/Darod family that predominates in Puntland. Yet these communities have historically been ambivalent towards both Puntland and Somaliland, frequently preferring self-rule over alignment with either administration. Over the years, this aspiration has produced a succession of autonomist projects, including Khatumo (Dhulbahante), Maakhir (Warsangeli), Sool, Sanaag, Cayn (SSC) State, SSC-Khatumo and – most recently – North-Eastern State.



Satellite images of Milxo taken in September 2012, showing no discernible habitation, and February 2025, showing a sprawl of residential and commercial buildings. *Source: Maxar Technologies, Airbus Defence and Space*

In practice, control of Sanaag has been divided between Puntland and Somaliland for decades and Milxo has been positioned firmly on the Puntland-administered side of the line. The political landscape became even more complicated in 2023, when the FGS endorsed SSC-Khatumo's bid for formal recognition. This process culminated in the declaration of the North-Eastern State – encompassing Sool, Sanaag and parts of Togdheer region – which the FGS formally recognized in July 2025 as the country's sixth FMS (see map below).

Another aspect of this already contested landscape is the presence of militant groups in the Golis Mountains, where al-Shabaab and (more recently) the Islamic State's Somali faction maintain operating bases. Al-Shabaab's presence in this mountain range emerged in the aftermath of a Warsangeli uprising against Puntland's attempts to assert control over territory and resources in the mid-2000s (see below), after which the group gradually absorbed the insurgency. The Islamic State in Somalia (ISS) has since established its own foothold in the same terrain. Against this backdrop of fragmented political authority and competing armed actors, Milxo functions largely as an ungoverned space.



FIGURE 1 Milxo is located in the disputed territory of North-Eastern State (SSC-Khatumo).

A legal and political vacuum

Milxo lies firmly within Warsangeli clan territory. Although it nominally falls under Puntland's de facto jurisdiction, it remains outside the Puntland administration's effective control. Interviewees in Milxo universally categorized the town as existing within a legal and political vacuum, with little to no presence of state authorities. One miner described Milxo as a 'free zone' due to the absence of a legitimate government.⁴ Despite some attempts to do so, Puntland's government has failed to impose direct taxation on mining operations in the area due to insufficient enforcement capacity.⁵

Mining operations reflect this regulatory vacuum. Prospectors identify deposits, stake claims – often in partnership with Warsangeli elites – and form 'companies' that are in practice loose associations of businessmen operating under an adopted name rather than formal entities. Through mining-site surveys, interviews and customs documentation, our research identified 35 such entities operating in Milxo and/or involved in exporting gold to Dubai. Only two of these entities were federally licensed, with the FGS telling the GI-TOC that it considered the remainder to be 'illegal mining operations'.⁶ It remains unclear how many of these operations were licensed by the Puntland Ministry of Energy, Minerals and Water (MoEMW), which declined to respond to multiple inquiries from the GI-TOC.

Puntland also lacks any formal legislative or regulatory framework governing mineral taxation or oversight. As of January 2026, the MoEMW's webpages for 'Legislation', 'Policies', 'Regulations & Standards' and 'Strategic Plan' were entirely blank. Although the Puntland administration has made several attempts since 2014 to draft a mining act, minerals bill and extractives revenue framework, none have been passed by the state parliament or enacted as binding law. In the absence of a codified regime, the sector operates without regulation and revenue is collected through ad hoc arrangements and informal payments rather than a structured fiscal system. In practice, the only Puntland revenue from the Milxo gold trade identified in our research is a nominal customs levy of US\$0.13 per gram (roughly 0.2% of value), collected at the point of export in Bosaso (although the precise legislative or regulatory basis for this levy remains unclear).



A trommel mill on the outskirts of Milxo, used to wash and separate gold-bearing ore. *Photo supplied*

More broadly, most of the entities operating in Milxo are likely illegal under Somali federal law. The Somali Provisional Constitution, adopted in 2012, stipulates that authority over natural resources is neither exclusively federal nor state-based; instead, these powers must be ‘negotiated and agreed upon’ between the FGS and the FMS. As no such resource-sharing agreement exists for the mineral sector, the Constitution provides no explicit allocation of authority – a gap that has left extractives governance politically contested and legally ambiguous. For its part, the FGS unequivocally maintains that the mining activity in Milxo is illegal. This position was reiterated most recently on 16 November 2025, when Somalia’s Ministry of Petroleum and Mineral Resources issued a statement reaffirming that only the FGS has the authority to issue mineral permits and noting that illicit extraction threatens national sovereignty and finances terrorism.⁷ It also warned that illicit extraction will be countered by (unspecified) enforcement.

Attempts by the FGS and FMS to reach resource-sharing agreements have repeatedly proven short-lived. In mid-2018, for instance, the FGS and FMS reached a memorandum of understanding outlining the terms for issuing fishing licences. This framework was formalized through a provisional revenue-sharing agreement signed on 22 March 2019 in Addis Ababa.⁸ Under that deal, the FGS was granted authority to issue licences beyond 24 nautical miles from the shoreline, while responsibility for managing marine resources within 24 nautical miles was devolved to the FMS.⁹ The parties also agreed that all revenues would be deposited in a Central Bank of Somalia account and distributed by a joint committee comprising representatives of the FGS and each FMS. However, after only a brief period of compliance, the arrangement effectively collapsed, as FMS – most notably Puntland – continued issuing their own licences to foreign fishing vessels.¹⁰

A similar framework agreement signed in 2018 on the ownership and management of the petroleum sector – later incorporated into the 2020 federal Petroleum Law¹¹ – also appears to have been disregarded by all parties. A major factor behind the breakdown of resource-sharing agreements in Somalia is that powerful political actors have strong incentives to maintain the status quo. For instance, past GI-TOC research has revealed that a close associate of President Deni may have personally benefited from selling irregular fishing licences to Chinese vessels operating in Puntland’s waters, including those implicated in environmental degradation and human rights abuses.¹² Puntland’s gold sector is susceptible to the same elite capture.

In the absence of a functioning legal framework – and given Puntland’s limited ability to project authority into Warsangeli-inhabited areas – Milxo remains, in practice, an ungoverned space. The recent past offers a clear warning of the consequences when Puntland attempts to assert heavy-handed control over Warsangeli territory and resources: such efforts sparked a clan uprising in the mid-2000s that escalated into a sustained insurgency in the Golis Mountains, a movement that al-Shabaab later subsumed. While that original insurgency has faded, al-Shabaab militants retain a foothold in the Golis range today.

The Warsangeli uprising

The rugged yet fertile terrain of north-eastern Sanaag region proved ideal ground to spawn armed resistance against Puntland’s government by the local Warsangeli clan. Around 2005, Warsangeli grievances stemming from political marginalization and access to resources boiled over into an insurgency that was in turn co-opted by al-Shabaab.

A key flashpoint in the outbreak of clan conflict was the arrival in Puntland of the Australian mining firm Range Resources Ltd, years before the region’s gold boom began. At the time, the company’s primary interest lay in petroleum exploration. In October 2005, Range Resources secured a deal with Puntland’s then President Mohamud Muse Hersi for sole and exclusive rights to all mineral and hydrocarbon exploration and development in the region.¹³

The agreement was widely viewed as controversial. According to President Hersi himself, Range Resources was effectively permitted to draft the laws governing its own operations.¹⁴ The architect of the Range Resources deal was President Hersi's nephew and advisor, Liban Muse Boqor, who was subsequently appointed to the company's board of directors in March 2006. Company filings show that in 2007 Range Resources paid Boqor a salary of just under AUD\$200 000 (approximately US\$166 000 at the time), while his wife received more than AUD\$41 000 (US\$35 000) in 'consulting fees'.¹⁵ The same company document described Boqor as a 'Senior Economic Advisor to the President of Puntland'.¹⁶ In July 2008, Boqor resigned from the Board of Directors of Range Resources 'to work exclusively for the Puntland Government', according to the company.¹⁷ Boqor appeared to have retreated from public life until February 2024, when President Deni named him as Puntland's Minister for Energy, Minerals and Water, a post he still held at the time of writing. In a response to the GI-TOC, Boqor stated that he had advised the Puntland government during negotiations with Range Resources and that his subsequent appointment to the company's board occurred only after the agreement had been concluded, with the knowledge and consent of Puntland authorities, at which point he resigned from his advisory role.¹⁸ He denied that the arrangement was improper, said remuneration was transparently disclosed and argued that the deal had been in the best interests of the Puntland government.

In what was to become a recurring theme in federal–regional relations, the then Somali Transitional Federal Government declared the agreement illegitimate, asserting that it was the only entity with the right to enter into resource agreements with foreign companies.¹⁹ Somaliland, for its part, warned that if Range Resources personnel crossed into disputed territory, it could 'jeopardise the peace and stability of the entire Horn of Africa'.²⁰ Moreover, the concessions targeted by the company were concentrated in Warsangeli-inhabited territory, a factor that fed directly into existing clan tensions and helped turn the company's arrival into a catalyst for armed confrontation.

Violence first erupted in late March 2006, when a Range Resources convoy protected by Puntland armed forces was attacked by Warsangeli militia near the town of Majayahan, killing eight soldiers²¹ (Range Resources disputed that there had been any casualties).²² President Hersi responded by deploying hundreds of security personnel to the Majayahan area and the fighting intensified, with the Warsangeli diaspora – and possibly Somaliland – providing direct support to the clan militia.²³ After initial setbacks, Puntland forces eventually pushed the Warsangeli fighters into the nearby Golis Mountains. Range Resources suspended its Puntland operations, although it did not formally terminate its relationship with Puntland's government until 2015.²⁴

A second phase of the conflict broke out in 2009, with Warsangeli resistance led by Sheikh Mohamed Said 'Atom', a cleric based in the town of Galgala with ties to Islamist groups. By 2010, Atom's forces had established training camps and launched sporadic attacks on Puntland security forces, ambushing convoys and targeting military outposts near Bosaso. Over the next two years, the violence escalated sharply: more than one hundred people were killed, hundreds of families were displaced and Bosaso experienced a series of targeted assassinations carried out by both sides.²⁵

For al-Shabaab, the Warsangeli insurgency provided an ideal bridgehead to expand the group's influence northward. Militants began infiltrating into northern Puntland, gradually absorbing this insurgency into its organizational structure. By February 2012, Yasin Kilwe, a close associate of the then al-Shabaab leader Ahmed Abdi Godane, had declared himself 'emir' of the 'Mujaahidiin of the Golis Mountains'.²⁶ The advantages for the group were obvious: in addition to a foothold in Puntland, the Golis Mountains offered a direct line of communication to al-Shabaab's ally in Yemen, al-Qaeda in the Arabian Peninsula, as well as easy access to the established arms-smuggling pipeline running from Yemen into north-eastern Somalia. Although perhaps not part of the group's calculus at the outset, the area also offered potential access to abundant mineral resources and opportunities to extort those seeking to exploit them.

Past is prologue? Euro Mark Group and a controversial concession

In a region marked by unresolved territorial disputes and a history of resource conflict, Dubai-based Euro Mark Group for Development Company LLC emerged as a new actor in 2024 following the granting of a large mineral exploration concession by the Puntland government. A leaked March 2024 geological survey proposal detailed the concession and outlined plans to map deposits of gold, copper, tin, lithium, platinum, tantalum, titanium and uranium across an area spanning more than 1 000 square kilometres of the Sanaag region.²⁷ Alarming, the Euro Mark concession covered an area that remains contested among Puntland, Somaliland and the FGS-backed North-Eastern State. It also encompassed the town of Majayahan, the flashpoint for the initial outbreak of violence during the Warsangeli clan uprising in 2006. The document referenced Puntland government estimates of the region's mineral potential, including reserves of up to 567 tonnes of gold – an amount that, at the time of writing, would carry a notional market value of roughly US\$70 billion.

The revelation of the deal sparked uproar on social media and public anger concerning the company's background and motives. Sources and social media users claimed that Euro Mark Group was linked to Emirati interests, and that senior Puntland politicians had been paid to grant the concession.²⁸ While unsubstantiated, these claims nonetheless reflected the widespread distrust and public outrage surrounding the deal. A representative of Euro Mark strongly disputed that any payments had been made to secure the concession.²⁹

Subsequent investigations confirmed that Euro Mark Group for Development Company LLC is indeed linked to a parent firm registered in the UAE, namely Dubai-based Euro Mark General Trading LLC. The Dubai entity markets itself as a supplier of metal-detecting equipment, which is consistent with imagery of its physical storefront in Dubai.

A corporate intelligence report identified one of Euro Mark General Trading's owners as a Sudanese national residing

in Dubai.³⁰ When contacted, the owner acknowledged an affiliation with Euro Mark Group for Development Company LLC and confirmed that the company was engaged in mining exploration in Milxo, though had yet to begin exporting gold.³¹ The GI-TOC additionally identified an individual based in Milxo responsible for the company's operations. That individual, when reached, described himself simultaneously as a businessman, Euro Mark Group's representative in Somalia and a Puntland government employee.³² Specifically, he claimed to be the 'head of the mining department in the region' within the MoEMW. The MoEMW declined to respond when requested to verify his employment.

Like most mining companies in Puntland, Euro Mark Group is apparently operating without a federal licence.³³ Additionally, according to the Puntland Ministry of Commerce, Industry and Investment (MoCII) no company by that name is registered with the ministry or has been issued an export licence.³⁴ (The MoCII is the body mandated under Puntland law to regulate business operations and approve foreign investments).³⁵ When contacted, a representative of Euro Mark Group disputed the relevance of MoCII registration, stating that the company had no dealings with the Ministry of Commerce but was licensed by the MoEMW.³⁶ The representative acknowledged, however, that the company's licence was due for renewal at the time of writing. The MoEMW did not respond when asked if Euro Mark had obtained a valid mining licence.

The Euro Mark concession mirrors past practices by Puntland's central authorities, whereby the region's natural resources have been allocated to foreign entities through non-transparent processes and in the absence of effective regulatory oversight. In an echo of the Range Resources deal two decades earlier – though now unfolding within an even more complex political and security environment – such arrangements risk aggravating intercommunal tensions that have previously erupted into violence. ■



AL-SHABAAB: A SILENT PARTNER IN THE MINING SECTOR?

A foothold in the Golis Mountains gave al-Shabaab not only a military advantage, but also access to new revenue streams, including the rapidly expanding mining sector. Al-Shabaab has established a sophisticated and highly lucrative domestic ‘taxation’ system that operates primarily in southern and central Somalia. This apparatus forms the backbone of the group’s finances, generating upwards of US\$100 million annually through an expansive network of checkpoints where militants extort payments from passing vehicles and traders.³⁷ Extortion of Somali businesspeople – often aided by obtaining inside information on the finances of their operations – is also a common revenue generating practice for the group.³⁸ Al-Shabaab has sought to replicate its taxation model in its northern stronghold, aiming to profit from the lucrative gold boom unfolding in the nearby foothills.

Attempts to ‘tax’ gold

Since at least 2019, al-Shabaab has made repeated attempts to extort money from mining operators in and around Milxo. A media report in 2022 – one of the first to cover the Milxo gold rush in depth – described how al-Shabaab initially tried to infiltrate the community under the guise of moral reform and local administration.

‘In 2019, they started with community mobilization campaigns in Milxo village, trying to canvas support for al-Shabaab administration and control of the mining operations,’ the article quotes a resident as saying.³⁹ ‘The elders refused to collaborate with them in matters concerning the administration and control of the mining operations.’ Following this, al-Shabaab began employing more direct intimidation tactics. In December 2020, heavily armed militants descended on Milxo, under the pretext of stamping out alcohol consumption and preventing armed conflict between miners.⁴⁰ The militants confiscated dozens of weapons from residents and exhorted clan elders to accept joint al-Shabaab administration over the town.⁴¹ Militants also abducted 10 members of the community and held them for almost two weeks before releasing them.⁴² After announcing an agreement with local elders that included bans on mobile phones, alcohol and drugs – and the exclusion of Puntland government authorities from Milxo – the militants subsequently withdrew from the town.⁴³

Despite this supposed agreement, al-Shabaab appears to have since exerted little to no direct control over the local administration of Milxo. Indeed, the militant group has made multiple subsequent attempts to take control of the town and extort residents in the intervening years (see timeline).

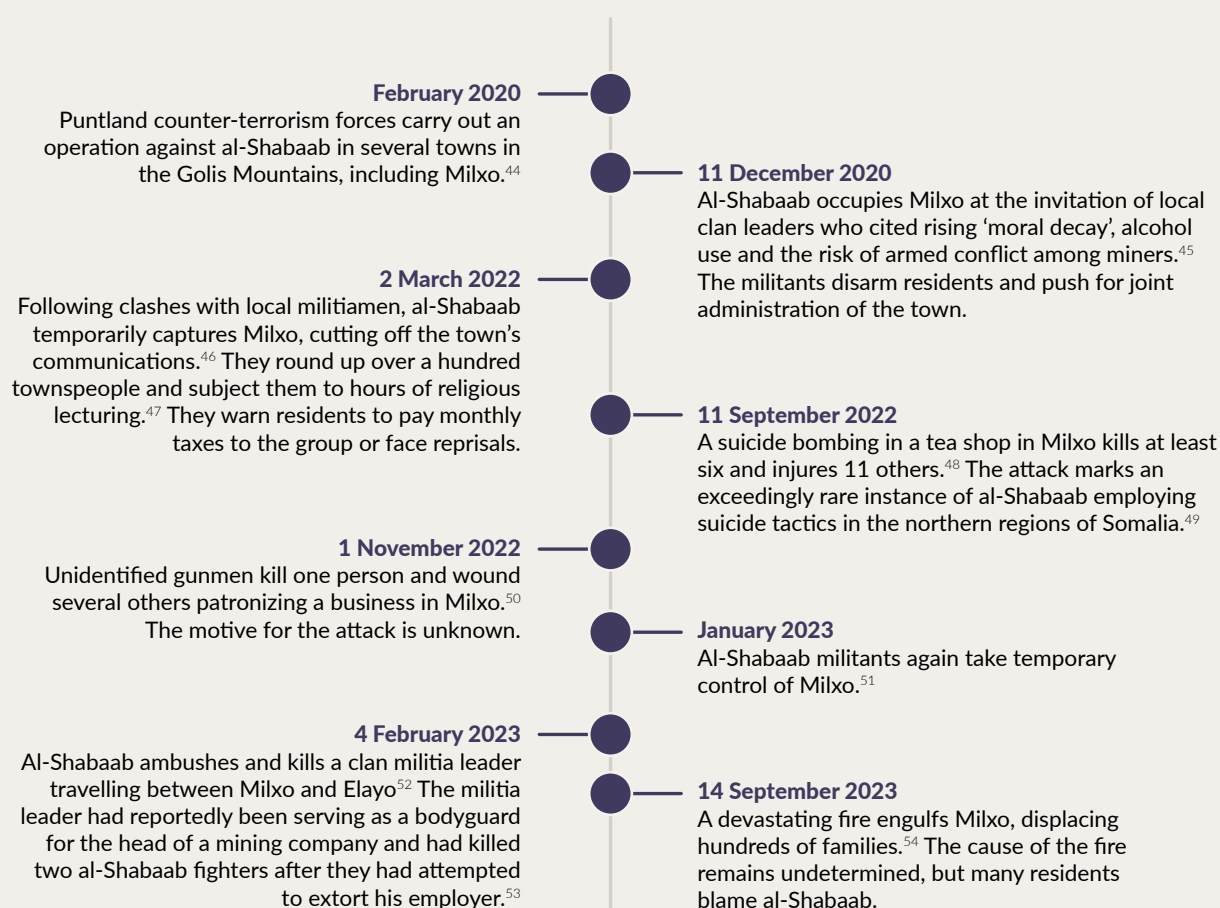


FIGURE 2 Timeline of al-Shabaab activity in Milxo.

It is unclear to what degree al-Shabaab's intimidation tactics have been successful. While the group does not appear to have wielded direct control of the town for any significant period, whether they have been able to extort millions of dollars in 'taxation' from gold-mining companies is a more open question.

Consistent with their practices elsewhere in Somalia, al-Shabaab 'taxation' on gold-mining companies is often disguised as *zakat*, an Islamic practice mandating those who can afford it to contribute 2.5% of their accumulated wealth to help the poor. While the religious obligation of *zakat* only falls once annually, in practice al-Shabaab often makes *zakat* demands twice per year, quarterly, or even more frequently as their financial needs dictate.

A brief prepared by a Puntland intelligence official in 2022 stated that companies operating in Milxo paid US\$3 000 per month to al-Shabaab, plus an additional weekly *zakat* levy on every gram of gold produced.⁵⁵ In total, the report estimated that al-Shabaab had generated US\$3.5 million from extorting Milxo mining operators over the previous year and a half.

Mining company employees interviewed for this study generally downplayed al-Shabaab's extortion capabilities. One company owner reported that al-Shabaab taxation was more prevalent in 2018 and 2019, but had fallen off since then due to pushback from the local community.⁵⁶ 'I'm not denying the involvement of al-Shabaab,' he said. 'It's just not as frequent as in the past.' He added that the militant group was more likely to make extortion demands on mining operators who were newcomers to the region.

Other interviewees were even more dismissive of al-Shabaab's influence, denying that the group derived any significant revenue from the gold trade. Anyone who seeks 'to collect taxes must have the power to enforce, provide security and derive authority ... from the local population,' another company employee said. 'This is no man's land.'⁵⁷

Taken together, these accounts suggest that while al-Shabaab likely exercised greater influence during the early phases of the Milxo gold rush, its ability to tax and control activity has since diminished as the settlement expanded and militias and community structures asserted greater authority. Al-Shabaab also depends on the cooperation of the local Warsangeli clan to maintain its presence in the area, forcing it to walk a fine line between asserting authority and alienating the community by threatening its economic interests. It is also possible that intensifying conflict with the rival ISS faction (see below) has diverted al-Shabaab's attention and resources, limiting its ability to assert greater control over the Milxo area.

However, the researchers obtained one piece of direct evidence showing that, at the very least, al-Shabaab's attempts to extract payments from mining operators are ongoing. A field researcher identified an al-Shabaab official based in Milxo who oversees the collection of *zakat* and other extortion payments from companies operating in the area. The individual is believed to be a former member of the Amniyat (al-Shabaab's intelligence and internal security wing) and hails from the locally dominant Warsangeli clan. He was previously involved in coordinating assassinations and bombings, including the assassination of a Puntland district commissioner in January 2022.⁵⁸ Since being relocated to Milxo around the end of 2022, he has taken charge of al-Shabaab's financial operations in the gold-mining zone, acting as the group's chief intermediary with traders and mine operators.

The research team obtained a screenshot of a text message exchange that took place in early 2025 between this alleged tax collector and the owner of a mining company. After offering an Islamic greeting in Arabic, the texter demanded immediate payment of overdue *zakat* to the 'Islamic government'. He then issued a warning, emphasizing that the demand had been previously communicated multiple times. The target of the extortion responded by asking for more time to comply, to which the sender replied that his company would be banned from operating in the Milxo area within two days if the payment was not delivered. It is not known whether the company owner ultimately acceded to these demands.

Mobile phone records for the subscriber number that sent the texts show an unusually high and sustained level of telecommunications activity consistent with the operational profile of an al-Shabaab tax collector and community liaison.⁵⁹ Between March 2023 and April 2025, the subscriber placed or received over 82 000 phone calls, an average of about 106 per day. Tower location data showed that almost all the outgoing calls – and nearly two-thirds of incoming calls – originated from Milxo or adjacent areas. Moreover, the records show extensive communication with several subscriber numbers previously identified by the research team as belonging to the owners of mining companies operating in Milxo, as well as the Euro Mark Group (see box above) agent who simultaneously claimed to be a Puntland mining official (see Figure 3). The phone data also indicates that the subscriber was in contact with an al-Shabaab military commander based in the Golis Mountains in mid-2020, at around the time that al-Shabaab was reportedly preparing an attack on Puntland forces stationed in the area.⁶⁰

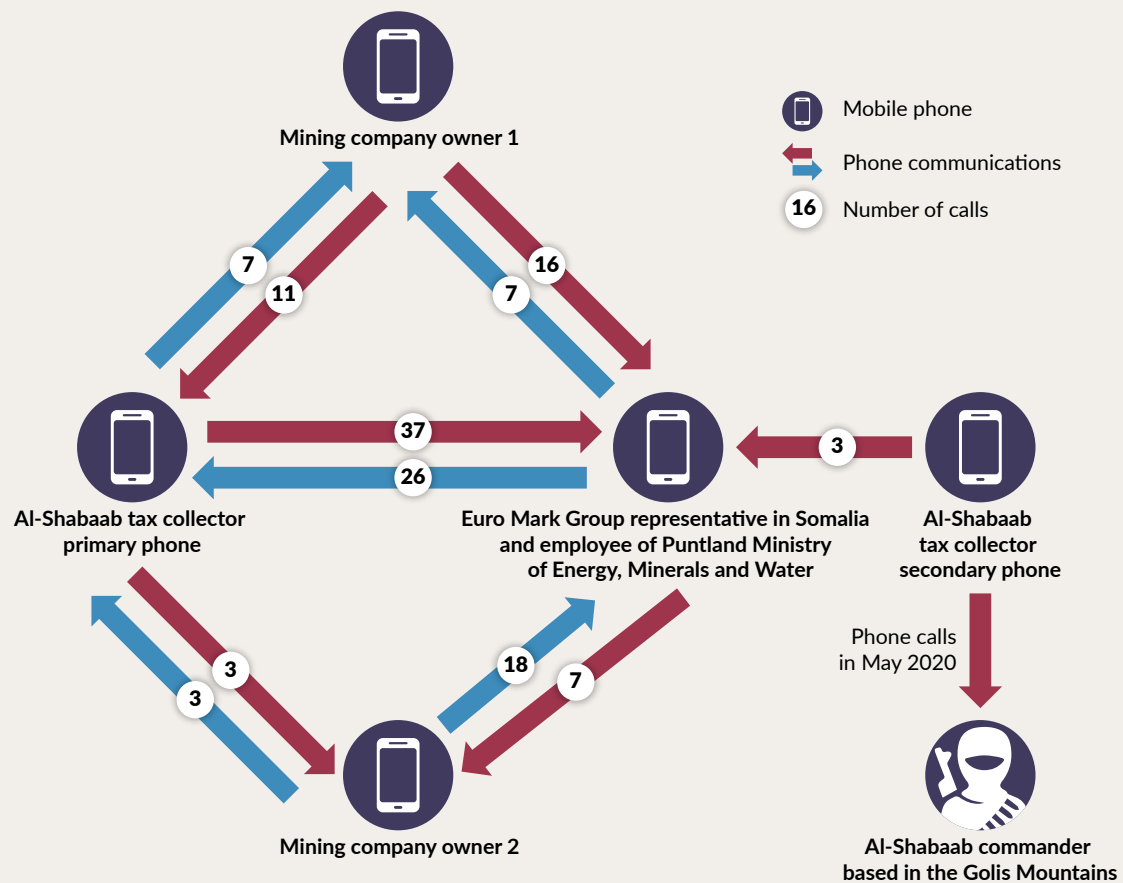


FIGURE 3 Mobile phone communications between the alleged al-Shabaab tax collector and several mining companies operating in Milxo, 2022–2025.

Allegations have also circulated that al-Shabaab is directly engaged in gold extraction in Milxo, operating its own mining ventures alongside local companies. According to the same media report cited above, in 2022 the group had roughly 100 miners working clandestinely under its supervision, suggesting that al-Shabaab may be supplementing its taxation system with small-scale, self-run production.⁶¹ One mining company investor corroborated this possibility, claiming the group had actively recruited ‘foreign geologists, engineers and technicians’, and had even tried to obtain elemental mercury for use in mining operations.⁶² A mining company security officer also believed it was more likely that al-Shabaab obtained revenue through direct investments than through extortion.⁶³ ‘It’s more plausible that they are involved with mainstream companies through sympathizers or collaborators, rather than employing agents in Milxo to collect taxes,’ he said.

The same former Puntland intelligence official who prepared the 2022 intelligence brief said that al-Shabaab had established control over at least two mining companies.⁶⁴ According to this official, the group’s takeover of one of these companies came during its major March 2022 incursion into Milxo (see the timeline). Approximately 150 al-Shabaab militants descended on the town, including

the leader of the Golis Mountains faction, Yasin Kilwe.⁶⁵ According to the intelligence official, they rounded up the townspeople and subjected them to *dawa* (religious lecturing). 'They came in and told people to pay their tax and work with al-Shabaab,' he said. 'And they threatened to execute anyone who didn't comply.' Anyone operating a mining company in Milxo, the militants said, would be required to make a monthly payment to the group.

According to the intelligence official, al-Shabaab also abducted a community leader – who was also the head of a mining company – and held him for three days. During this time, he was allegedly forced into a partnership with al-Shabaab, which assumed partial control of his company. Mobile phone records show limited communications between this company owner ('Mining Company Owner 2' in Figure 3) and the alleged al-Shabaab tax collector responsible for Milxo. However, the GI-TOC could find no additional independent corroboration that this company, or any other company operating in Milxo, was directly controlled by al-Shabaab.

The Islamic State's Somalia faction

ISS emerged in 2015, following the defection of a senior al-Shabaab commander in the Golis Mountains, Abdulqadir Mumin, who declared allegiance to the Islamic State and established a small breakaway cell. Between 2015 and early 2024, al-Shabaab and ISS clashed at least 51 times,⁶⁶ with two major peaks in violence: 2018–2019 and 2023. Al-Shabaab initially made gains in eastern Bari region, ISS's core stronghold. By 2023, however, ISS had pushed al-Shabaab back and regained most of the territory it had lost.⁶⁷

In the period since, ISS has shifted to a more aggressive posture, taking the fight directly into al-Shabaab's areas of influence and establishing a significant, entrenched presence in the Golis Mountains. This expansion has been facilitated in part by an influx of foreign fighters, which had swelled the group's ranks to approximately 1 000 militants by early 2025.⁶⁸ It is possible that being drawn into sustained fighting with ISS diverted al-Shabaab's attention and resources, undermining its ability to assert permanent control over Milxo or establish a functioning taxation apparatus.

In January 2025, Puntland launched a major counter-insurgency campaign – Operation Hilaac ('Lightning') – which dealt a substantial blow to ISS positions in Bari region. However, the group has not been fully dislodged. Although our research uncovered no direct evidence that ISS is profiting from the Milxo gold boom, some reporting suggests the group may be involved in artisanal gold extraction in eastern Bari region, its traditional base of operations. However, evidence of ISS's continued resilience and entrenchment in the Golis Mountains is underscored by the tempo of US counter-terrorism operations: between 31 August and 27 October 2025, US forces conducted at least 12 air strikes on ISS positions in or near the range.⁶⁹ ISS maintains a presence in Bosaso – the exit point for most gold exports – and has developed a sophisticated taxation and extortion system of its own in Puntland.⁷⁰ It is conceivable that the group could eventually seek to extend this apparatus to the region's lucrative gold trade.



BENEFICIARIES OF THE REGULATORY VACUUM

Milxo's status as an ungoverned space – caught between competing political actors and the presence of Islamist militant groups – has enabled miners to operate without licences or interference from any state authority. This vacuum has also created conditions for elite capture of the region's resources. Puntland's political elites are widely reported to hold stakes in the gold trade. Field researchers highlighted one such case involving a company exporting Milxo gold – Maandeeq Group Energy and Minerals – which is apparently tied to Puntland's President Deni. As is typical of mining in Milxo, Maandeeq is not federally licenced,⁷¹ yet continues to operate freely.

Maandeeq Group Energy and Minerals


Field reporting and documentation reviewed by the research team suggest that Maandeeq Group Energy and Minerals may be linked to family members of President Deni. Documentation obtained by the team included three export customs receipts issued in the name of Maandeeq, covering gold consignments ranging from 900 grams to 1.2 kilograms (see image below).

The company's listed contact number traces to Abdirahman Abdullahi Hassan Galayr, a UK national and a cousin of President Deni. Its web domain (maandeeqgroup.com) was only registered in September 2025, yet claimed that the firm has 'decades of experience' and boasts of clients including major UN agencies as well as international donor agencies (see screenshots below). The website was recently taken down.

Maandeeq Group Energy and Minerals appears to represent the extractives arm of the broader Maandeeq Group of companies, an enterprise believed to be controlled by President Deni and widely reported to be run by his son, Abdullahi Said Mohamed Deni.⁷² A source within the MoCII with access to company registration documents claimed that President Deni was Maandeeq Group's principal owner, although proxies are used on official documentation.⁷³ The MoEMW and the MoCII failed or declined to respond when asked if Maandeeq was licenced to mine gold in Puntland.⁷⁴

Additionally, Puntland's corporate registry lists a company jointly owned by Abdirahman Galayr and President Deni's son (see image). The firm, Bosaso Power Company, was registered in July 2025 as a solar power enterprise.⁷⁵

Dowlada Puntland Somaliya
Wasaarada Maaliyada



Puntland State of Somalia
Ministry of Finance
Bosaso Customs Airport

Bollete Dogonale Export

Bollete Dogonale Code:

102-00000112

Way Bill Code

:

0019092

Exporter

:

MAANDEEQ

Bill No.

:

2525

Ship Departure Code:

Daallo Airlines Dubayy [Dubai]

2024-12-09

Date of Export:

18/05/2025

Destination:


United Arab Emirates

SL NO	HS Code	Goods	Quantity	UOM	Tariff	Total Duty
1	710811.1321	Dahab Jajabka	1200.00	Gram	0.13047	156.56400
	Tax		%			Total
	Customs Duty					156.56
	Bolo					3.13
	Total					159.70

Grand Total

159.70

Shso (0.00%) = 0




USD (100.00%) = 159.70


Date:

18/05/2025

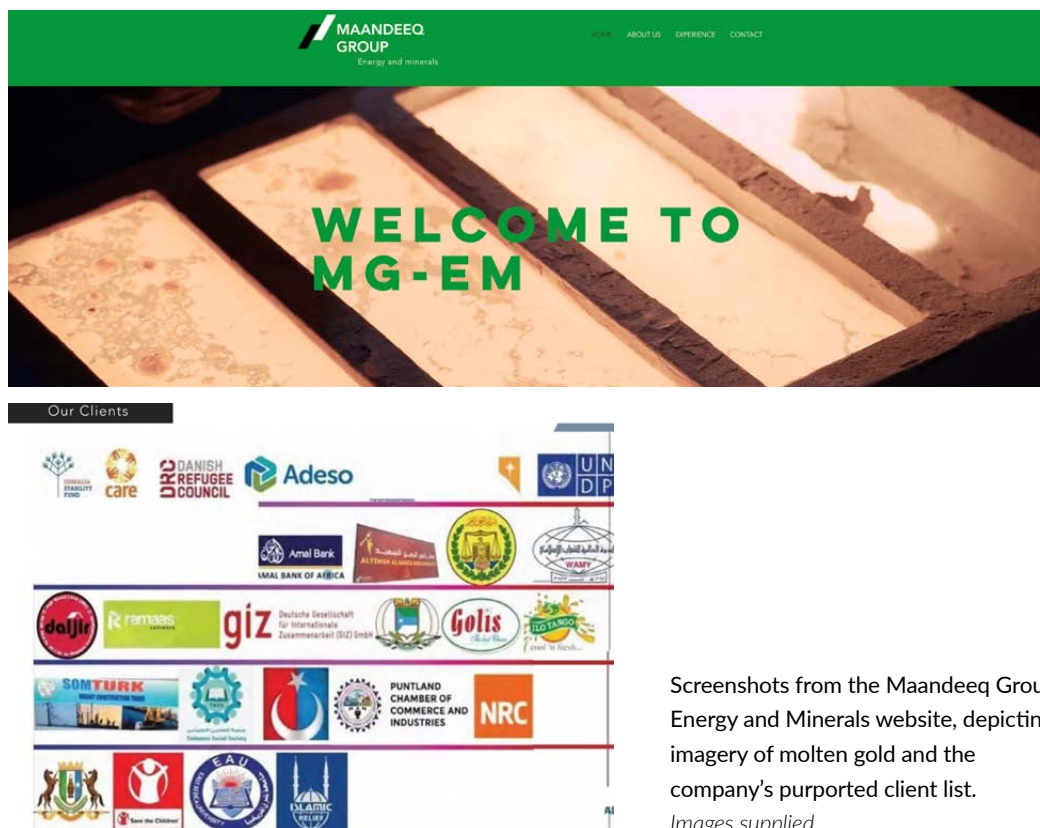
Evaluation By:



Approved By:



Customs receipt for the export of 1.2 kilograms of gold by Maandeeq in May 2025. *Image supplied*



Screenshots from the Maandeeq Group Energy and Minerals website, depicting imagery of molten gold and the company's purported client list. *Images supplied*

Documents

Invoice

Workflow

History

Company Name

BIN Number

Company Type

Class

Industry

Agency License Required

Registration Date

Issued Date

Expiry Date

Contact

eMail

Address

BOSASO POWER COMPANY

C-258-93918

Sole Proprietorship - General Trade License (WHOLESALE)

C

Oalabka Matoorada, Korontada & Soolarka - Solar Electricity & Motor Equipment

NO

23-Jul-2025 (months ago)

23-Jul-2025 (months ago)

23-Jul-2026 (months from now)

-

garowe, GAROWE, NUGAAL

Update District & Location

OWNERSHIP DETAILS

Name	Gender	Ownership %
ABDULLAHI SAID MOHAMED	MALE	50%
ABDURAHMAN ABDULAH HASSAN	MALE	50%
	Total ownership Percentage %	100%

Company registration details for Bosaso Power Company. Image supplied

Public procurement records show that additional companies under the Maandeeq umbrella have been awarded multiple World Bank-funded implementation contracts, including the construction of a subsurface dam and procurement of vehicles.⁷⁶ The firm has also been contracted by the UAE-owned Bosaso International Airport Company for maintenance and logistics services⁷⁷ and by a donor-funded infrastructure programme to build a section of road in Bosaso.⁷⁸

Abdirahman Galayr, President Deni and Abdullahi Said Deni did not respond to requests for comment.



FROM MINE TO MARKET: HOW MILXO'S GOLD REACHES THE GLOBAL SUPPLY CHAIN

Mining and processing methods in Milxo are highly rudimentary (see Appendix 1) and the gold produced at the site is typically rough and impure. Some additional refinement may take place in Bosaso before export, but when the gold reaches Dubai – the destination for virtually all Milxo-sourced gold – it remains in a semi-processed or 'raw' form.

Field interviews indicated that gold in Milxo is informally grouped into three locally recognized (but non-standardized) purity categories, each broadly reflecting the method of extraction and refinement used. The highest-value product is alluvial or cyanide-leached gold, locally referred to as '22-carat', which typically reaches around 85% to 90% purity (slightly below the standardized 22-carat benchmark of 92%). The second and most common category is crusher-processed gold, known locally as *ilameer-ayso* ('washed' or 'rinsed'), which is produced through wet pan mills and mercury amalgamation (see Appendix 1). While labelled locally as '18-carat', this category ranges from 58% to 75% purity (and most commonly around 70%), typically falling short of the international 18-carat standard of 75%. A third, lower-grade category is labelled locally as '14-carat' (58% purity). Although interviewees did not detail its production process, contextual evidence suggests it results from more rudimentary or inefficient techniques, such as manual crushing or incomplete amalgamation in sites without access to wet pan mills.

Local gold prices in Milxo were consistently lower than international market rates. Across all categories, the local price averaged roughly 10 to 30% below the global spot price for equivalent purity levels.⁷⁹ This significant discount is understandable in light of the uncertainties involved. Purity levels can vary considerably between mines and operators. Traders and intermediaries often lack the means to assay the gold properly, assuming the risk that its purity may be lower than stated. The discount also reflects anticipated expenses for transportation, as well as refining and processing costs once the gold reaches its destination.

Gold mining and processing in Milxo is not only a political and economic issue, but also a long-term environmental concern (see Appendix 1). Mercury-based amalgamation releases toxic vapour into the air and contaminates soil and water through tailings, sometimes accumulating in fish, livestock and the wider food chain. Cyanide-leaching plants avoid mercury but introduce their own hazards: leaks or failures in containment ponds can contaminate groundwater and vegetation, threatening both ecosystems and surrounding communities.



Left: A miner inspecting crushed quartz ore beside a small diesel-powered jaw, or hammer mill.
 Right: A labourer in Milxo who appears to be in the process of adding elemental mercury to a wet pan mill.
 (For further details on the processes used in Milxo, see Appendix 1.) *Photos supplied*

While miners and residents in Milxo assume the bulk of the environmental and health risks, they earn only modest wages or small shares of site-level profits (see Appendix 2). The substantial financial gains accrue much further downstream: to traders, refiners and investors in Dubai, where Somalia's unrefined gold ultimately ends up.

All flights lead to Dubai

Interviewees consistently reported that virtually all gold mined in Milxo is transported from Bosaso to Dubai on commercial flights, typically carried by individual human couriers. Small-scale miners generally sell their production to intermediaries or employees of larger companies, who consolidate these quantities into larger packages for transport.

Interviewees described a complete absence of Puntland government presence in Milxo itself and no checkpoints or roadblocks along the route from Milxo to Bosaso. Instead, the airport at Bosaso serves as the sole taxation chokepoint in the trade, where Puntland's authorities collect minimal export levies before the gold departs for Dubai.

A source familiar with these procedures provided samples of customs export declarations for gold couriered to Dubai between February and May 2025. The quantities listed ranged from 600 grams up to 5 kilograms. All shipments were recorded under the Harmonized System code 7108.11, corresponding to 'unwrought, non-monetary gold'. On the customs documentation, the product was listed under the catch-all Somali term *dahab jjabka* – literally 'crushed' or 'granulated gold'.



Samples of unrefined gold, or *dahab jjabka*, to be shipped to Dubai. Photos supplied

The customs documentation showed that Puntland's authorities impose a flat levy of roughly US\$0.13 per gram of gold, a negligible amount. Even assuming an average purity of 70%, this represents an effective tax rate of less than 0.2%. One explanation for the low rate is that higher duties would risk driving exporters to circumvent official channels altogether, a relatively easy task given Puntland's limited enforcement capacity. The gold traders, for their part, likely reason that paying a nominal tax is a worthwhile price for use of Bosaso airport, as well as securing official documentation to present if they happen to be questioned by authorities in Dubai.

The source who provided the customs documentation further noted that receipts for these transactions were sometimes found only as hard copies and did not appear in PuntCAS, Puntland's computerized customs database. Furthermore, QR codes on all reviewed documentation showed the associated fees as 'not paid', suggesting that levies may have been generated by the PuntCAS system – and perhaps collected – but ultimately not recorded as settled within the database. Such 'missing transactions' may explain why Puntland's Ministry of Finance appears to collect little central revenue from these exports. In the Puntland state budget, these payments are recorded under the line 'Mineral Export Tax'. Yet, the Ministry of Finance projected US\$310 953 in revenue from this category in 2024, but collected nothing for the entire year, according to official fiscal reports.⁸⁰ For 2025, the ministry forecast US\$261 397 in revenue from this source, but as of June had recorded just US\$515 in total receipts.⁸¹

A gold courier's journey from Bosaso to Dubai

Abdirizak,⁸² a seasoned gold courier who operates from Somalia, provided a detailed account of how artisanal Somali gold enters the global market through Dubai. While the UAE imposes some light procedural requirements, the system as described by Abdirizak enables large volumes of unrefined gold to move internationally with little or no verification of origin, legality or ethical sourcing.

The gold begins its journey in Somalia's artisanal mining regions, where small-scale miners extract ore using rudimentary methods. This ore is processed locally into *dahab jjabka*: a Somali term meaning 'broken gold' or rough, unrefined gold. 'The gold originates from artisanal mining sites and often comes as gold dust, nuggets, or flakes mixed with other minerals,' Abdirizak explained. 'Before I travel, this raw gold is usually melted down into small bars or ingots ... typically with a high gold content, maybe around 85–95% purity.'

These small, impure bars of one or two kilograms – irregular in shape and unstamped – are preferred for smuggling and ease of transport. ‘When I carry them, I often pack these pieces securely, sometimes wrapped in cloth or plastic, then placed in my carry-on bag,’ he said. Abdirizak usually flies out of Bosaso or (occasionally) Hargeisa on Daallo Airlines or FlyDubai. ‘The idea is to keep each shipment relatively modest in size ... carrying much more than [15 kilograms] in one go is uncommon for us,’ he noted. ‘If I have 20 or 30 kilograms accumulated, I’d split it up into multiple trips or among multiple couriers.’

One of the most notable aspects of Abdirizak’s testimony is the near-total absence of formal procedures on the Somali side of the transaction. ‘I usually do not have formal export papers from Somalia,’ he admitted. ‘The Somali side often has no export permit for this gold because it’s an informal export. We only get a customs taxation receipt.’ That receipt appears to be the sole document generated in Somalia; there is no certificate of origin, no licensed exporter, no formal inspection and no record of the gold’s source mine or supply chain.

Upon arrival in Dubai, Abdirizak goes through customs like any other traveller and he openly declares the gold. ‘Dubai is known as a gold trading hub, so bringing in gold is not unusual there and the authorities have a system for it,’ he said. ‘After I land, I proceed to the customs area ... I fill out [a declaration] form stating that I have gold with me and detailing the quantity.’

The process is described as efficient and largely hassle-free. ‘The customs officers will inspect the gold. In my experience, this is usually a straightforward inspection ... They see the gold bars or pieces, verify the amount I declared and perhaps ask a couple of routine questions.’ Once the inspection is done, Abdirizak receives a stamped document acknowledging the gold was declared. ‘This document is important because it proves that I brought the gold in legally,’ he explained.

Dubai does not levy import duties on raw gold. ‘There is no import tax or duty,’ Abdirizak confirmed. The only requirement is declaration – no documentation from Somalia is expected or required. ‘They do not require me to show, say, a mining licence or a proof of source.’ Asked if UAE customs authorities attempt to verify the origin of the gold, Abdirizak was unequivocal: ‘No, the UAE authorities do not verify the origin of the gold I bring in, and there aren’t special extra checks for gold from Somalia.’

Rather than scrutinizing the gold’s provenance, Abdirizak said UAE customs are more concerned with who is carrying it. ‘They just profile the person,’ he said. ‘Sometimes you’ll meet a Somali translator asking you questions like: “Do you know this person? Are you related to him? Does he work in Milxo?” In some cases, these questions have led to detentions, confiscations and even deportations. He recounted the case of a Somali businessman who was deported and had his 10 kilograms of gold seized due to his association with a previously deported individual.⁸³ ‘Later a broker came and obtained the gold from the police and sold it,’ Abdirizak said, adding that the broker took about four kilograms as a ‘brokering fee’.

Once in Dubai, Abdirizak meets with buyers, either immediately after leaving the airport or later the same day. He most often sells to trusted dealers at the Dubai Gold Souk, but will occasionally sell directly to refineries, if the lot he is transporting is particularly large or of higher purity. A third option is to sell through intermediaries, particularly when they offer more competitive prices. One Somali broker, well known across Dubai and occasionally used by Abdirizak, was rumoured to have connections with the Emirati security services.

Buyers typically conduct a quick assay using handheld electronic analyzers or a quick acid scratch test to determine the gold's purity, which is the primary factor determining price. 'Most established gold buyers in Dubai have these basic testing tools on site,' he said. In some cases, especially with larger lots, the buyer might insist the raw gold be assayed at a refinery, where it is melted down and chemically tested in a controlled process. Despite Dubai's official stance on responsible sourcing and its due diligence obligations, Abdirizak said that, in practice, no one has ever asked him for proof that the gold was ethically or legally sourced. 'Refineries in Dubai are supposed to follow some due diligence guidelines ... but I've not been subjected to any rigorous checks about where I got it.'

Abdirizak said that he typically accepts a 5% to 10% discount on the market value of his gold, to allow for the buyer's profit margin as well as refining costs. The payment process is informal and fast-moving. 'I receive payment right on the spot when I hand over the gold,' Abdirizak explained. Payment is usually in US dollars, either in cash, by bank transfer to a trusted associate or by *hawala* money transfer.

Abdirizak's experience underscores how artisanal gold from Somalia, mined and exported without formal licensing or documentation, is absorbed seamlessly into the global market via Dubai. At this stage, it becomes effectively untraceable. The system functions on personal trust, courier networks and the low threshold of paperwork required upon import. And in Abdirizak's telling, it is remarkably straightforward. 'Some people might imagine a broker escorting you through a side door to skip customs, but that's not how it works for me,' he said. 'I just follow the normal arrival process.' ■

Dubai: A melting pot for African gold

Dubai's status as an international aviation hub, the absence of taxes, and the UAE government's strategic policy aimed at reducing regulation around gold imports have all contributed to making the city particularly appealing to smugglers of African gold. In 2016, the UAE overtook the People's Republic of China as the largest importer of African gold.⁸⁴ Yet while UAE imports of African gold have skyrocketed, official export figures from African countries have not kept pace, suggesting that much of the precious metal is brought to the UAE illicitly. A recent study estimated that at least 435 tonnes of gold was smuggled out of Africa in 2022, worth US\$31 billion at the time.⁸⁵ It also concluded that gold smuggling in Africa had more than doubled between 2012 and 2022.⁸⁶ Record-setting global gold prices are only likely to magnify this trend in the years to come.

UAE-declared imports of Somali gold have nearly doubled since the onset of the Milxo rush – from 2 782 kilograms in 2017 (worth roughly US\$100 million at the time) to 5 048 kilograms in 2023 (valued at approximately US\$315 million).⁸⁷ Temporary declines in 2020 and 2021 were probably due to pandemic-related disruptions. Because Somalia does not report trade statistics to UN Comtrade, however, it was impossible to cross-reference the figures.

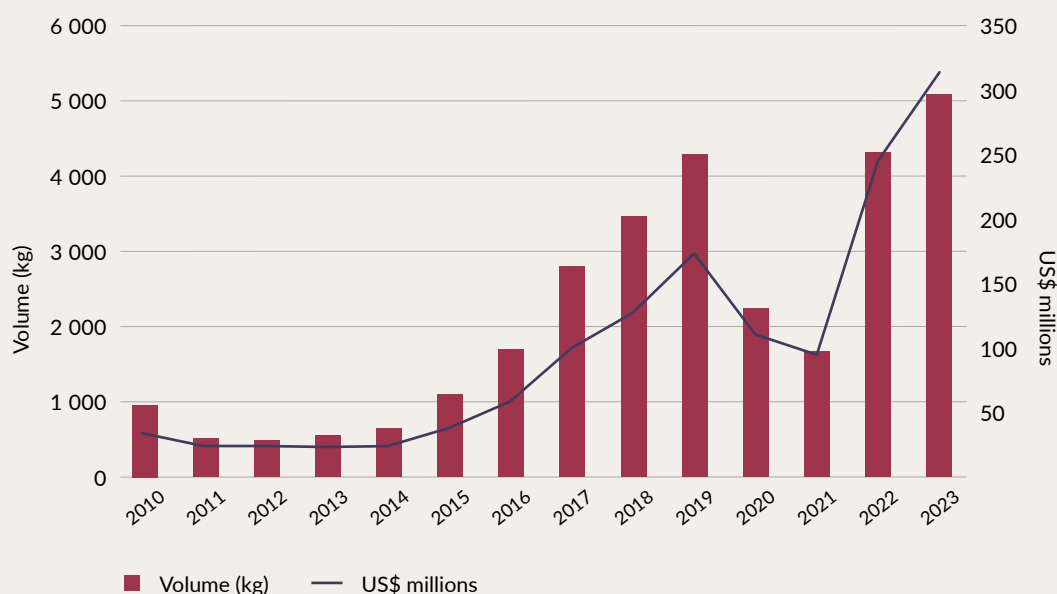


FIGURE 4 Official imports of gold from Somalia into the UAE, 2010–2023, in volume and value.

SOURCE: UN Comtrade

Outwardly, the UAE claims to be taking steps towards strengthening the country's anti-money laundering and countering the financing of terrorism (AML/CFT) measures, including through cracking down on the import of conflict gold. In August 2022, for instance, the UAE introduced 'due diligence regulations for responsible sourcing of gold', which, among other measures, required refiners to follow the Organisation for Economic Co-operation and Development's framework for supply-chain risk management.⁸⁸ In March 2024, a ministerial decree extended these obligations to dealers in precious metals.⁸⁹ And in August 2024, the UAE suspended the operations of 32 gold refineries following an AML/CFT investigation.⁹⁰ These and other efforts were rewarded in February 2024, when the Paris-based Financial Action Task Force removed the UAE from its 'grey list' of countries deemed to lack adequate countermeasures against money laundering and terror financing.

Yet there is reason to believe that these due diligence regulations are not being applied in practice. (see 'A gold courier's journey from Bosaso to Dubai'). Somalia is classified by the Financial Action Task Force, the European Union and other international bodies as high-risk for conflict gold. As discussed above, the Milxo mining zone lies in a disputed region where tensions have recently escalated over the creation of a new FMS. In such a context, gold revenues risk fuelling both internecine political conflict and armed insurgency. Yet despite these risks, there appears to be little sign that the UAE's reforms have effectively curbed the inflow of Somali gold or imposed meaningful scrutiny of its origins, allowing conflict-linked gold to continue entering Dubai's markets largely unchecked.



IMPLICATIONS FOR GOVERNANCE, SECURITY AND THE ENVIRONMENT

The Milxo gold rush is a microcosm for many of the structural weaknesses, political fractures and governance deficits that continue to shape Somalia's political economy. What began as a small artisanal mining site has rapidly transformed into one of the country's most dynamic resource frontiers. Yet the boom has unfolded almost entirely outside the oversight of any state authority. In this legal and political vacuum, competing administrations, clan actors, federal-state rivalries and armed groups all jostle for influence, while the miners themselves operate in a space with no licences, negligible taxation and no meaningful regulatory constraints.

Despite the scale of extraction and the enormous value of the gold leaving Milxo each month, no Somali authority derives meaningful revenue from the trade. Puntland collects only a nominal export levy at Bosaso airport, much of which does not appear in official revenue accounts at all. The FGS, meanwhile, insists that all Milxo mining is illegal under federal law but has no presence on the ground to enforce that position. This institutional vacuum reflects the deeper dysfunction of Somalia's incomplete federal settlement. Without a finalized constitution or a binding extractives framework, resource governance remains a zero-sum contest rather than a cooperative system.

The political economy of Milxo also highlights the degree to which elite capture thrives in the absence of regulatory and fiscal institutions. At least one major operator appears to be linked to President Deni's family. Attempts to create coherent federal-state resource-sharing systems have repeatedly failed, in part because powerful politicians and business figures profit from the ambiguity.

The involvement of al-Shabaab and ISS underscores the security implications of this ungoverned resource frontier. Although neither group controls Milxo directly, both maintain a presence in the surrounding Golis mountain range and al-Shabaab's efforts to extract value from the trade are ongoing. ISS's footprint in the Golis Mountains, coupled with its sophisticated taxation network in Bosaso, raises the possibility that the group could eventually target gold exports more systematically.

Downstream, Dubai's gold market acts as the global absorption point for Milxo's output. The apparent near-total absence of supply-chain controls on arrival – combined with human couriers, minimal documentation and no verification of provenance – allows conflict-linked Somali gold to enter the international market with ease. The result is a supply chain in which the greatest risks are borne locally.

Looking ahead, several broader implications emerge:

1. Puntland's political actors are likely to view gold as a future war chest. With a federal presidential election scheduled for May 2026 – a process historically marked by rampant vote-buying – the value of Milxo's gold provides an attractive, informal revenue source for political figures in Puntland seeking to finance federal campaigns and patronage networks.
2. If unaddressed, Milxo could become a precedent-setting model for extractives governance in Somalia – one defined by illegality, elite capture and armed-group penetration. As new frontiers of mineral exploration open across the country, the dynamics observed in Milxo may be replicated elsewhere.
3. Environmental and public health risks are likely to intensify. The rapid spread of mercury amalgamation and the arrival of cyanide-leaching plants pose severe long-term risks for soil, water and pastoral livelihoods in a region that is not monitored or regulated.
4. The longer the legal vacuum persists, the harder future regulation becomes. Once unlicensed companies, clan networks, political elites and foreign investors entrench themselves in the sector, attempts to formalize mining will face backlash and risk exacerbating instability.

Milxo's gold boom is thus more than a local economic story. It is a microcosm of Somalia's fragmented federal experiment, its unresolved constitutional bargain and the enduring influence of political elites and armed groups in shaping state authority. Unless a credible regulatory framework emerges – one backed by political consensus, enforcement capacity and transparent revenue-sharing mechanisms – this goldfield will remain emblematic of squandered opportunities and become a potential catalyst for future conflict.



APPENDIX 1: GOLD EXTRACTION IN MILXO – METHODS AND PRACTICES

Extraction

Gold extraction in Milxo has evolved from an informal rush into a layered artisanal and semi-industrial system that combines traditional and chemical recovery methods. Field research identified two main modalities of extraction: surface or alluvial mining and hard-rock mining.

Alluvial mining

Gold mining in Milxo originally began much as an alluvial rush, with early prospectors extracting visible surface gold from weathered soils and streambeds long before mechanized equipment arrived. Although most extraction around Milxo is now classified as hard-rock or ‘crusher-based’ mining, small-scale alluvial-style artisanal mining continues to take place. Field interviews indicated that miners continue to exploit surface deposits and weathered veins where gold occurs in loose sediments washed down from the Golis foothills. In these zones, miners dig shallow pits or trenches to reach gold-rich soil and then wash the material through hand-built sluice boxes using recycled water. The process relies entirely on gravity separation – dense gold grains settle in riffles or cloth mats while lighter sand and silt are flushed away.



A rudimentary sluice box used to wash crushed ore or alluvial deposits manually. *Photos supplied*

Interviewees described this form of mining as the entry point for new or low-capital operators, requiring only shovels, basins and wooden or metal sluices. It is often undertaken by small groups of labourers working independently or under informal agreements with claim holders. The resulting concentrates are sold to companies equipped with crushers for further refining, or directly to traders. Under Milxo's grading system (see 'From mine to market: How Milxo's gold reaches the global supply chain'), this alluvial gold is generally of high purity (around 22 carats).

Hard rock mining

Following the depletion of easily accessible surface deposits and facilitated by the arrival of better financed operations, most gold extraction in Milxo had evolved into hard-rock mining by around 2019. This method targets gold-bearing quartz veins exposed along the Golis foothills or accessed through shallow underground shafts. Field interviews indicated that miners excavate quartz-rich rock by hand or with small diesel-powered drills in shafts five to 20 metres underground (see image below).⁹¹



A miner operating a drill under torchlight in an underground shaft. *Photos supplied*

Processing

Two processing methods were identified: wet pan milling using mercury amalgamation and – much less commonly – cyanide leaching. Gold refined through wet pan mills typically reaches a purity of around 18 carats, whereas cyanide leaching can produce gold of roughly 22 carats.

Wet pan milling

Following extraction, ore is taken to local processing yards where it is manually broken down before entering the mechanical crushing phase. The first stage of processing involves mechanical crushers – small diesel-powered machines that break quartz ore into coarse fragments. The material is then processed in wet pan mills, widely known in the region as 'Sudan mills'. These mills consist of a circular steel basin, typically 1.5 to 2 metres in diameter, fitted with two large wheels that rotate around a central axis, crushing the ore into a fine slurry. Water is continuously added to separate microscopic gold particles from the surrounding quartz rock. In the Somali language, gold processed in this fashion is referred to as *ilameerayso*, meaning 'washed' or 'rinsed'.



Wet pan ('Sudan') mills, used to grind crushed quartz into a slurry for mercury amalgamation.

Photo supplied

A key further step in most Milxo processing operations is the direct addition of elemental mercury – known locally as 'silver mercury' (or sometimes just 'silver') due to its appearance – directly into the wet pan mill. Once added, the mercury binds chemically to the free gold particles to form a gold–mercury amalgam. The amalgam is then heated over an open flame, typically without the use of furnaces or safety equipment. The heat causes the mercury to vapourize, leaving behind raw, spongy gold. This is then weighed, cleaned and either sold directly or smelted further into small ingots. Gold processed in this fashion most commonly reaches about 70% purity.

The leftover slurry, referred to as tailings, is often discarded near the processing site. While these tailings still contain some unrecovered gold and mercury, they are not typically reprocessed by Milxo operators.

Several interviewees expressed concerns about the environmental and health risks inherent in local mining practices. Due to the highly toxic nature of the element, the mercury amalgamation process poses serious environmental and health risks. Mercury used during amalgamation is frequently released into the air during vapourization or washed into the soil and waterways through tailings. Over time, the mercury in these tailings can contaminate the soil and water and subsequently accumulate within fish and livestock.

Cyanide leaching plants

Most artisanal miners in Milxo continue to rely on wet pan mills and mercury amalgamation. However, field interviews indicated that a small number of companies had established, or planned to establish, processing plants capable of producing gold of 90–95% purity (roughly 20% higher purity than that achieved through mercury amalgamation).⁹² Descriptions by these interviewees – supported by corroborating photographic and satellite imagery – are consistent with tank-based cyanide leaching plants, which employ a semi-industrial refinement method. Unlike mercury amalgamation, which depends on mercury to bind fine gold particles, cyanide leaching uses a chemical solution to dissolve gold directly from crushed ore, allowing it to be separated from surrounding rock. This reflects a broader trend observed elsewhere in Africa, where cyanide leaching has expanded rapidly since around 2020 in what analysts describe as a 'cyanide revolution', making its appearance in Milxo a direct extension of this regional shift.⁹³



View of what appears to be a cyanide leaching plant visited by a field researcher in March 2025 (left); satellite imagery of the facility from February 2025 (right). *Photos supplied/Airbus Defence and Space*

A field researcher surveyed the location of one such facility in March 2025. Satellite imagery showed that this facility had been built in its entirety between October 2024 and February 2025. Unlike during other site visits, company employees refused to disclose to the researcher which refinement processes or chemicals were being used. Notably, they reported that the site produced 30 kilograms of gold per month, which was the highest total of any location surveyed by the research team (see Figure 5).

As of July 2025, our sources reported that three such advanced processing plants had been established in or near Milxo: one fully operational and two nearing completion, with a fourth site under preparation for construction in August 2025. One of these prospective facilities was identified in May 2025 through satellite imagery on the eastern periphery of Milxo (see satellite image below). The imagery depicts several cylindrical structures consistent with cyanide leaching tanks in various stages of construction, surrounded by rectangular containment ponds to hold tailings and other waste.

While these facilities mark a significant leap in technical efficiency, they also introduce serious environmental and health risks. While cyanide does not pose the same long-term risks as mercury, even minor leaks from containment ponds may contaminate groundwater, soil and vegetation, posing threats to animal and human populations.



Satellite image of an apparent cyanide leaching facility under construction on the eastern periphery of Milxo, February 2025.

Photo: Airbus Defence and Space



APPENDIX 2: MINING SITE SURVEYS

Survey questions

If possible to do safely, for each mining site take the following photographs using a geo-enabled smart device:

1. Overview photograph taken from a location directly adjacent to the site.
2. Any equipment (especially grinding mills) and/or vehicles located at the site.
3. Any signage present at the site.
4. Any senior employees of companies operating at the site.

Then complete the following research questions:

1. Record the date and time of the visit.
2. Describe the site. Is it a surface mine? Pit mine? Alluvial?
3. What date did operations begin at the mining site?
4. Which company(ies) are operating at the mining site?
5. Approximately how many workers are present at the site? Are there any children? Foreigners?
6. Who or which company(ies) originally staked out/claimed the site?
7. What is the approximate amount of gold mined at the site each day? Week? Month?
8. Where is the ore mined at the site processed? Which process(es)/chemical(s) are used to refine it?
9. What is the approximate purity of the gold being transported from the site?
10. Are grinding mills present at the site? Who is the owner(s)?
11. What kind of other equipment or vehicles are present at the site? Who is the owner(s)?
12. Who is responsible for transporting ore and/or the refined gold mined at the site?

Secondary objectives

For each mining company operating within Milxo and the surrounding area:

1. Photograph local company office(s).
2. Photograph any signage displaying names or other details of companies or individuals operating in Milxo or the surrounding area.

3. Record company contact details: phone number(s), email(s), social media, etc.
4. For each company, identify its owner(s), manager(s), or other senior employee(s). For each of these individuals, record their full name/nickname/clan/sub-clan/phone number(s)/email(s), social media, or other identifiers.
5. Collect copies of any export documentation, mining licenses, tax receipts, or any other relevant documentation issued by government authorities or al-Shabaab.

The research team surveyed 20 mining sites in the Milxo area between February and April 2025, some of which were visited multiple times by different field researchers (see Figure 5). In total, field researchers found that 18 companies were operating across these locations, although incomplete records and overlapping site names made it difficult to determine the precise number. Reported monthly production ranged from 1.5 to 30 kilograms of unrefined gold per site, with an average output of 7 kilograms. The average gold purity, at approximately 70%, aligned closely with estimates provided by company employees during separate interviews (see above).

Assuming an average purity of 70%, the combined output of the 20 surveyed sites would amount to roughly 98 kilograms of pure gold per month, or about 1 200 kilograms per year. Even on its own, this would constitute a significant share of the UAE's declared Somali gold imports in 2023 (5 048 kilograms, the most recent year for which data is available). Given that researchers were denied access to many additional sites – some of which appear to be major producers, based on satellite imagery – Milxo's total output is likely far higher. When additional gold-producing areas in Somalia are factored in, the implication is that either Somali gold imports into the UAE have grown substantially since 2023 or that the volumes declared in official UAE statistics are markedly under-reported. However, because of the assumptions required and the access limitations noted above, the field survey data was ultimately determined to be insufficient to generate a reliable estimate of total annual output in the Milxo area.

Surveyors also observed that most sites employed foreign workers, who were typically responsible for the more technical and specialized aspects of extraction and processing.

Site number	Number and origin of workers	Number of grinding mills	Purity (%)	Monthly output (kg)
1	N/A	6	70	30
2	9 (3 Tanzanians, 6 other foreigners); 2 security guards at entrance	6	59–70	1.5
3	40 (incl. foreigners)	5	70	9
4	30 (incl. foreigners)	5	70	5.5
5	30 (incl. 10 foreigners)	2	70	5
6	(20, incl. 5 foreigners)	2	70	3
7	20 (incl. 5 from Sudan, 5 from Ethiopia); 2 security guards	24	70–73	15

Site number	Number and origin of workers	Number of grinding mills	Purity (%)	Monthly output (kg)
8	9 (3 Sudanese, 6 Somali); 2 security guards	5	N/A	3.125
9	35 (10 Tanzanian, 25 Somali); 5 security guards	6	N/A	30 (cyanide leaching facility)
10	14 (4 Tanzanian, 10 Somali); 2 security guards	3	N/A	15
11	25 (approx. 10 foreigners)	2	70	3.4
12	30 (15 foreigners)	4	70	6
13	40 (5 foreigners)	1	70	4.5
14	28 (9 foreigners)	1	70	5.1
15	32 (5 foreigners)	4	70	6
16	20 (7 foreigners)	1	65	4.5
17	17 (5 foreigners)	1	65	3.6
18	15 (5 foreigners)	1	70	3
19	20 (6 foreigners)	1	65	4.5
20	23 (9 foreigners)	1	70	6
Averages	24.1 (7.5 foreigners)	4.1	68.9	7.0

FIGURE 5 Surveys of mining sites in Milxo conducted by GI-TOC field researchers, February–April 2025.

Note: The numbers in the first column correspond to the sites shown on the map (Figure 6).

Source: GITOC research team

A diverse workforce

Understanding the organization of labour in Milxo is essential to interpreting how the gold economy functions. Patterns of employment and compensation reveal a sharp divide between foreign technical specialists and Somali day labourers.

Two primary modalities of worker compensation were observed at the Milxo mining sites: fixed salaries and profit-sharing arrangements. Salaried workers were generally paid either monthly or daily, while those participating in profit-sharing schemes receive a predetermined percentage of total output or sales revenue.

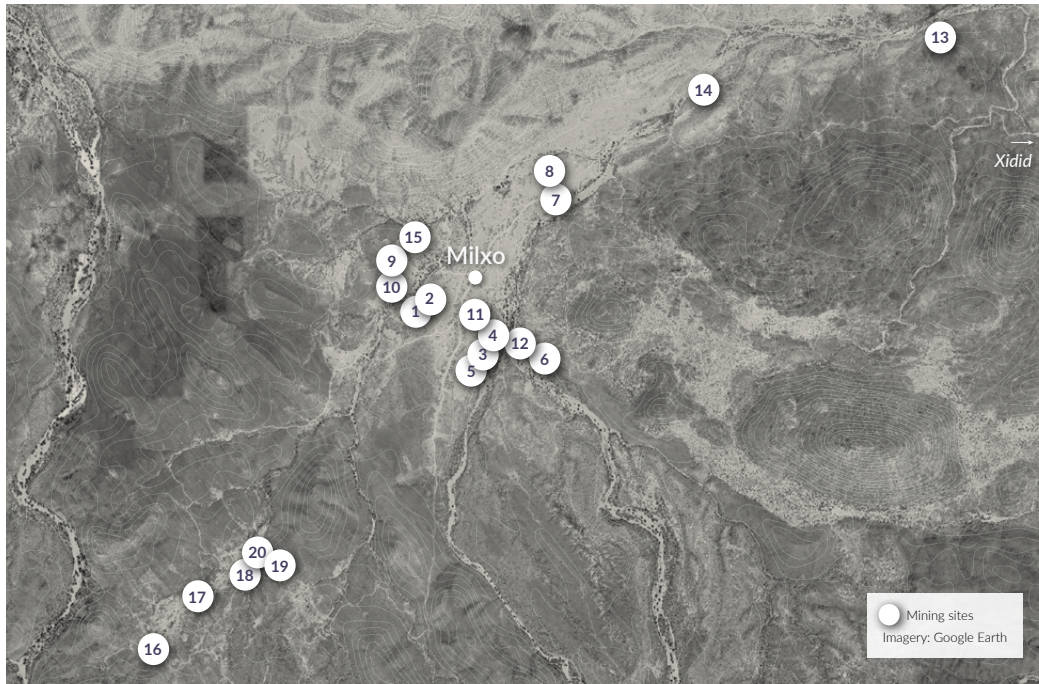


FIGURE 6 Locations of mining sites in Milxo surveyed by the GI-TOC.

The GI-TOC's field researchers noted the common presence of foreign workers, predominantly from Sudan and Tanzania. The large number of Sudanese nationals was unsurprising, given that a similar artisanal gold-mining sector spans much of Sudan. This allows Sudanese workers to bring both technical knowledge and equipment to foreign sites – including the regionally standard ore crusher commonly known as the 'Sudan mill', which is used at most Milxo operations. Indeed, Sudanese workers commonly serve as engineers, machine operators or site supervisors. Local Somalis, by contrast, typically worked as day labourers, engaged in manual digging, ore washing and panning. Labourers who were not originally from the Milxo area came from across Somalia, with no evident dominance of any single clan or region. Residents emphasized that 'anyone is welcome' to work as a miner.

No observed instances of child labour were reported by field researchers. However, the October 2022 death of an underage pit miner, Mohamed Said – who was killed when a mining shaft collapsed – suggests that child labour may not be entirely absent.⁹⁴

Day labourers earned a standard rate of around US\$10 per day, with food and accommodation provided,⁹⁵ or US\$250 to US\$300 when paid on a monthly basis.⁹⁶ Skilled workers, including machine operators and mechanics, earned US\$450 to US\$700 per month, in addition to provisions for food, accommodation and transport.⁹⁷ Engineers and chemists employed at the recently established processing plants received between US\$1 000 and US\$1 500 per month,⁹⁸ while drivers earned US\$400 to US\$500,⁹⁹ with both groups also benefiting from additional allowances. Foreign and technical staff also typically received transport allowances to cover travel to and from their home countries or regions.¹⁰⁰

At sites operating under a profit-sharing model, field data indicated that labourers collectively receive approximately 30% of revenues from gold sales.¹⁰¹ The ore crushers retained 17–20%, while 20–25% was allocated for food, accommodation and other operational costs.¹⁰² The remaining 25–30% was retained by the investors or site owners. Workers compensated based on output therefore received roughly 30% of total company revenue, with the balance going to operating expenses and capital investors.¹⁰³



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The Global Initiative Against Transnational Organized Crime is a global network with over 700 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

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