

ANNUAL CHAMBER OF MINES PRESIDENTIAL REVIEW

by

**Mr. Dan Owiredu**

**PRESIDENT GHANA CHAMBER OF MINES**

**At the 83<sup>rd</sup> Annual General meeting**

27<sup>th</sup> May 2011

ANNUAL PRESIDENTIAL REVIEW BY MR. DAN OWIREDU, PRESIDENT OF THE GHANA CHAMBER OF MINES AT THE 83RD ANNUAL GENERAL MEETING, HELD AT THE ALISA HOTEL, NORTH RIDGE, ACCRA, ON FRIDAY 27TH MAY 2011

Protocol

It is my delight and honour to also welcome you to the 83<sup>rd</sup> Annual General Meeting of the Ghana Chamber of Mines as the President of the Chamber. In my capacity as the President and on behalf of the Executive Committee, kindly permit me to present to you formally, the Chamber's Annual report for the year 2010.

As this 83<sup>rd</sup> Annual General Meeting brings to an end my first year as President, I recall the fact that together as an industry, we have successfully concluded another year with varying degrees of success in various areas..I also note that we have had a new Minister and my hope is that we can continue to build upon past successes in the vital area of Government relations as well.

Significantly, this Annual General Meeting marks the end of a second four year-period during which the Chamber has pursued a strategic plan aimed at re-positioning itself in order to fulfil the objectives of operating as an advocacy organisation which facilitates the work of all member companies.. During the period under review, the Chamber continued to execute its mandate in line with the objectives spelt in the four year strategic plan.

## **Chamber Activities**

We are determined as an industry, to pursue actively, proactive strategic relationships with our major stakeholders. Our resolve is aimed at creating the right basis for addressing key issues relating to the role of mining in national development.

In keeping with this overriding objective, at the Annual Expanded Council meeting of the Chamber at the Elmina Beach Resort in February 2010, we deliberated fully on the direction the

Chamber needs to take and the entire membership of the Chamber were given the opportunity to input into our joint action and drive for that year.

Policy makers and other institutions whose work impinge on the mining industry were invited to interact with Chamber members and also present papers for discussion to promote our mutual interest for the national good.

### **Advocacy and Communication**

Furthermore, during the year under review, the Chamber continued to interact with other Ministries, department and Agencies whose activities impinge on the mining sector to discuss other issues relating to the sector.

As part of these interactions, the Chamber met with the Minister for Lands, Forestry and Natural Resource, the Minister for Interior and equally significantly, Hon. Sherry Aryithey, Minister for Environment Science and Technology. The following were some of the issues which were discussed respectively:

### **Parliamentary Relations**

In 2010, the Chamber's Parliamentary relations advocacy was guided by the principle of open and frank interactions with the MPs. This relationship was very integral to the success of the Chamber's advocacy functions. The parliamentary advocacy highlighted mine visits in order to provide a more comprehensive view of the industry on site, working meetings and social interactions. The Chamber continued to ensure that its advocacy was consistent and covered all relevant Parliamentary committees and Parliamentarians whose portfolios impinged on mining as well as others who remained unsure of the real potential and significance of the industry, even in the wake of the oil find in Ghana.

As part of these ongoing relationships, the Chamber paid a courtesy call on the Speaker of Parliament, Rt. Hon. Joyce Bamford-Addo. The meeting gave the Chamber the opportunity to brief the Hon. Speaker about developments in the industry and to discuss matters that would enhance the working relationship between the Chamber and Parliament.

## **Mine visits**

In May 2010, the Chamber facilitated a week's tour to five mining companies for Members of the Parliamentary Select Committee on Environment Science and Technology. The Honourable Members toured the mines of Golden Star Resources (Bogoso and Prestea), AngloGold Ashanti (Obuasi), Newmont Ghana Gold (Ahafo), Gold Fields (Tarkwa) and Ghana Manganese (Tarkwa).

The purpose of the tour was achieved in the main as the members of the Committee came away with a much deeper understanding of the operational challenges and successes of the mines as well as the environmental, health, economic, and social impact of mining operations in host committees.

## **MINERALS DEVELOPMENT BILL, 2010**

During the year under review the Chamber presented a memorandum to the Minerals Commission on the draft Minerals Development Fund Bill, 2010.

The Chamber appreciates the potential that the draft Minerals Development Fund Bill, 2010 holds for addressing the long-standing concern of the industry on the funds from Mineral Royalties and the need to set a higher proportion aside for development projects to be undertaken in mining communities. Sadly, the Chamber is of the view that the draft law is vague and ambiguous in some parts. As I recently argued at a media encounter in Accra, several issues have to be addressed to ensure that the Fund is run efficiently for the benefit of people living in our mining communities. Currently, overall responsibility for managing the Fund is with a Board which is yet to be set up under the law. As things stand, it appears that some officials may be tempted to interfere in the work of the Board to the detriment of the intended beneficiaries and the stated objectives.

In the Memo, the Chamber reiterated its call for mining royalties' returned to host communities to be pegged at 30 per cent instead of the 9 percent. In addition, proceeds from the sale of equipment after mine closure should also be added to the Minerals Development Fund and

distributed in that context. Furthermore, as obtains in other areas, representatives of mining companies should be added to the Board since they are key stakeholders of the Fund.

In addition, the Chamber recommended that Civil Society Organizations should be represented on these Committees since several of them are already involved in issues relating to mining at the local level in most mining communities.

Honourable Ministers, Ladies and Gentlemen, the Chamber hopes that its proposals for the review of the Minerals Development Fund Bill will be taken into consideration in the finalization of the draft Bill to ensure its effective utilization for the benefit of mining communities in Ghana. This will in the long run ensure the promotion of mining in Ghana and guarantee its continuous contribution towards the development of the nation.

### **Chamber's Land: Documentation & Processes**

The Chamber has finally secured from the Lands Commission, the title to the land for its proposed Office complex. A sod-cutting ceremony on the 1.41 acre land which is situated on plot 18, South Legon Development Scheme, near the Gulf House, Legon took place in 2010 and construction is expected to begin soon. As much as possible, energy efficiency features and the utilization of local resources and materials will guide us in the construction phase.

### **Environment & Social Issues**

On the environment and social front, the Chamber and its members continued to handle environmental and social issues associated with our operations proactively.

During the period, members of the Chamber continued to support biodiversity conservation through efficient utilization of resources, waste reduction as well as waste recycling. We also complied with all applicable national laws, regulations, standards, Codes of practice and Guidelines as a minimum for all operations. Our members worked hard to prevent pollutant discharges and emissions in the form of fuel/oil and chemical/slurry spillage and dust emission.

We also continue to undertake vibrant community relations programmes and open communications with the local community and other stakeholders in addressing concerns related to our mining operations and initiation of sustainable alternative livelihood programmes.

### **AKOBEN Audit**

The Environmental Protection Agency (EPA) published the results of its Environmental Rating and Public Disclosure dubbed “AKOBEN” for the first time in 2010. While strongly endorsing the view that the AKOBEN programme is a positive mechanism to evaluate and disclose environmental and social performance, the Chamber firmly believes however, that the system needs to be nurtured so it will serve as a very dependable and useful assessment for ensuring high operational standards. To this end, it remains our abiding hope, that a greater collaboration with the participating mining and manufacturing companies, alongside ideas garnered from other jurisdictions should guide the search for an ideal system.

In the 2010 disclosure, many Chamber member companies obtained low ratings in some categories and the Chamber indicated that AKOBEN audit did not give a true representation of members’ performance. That notwithstanding, the Chamber has actively engaged the EPA and other partners on improving the AKOBEN system and ratings of all our members through continuous improvement of our environmental performance. In these engagements, the industry will continue to be guided by the conditions of our approved environmental permits and making the system work for companies, communities, government and the environment.

Since the disclosure, all our member companies have reviewed their AKOBEN reports and engaged the EPA on corrective actions at a stakeholder meeting held at Elmina. The Chamber and its member companies are definitely committed to sustainable continuous improvement and will continue to work to improve our monitoring proficiency and our overall environmental and social performance.”

## West Africa Mining & Power Conference (WAMPOC) and Exhibition

The Chamber successfully organized 8<sup>th</sup> West Africa Mining & Power Conference (WAMPOC) and Exhibition from 26<sup>th</sup> – 28<sup>th</sup> May 2010 at the International Conference Centre, Accra. The Conference, which was held under the theme: **Promoting Sustainable Development through Mineral Resource Development**, brought together captains of the Mining industry, international investors, Ministers of Mines & Energy in West Africa, Parliamentarians, Communities, Chiefs and academicians whose activities impinge on the mining industry. In all 22 papers were presented on Mining and Power related subjects.

In 2011, the Chamber will once again be involved in the organisation of the 9<sup>th</sup> WAMPOC, to ensure that the industry's activities are well articulated to the local and international audience.

## Human Resource

In 2010, the industry also saw a significant improvement in the Industrial Relations landscape, as most negotiations were completed with little or no evidence of turbulence. In this regard, effective labour-management relations and labour engagement processes were enhanced through the section's pioneering practices in:

- Good information sharing techniques;
- Effective team building strategies;
- Continuous dialogue & education on rights & responsibilities of employers and employees;
- Constructive consultations;
- Mutual respect on the part of both management and labour; and
- Shaping Managerial attitude & conduct.

## Health and Safety

I will now turn my attention to initiatives that are being promoted within the industry to ensure our long-term commitment to our employees, communities, and shareholders.

I am pleased to report that our employers are increasingly investing the provision of adequate training programmes to promote health and safety in the workplace. The industry is also making

concerted efforts to tackle the HIV/AIDS pandemic, and almost all our mines now have HIV/AIDS programmes integrated into our routine safety policy formulation and implementation.

We are also encouraging the workforce to seek information in the area of occupational health and safety, because it makes the task of removing threats to their safety and the safety of others much easier. A safe worker in a safe working environment definitely helps a company maximise its resources, and enables workers to contribute more productively. It is for this reason that safety and health is a key priority of the Chamber.

Ladies and Gentlemen, we as members of the Chamber are delighted at the phenomenal success of AngloGold Ashanti's Obuasi Malaria Control Programme. Currently the programme consists of killing the mosquitoes through indoor residual spraying, the provision of mosquito nets, comprehensive screening and repellents, mosquito breeding control via environmental management and anti-malarial drugs. Other Chamber members are adopting the initiative which has been hailed throughout the country. Indeed, the programme has now teamed up with the Ghana government which was recently awarded U\$133-million over five years by the Global Fund to Fight AIDS, Tuberculosis and Malaria. The money has been earmarked to scale up the "Obuasi Model" to 40 districts in Ghana. We will continue to pursue pioneering measures to further deepen our relevance as an industry

### **PERFORMANCE OF THE MINING INDUSTRY IN 2010**

The year 2010 also witnessed significant appreciation in the prices of bulk minerals as the world economy experienced gradual recovery from the major economic downturn in 2008, spurred mainly by the global financial crises. Although growth rates in most advanced countries remained low, numerous policy interventions particularly, stimulus packages mitigated the impact of the financial crises, thereby increasing demand for majority of the industrial minerals.

According to the Bank of Ghana, total merchandise export earnings by the traditional minerals (Gold, Bauxite, Manganese and Diamond) represented about 49% of gross merchandise exports.

The mining industry's revenues therefore contributed significantly in insulating the country against the adverse impacts of the global economic downturn.

The mining sub-sector grew remarkably by 11.2% compared to the 6.8% it recorded in 2009. By this growth performance, the industry came second behind the Electricity sub-sector which grew by 16.7% in 2010.

The mining sub-sector maintained its 2009 position as the leading contributor to Ghana Revenue Authority's (GRA's) collections with total payments of approximately GH¢520 million (about US\$364 million)<sup>i</sup> to the Authority's kitty. This represented 21% of total GRA collections in 2010. The mining industry's impressive payments performance was on account of increased mineral revenue as a result of higher gold price which translated into higher mineral royalty payments and consequent corporate tax payments for qualifying companies. In addition, the industry recorded higher PAYE payments on the back of significant appreciation in emoluments to employees.

The total company tax, representing corporate tax, withholding tax and levies collected by the GRA from the mining and quarrying sub-sector amounted to about GH¢242 million, (US\$170 million) representing 24% of the total company tax, it collected in 2010. On account of this performance, the sector emerged as the highest payer of company tax during the year, up from the third position in the previous year.

We are also informed by the Minerals Commission that, the total investment inflow into the mining sector in 2010 was US\$770 million up from the US\$762million which was recorded in 2009. These investments came from producing, exploration, and support service companies. Cumulatively, the investment inflow into the sector from 2000 to 2010 stood at approximately US\$6.2billion.

The total mineral revenue of producing member companies of the Chamber rose significantly from US\$2.93 billion in 2009 to US\$3.73 billion in 2010 representing an increase of 27% mainly on account of the healthy price of gold, although the other minerals also recorded increases in prices during the period.

In line with the Gold Bull-Run, revenue went up by 27% from US\$2.83 billion in 2009 to US\$3.62 billion due to a marginal appreciation in gold output by 1% from 2,930,328 ounces in 2009 to 2,970,079 in 2010 coupled with an increase in the average realized gold price from US\$970 per ounce in 2009 to US\$1,219 per ounce in 2010. Average aggregated cash cost was US\$684 per ounce in 2010 compared with the US\$573 recorded in 2009, an increase of 19%.

The average cash cost of US\$684 per ounce was about 22.8% higher than the global average of US\$557 per ounce, positioning the country as a relatively high operating cost investment destination.

Gold Fields' Tarkwa mine maintained its position as the leading producer of gold in Ghana after recording an increase in output by about 11%, from 664,515 ounces in 2009 to 735,034 ounces in 2010. Cumulatively, the Gold Fields group produced a total of 962,786 ounces in 2010 compared with the 867,020 ounces produced in 2009. This represents an increase of 11% over the same period.

The total output of the AngloGold Ashanti Group decreased by 12% from 571,295 ounces in 2009 to 502,103 ounces in 2010. Output at Golden Star Wassa reduced significantly by 18% from the 223,843 ounces recorded in 2009 to 183,930 ounces in 2010.

Together, the Golden Star Resources Group recorded 354,903 ounces in 2010, representing a decrease of 13% on the 409,897 ounces of output in 2009. This was largely due to the lower grade ore mined at Bogoso.

Production at the Kinross Chirano Gold Mine increased significantly by 32% to 240,293 ounces in 2010 compared to the 182,463 ounces it recorded in the previous year. The output of Newmont Ahafo's mine was 546,000 ounces in 2010. This represents an increase of 2% on the 533,000 ounces it produced in 2009.

Total purchases and export of gold from small-scale miners by the Precious Minerals and Marketing Company (PMMC) was down 5% from 366,653 ounces in 2009 to 346,861 ounces in 2010. The drop was partly due to the deregulation of the market which saw active participation and competition from other major buying companies.

Asap Vasa, a wholly-owned Ghanaian gold refinery purchased and exported 17,133 ounces of gold from small-scale miners earning a corresponding revenue of US\$20,484,153 during the period.

Purchases and export of diamond by the PMMC's was down 13% from 354,443 carats in 2009 to 308,679 carats in 2010.

Export sales of manganese by Ghana Manganese's Company increased by 20% from US\$64,860,940 in 2009 to US\$77,809,077 in 2010. This was on account of a rise in the shipments of the mineral by 18% from 1,012,941 tonnes in 2009 to 1,194,074 tonnes in 2010.

Bauxite shipments by Bosai also went up by 5% from 490,367 tonnes in 2009 to 512,208 tonnes in 2010. The rise in volumes as well as the increase in realized price from US\$22.75 to US\$29.57 per tonne led to a corresponding increase in bauxite revenue by about 36%, from US\$11,157,480 to US\$15,145,755 within the same period.

### **Local content and impact**

Ladies and Gentlemen in the year 2010, producing member companies returned about 68% of the US\$3.7 billion mineral revenue to the country through the Bank of Ghana and the private commercial banks. An average of 20% was repatriated to Ghana through the Bank Of Ghana and the remaining 48% through private banks. This ensured that Ghana received considerable foreign exchange from the mining sector to support the nation's foreign currency transactions.

The significantly high proportion of mineral revenue returned to the country underscored the extent to which the mining industry positively affects the local economy. In 2010, the industry spent US\$ 865 million US dollars representing about 27% of its total funds to procure inputs locally including diesel and power.

In addition, the mining sub-sector contributed about GH¢520 million (about US\$364 million) to the Ghana Revenue Authority (GRA) representing 21% of total GRA collections in 2010.

The increase was on account of increased mineral revenue which translated into higher mineral royalty payments and the rise in Pay As You Earn (PAYE) payments on the back of significant appreciation in salaries (mostly pegged) in US dollars.

The mining sector also paid GH¢242 million, (US\$170 million) in corporate tax to the GRA, representing 24% of the total company tax collected in 2010.

The sector emerged as the highest payer of corporate tax in 2010 having improved from the third position in 2009.

Over the last few months the Sub-committee has pulled together some provisional data which estimated approximately how much the mining industry was currently spending on Ghana manufactured goods within those categories, and the potential for increasing the spend over time by import substitution.

Ladies and Gentlemen, in all, 8% of our total mineral revenue was reserved for purchasing electric power and diesel and 13% for procuring other local inputs including contracts for supply of major items. Furthermore the mining companies deployed 16% of their revenue to import consumables and another 21% for capital expenditure to support their operations. The industry also spent on the whole, about 7% of its revenue to amortize its loans.

In this context, let me commend the Supply Managers Sub-committee of the Chamber which has succeeded in identifying 27 product categories where goods were either already being manufactured in Ghana or may feasibly be manufactured in Ghana within a 5-10 year period on an economically sustainable basis. Obviously we are proud of this additional initiative which should augur well for the Ghanaian economy. We therefore call on the local industries to make the reciprocal effort required to ensure the success of this noble aim.

Employee remuneration which covered salaries and other benefits accounted for 7% of mineral revenue. One percent of mineral revenue was paid as dividends to other shareholders and a further 0.5% to the host communities and general public as its fiscal and voluntary contribution to society. Producing mining companies retained 18% of their revenues to support the growth of their respective businesses.

## **Challenges**

### **Illegal mining and use of cyanide and mercury**

The illegal mining menace continued to be a bane in the mining industry. The illegality escalated in 2010 following the favourable price of gold. In effect, gold mining companies had to spend huge sums of money to secure their concessions with mixed success. The recent development where illegal miners have resorted to the use of hazardous chemicals such as cyanide and mercury with their adverse effect on the health of operatives and communities as well as pollution of water bodies and an increasing tendency to employ violent measures, are extremely worrying. The situation has polluted the head waters of some of Ghana Water Company's treatment facilities thus sharply increasing the cost of processing water for potable use.

Another dimension was the involvement of foreign nationals who illegally supplied dredging and crushers to the illegal miners under the guise of providing services to the small scale miners.

### **Rail haulage**

The deplorable state of the Western Rail Lines continued to affect adversely the operations of the bulk mineral producers; Ghana Manganese Company and Ghana Bauxite Company. As a result, these companies hauled their bulk minerals from their respective mines to the Takoradi port mainly by the relatively more expensive road mode of transport.

Meanwhile the industry has indicated its commitment to collaborate with government to revamp the Western Rail Lines to improve the operations of our manganese and bauxite producing members.

### **Review of contracts**

Government's desire to review mining companies' mining agreements (Stability and development agreements) following the favourable gold price was the focus of several meetings it held with the mining industry in 2010. Since mining agreements provide certainty to the investor, the Chamber is looking forward to its members concluding the discussions with government expeditiously, having due regard to the fact that commodity prices such as those relating to gold, are cyclical.

## Power and Energy

In any case, in 2010, the industry continued to contend with the rising cost of power, an essential input in mining operations. The Electricity Company's insistence that its bulk mining customers in the unregulated market should pay the tariffs determined by the PURC (regulated tariffs) defeated the government's policy to deregulate the market. Whilst the market rules to give effect to the provisions of LI 1937 had not been introduced, the VRA had proposed to offer its mining customers a fraction of the hydro power available from Akosombo and Kpong. A rather large part of the remainder of their power requirements would be met by the relatively higher cost thermal plants run on Light Crude Oil. This was compounded by the unavailability of the more efficient combined cycle thermal plants and limited gas supply to the plants.

### **Outlook for 2011**

The year 2011 looks promising for the mining industry. Additional production from new mines Adamus Resources as well as the prospects that Owere Mines would increase production beyond the marginal increases in output arising out of existing mine expansion projects are welcome news. The output of manganese and bauxite are also expected to increase in 2011. Cumulatively therefore mineral revenue is expected to increase appreciably in the year 2012.

The change in Mineral Royalty to a flat rate of 5% from a range of 3% to 6% took effect in March 2011. Therefore, companies which do not have stability agreements with government are expected to pay higher mineral royalty amounts to the state.

The expected higher volumes of mineral production and the strengthening of gold price is expected to result in increased mineral revenues, with a corresponding increase in mineral royalties and corporate tax payments to government.

## CHAMBER SECRETARIAT

Honourable Ministers, ladies and gentlemen, in bringing to conclusion my address I wish to devote a few words of tribute and appreciation to Dr. Joyce Rosalind Auntie (Auntie Joyce) the Chamber's outgoing Chief Executive.

She joined the Chamber as its first woman Chief Executive in 2000. Joyce has since occupied the position with such success and distinction and has frequently been called upon to lead our efforts in establishing critically important relationships with members of Government, Media and Parliamentarians. Significantly, this has been achieved at a time the industry has had to provide credible responses to the concerns as well as constructive criticisms from well-meaning stakeholders in the main. Together, we have made great strides and the image of the industry has been maintained against considerable odds.

Incidentally, the odds were initially and unfairly, stacked against her as well but with determination and persistence, Joyce rose to the occasion, laid the foundations and then played a leading role in the construction of the collaborative relationships that our industry currently enjoys with Government, Media international bodies of various kinds and other stakeholders.

There have been many other efforts that have all brought considerable advantages and benefits to the mining industry. Joyce has always been a champion of transformation and the excellence she has brought to the Chamber's efforts has enhanced the capacity of all the Chamber's employees to discharge their responsibilities to the Chamber members with considerable efficiency and competence.

Since this is the last AGM at which we will have the privilege of her outstanding contribution, at this point therefore, let me openly thank our fair lady for all her efforts and perspicacity. Well done Auntie Joyce, as so many Ghanaians affectionately call her.

In order to ensure that the Chamber moves on under an equally competent leadership, the Executive Committee late last year, charged the group of past Presidents to assist the Chamber in the search for a successor when the end finally comes. Ladies and Gentlemen, I am happy to state that as a result of the untiring and devoted efforts of Presidents Ben Addo, James Anaman, Kweku Awotwi, Mike Ezan and Jurgen Eijgendaal - - in that chronological order, the search has gone very far. The Executive Committee will make a declaration in due course but as the past Presidents have concluded their work now, kindly permit me to single out Jurgen for additional mention on account of the willingness he showed in allowing the Search Committee access to his

residence and hospitality. These factors assured the group the strict confidentiality and comfort that they needed to undertake the task and achieve such an incredible success at such a negligible cost in such a short time. Congratulations to them all!

## CONCLUSION

Ladies and Gentlemen, as we look ahead into 2011 and beyond, the Chamber plans to organise its activities on the theme: **“Building Partnerships for Sustainable Community Development.”** In this regard, local content issues will be at the top of the industry’s agenda.

As we seek to achieve the Chamber’s objective for 2011, we at the Chamber of Mines will remain guided by our principles of transparency, honesty and good corporate citizenship.

In 2011 and beyond, the Chamber will continue to pursue its strategy of collaboration and consensus building in matters that impinge on the viability of the mining industry.

Without exception, Chamber officials have discharged their duties with dedication and exceptional competence. Effectively led by Dr. Aryee, it is the highly qualified group of Chamber employees that have been largely responsible for getting the mining industry into the Predominantly favourable position that it finds itself in as we approach the end of what has been a very exacting year.

To members of the Chamber’s staff, on behalf of all members of the Chamber, thank you for your efforts and your diligence. Jeff and Kwame, who were Vice Presidents of the Chamber during my first Presidential term of office, thank you for your unqualified support.

Finally, to all members of the Chamber of Mines, and specifically to my friends and colleagues who are members of the Executive Committee and Council, thank you for the cooperation I have been so privileged to receive during my first Presidential term.

It has been a great privilege to chair Executive Committee and Council meetings over the past 12 months.

Thank you all for your kind attention.

**Dan Owiredu**  
**President**

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