

Greece has suspended the mining operations of Canada's Eldorado Gold in northern Greece, saying the company violated contract terms, in a setback to one of the top foreign investment projects in the country.

The \$1 billion project is considered a test case for Greece's ability to attract foreign investment to help revive its economy, but it has been beset by problems due to opposition by local residents on environmental grounds.

Energy Minister Panos Skourletis said on Wednesday the project had been halted but could resume if the company fulfills contract terms.

The project in Greece's Halkidiki region includes gold mines in operation and two factories under construction that will enable the company to process gold and other minerals in Greece.

Greece, which just secured its third international bailout, badly needs such projects to help diversify its economy.

"We are recalling our approval of the technical studies, which will result in the halting of operations at Skouries and part of operations in Olympiada," Skourletis told reporters after meeting Prime Minister Alexis Tsipras. "The company has violated some terms."

Eldorado took over the project in 2012, promising to invest \$1 billion over the five years as part of a plan to eventually source up to 30 percent of its global gold production in Greece. An energy ministry source said the government considered Hellas Gold, Eldorado's Greek arm, violated the terms of its contract by failing to provide authorities with details on techniques that would make gold extraction safe.

Details of methods applied in Finland were supplied instead and were not accepted, the source said without elaborating.

Eldorado said it was reviewing the Energy Ministry's notification and would take legal action.

The company said the tests in Finland were part of technical studies that formed the basis of other permits needed to develop the Skouries and Olympias projects.

"We are most disappointed and perplexed by this entirely inappropriate decision of the Ministry of Energy," Eldorado's Chief Executive Paul Wright said.

The decision is the latest twist in a long-running saga over the project, which has been dogged by controversy over the potential environmental impact.

In March the government revoked authorization to complete the construction of a processing plant at Skouries.

Residents have opposed the project for years, fearing environmental damage, and have mounted repeated legal appeals against the development. Two such petitions were rejected

Greece halts activity at Canadian-run gold mine

by Greece's highest court earlier this month.

source: reuters.com