



# THE GHANA CHAMBER OF MINES

# PRESIDENTIAL ADDRESS

2019  
ANNUAL REPORT



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## Presidential Address

It is a sign of the times that we are holding this Annual General Meeting in these most unfamiliar circumstances. This fulfilment is yet another indication of our proven resilience. Indeed, although Covid-19 has had some impact, the notion of social distancing and the other protocols have not overwhelmed our industry.

Fortuitously, this AGM ends a decade of mixed fortunes for the mining industry and marks at the same time, the commencement of a new era for the global mining community. It is therefore with delight and honour that I now formally present to you, the Chamber's Annual Report for the year 2019. Needless to say, I am profoundly grateful to you all for the collaborative effort we put together in successfully scaling great heights of challenges and in creating more value for our stakeholders.

Throughout the last decade, and particularly, the period under review, the Chamber has endeavoured to pursue a strategic plan aimed at consolidating the interests of member companies while fulfilling its objective of providing thought leadership for the resolution of issues relating to mining, both within Ghana and the entire West Africa sub-region.

To have successfully survived the bewildering flux of events and circumstances that have impacted the mining industry over a period of more than 90 years is also indicative of the Chamber's compelling relevance as a progressive institution. Over the years, we have strategically re-modelled our operations to meet the needs and expectations of our member companies without jeopardising the progress and wellbeing of our host communities in Ghana.

In the past year, we planned collectively as a Chamber to refashion the otherwise routine manner our operations are conducted. This was to ensure that the Chamber continued to be abreast of innovative and global trends in addressing operational challenges of our member companies within the context of our local circumstances.

Such innovative processes required that we actively engaged our stakeholders in very transparent and candid settings. As a result, the past 12 months have been particularly challenging, and the Chamber has yet again been compelled to re-appraise its strategic imperatives to meet the emerging challenges in the general environment in which it functions.

The fact that Ghana, is a well-acknowledged mining destination with an incredible ancient and modern mining tradition, naturally imposes very high global expectations on the mining industry. As such, in-country, the industry is focused on the maintenance and deepening of its socio-economic impact at both the macro and micro levels. We have as a cardinal factor, the determined promotion of the general wellbeing of host communities which should remain unmatched by any other sector in the economy.

The need to further stimulate linkages with other sectors of the economy in order to boost the value chain and support local industries has also become central to the objectives of the members of the Chamber in the past few years. In response to these expectations, the Chamber has increasingly committed its members not only to the development of mining as a specialised business, but also to the support of proactive sustainability practices that seek to bring economic relevance through wealth creation and the equitable distribution of same among all stakeholders.

We are in pursuit of the arduous task of transforming Ghana's mining industry, and by extension the sub region, into an engine of economic transformation that is more human centred and future oriented. As part of this strategy, the Chamber continues to build on the pioneering efforts it fostered towards the maintenance of a sub-regional Chamber. We are aware that our quest, particularly in our own country, will not be easily achievable without the support of all stakeholders; especially the government and host communities. Our success is therefore predicated on the creation of abiding relationships based on perceivable trust and mutually beneficial outcomes. In this manner, we hope to continue together with all relevant authorities and agencies, the transformation of Ghana into a modern mining destination with real value for all stakeholders.

### Overview of mining in Ghana and 2019 performance

I would now like to share some thoughts on the performance of the mining industry both from the global and national perspectives. Ghana's mining industry continued to anchor the economy and various aspects of our social lives through sustainable operations. As a result, we believe the mining industry continued to serve as an indispensable ballast and therefore remained a



critical part of the socio-economic growth of the nation in 2019.

We also recall that in the year under reference, unfavourable developments in China, Indonesia, South Africa, and Mexico gravely impacted gold production and resulted in a slump in global output. However, growth in production in other major gold mining jurisdictions, including West Africa's impressive output, ensured that global production did not hit rock bottom in 2019. In the event, Ghana remained the leading producer of gold on the African continent since taking over from South Africa in 2018.

I am happy to recall that in the year under review, the large-scale mining sector's gold output for Ghana increased from 2.807 million ounces in 2018 to 2.989 million ounces in 2019, a 6 per cent increase from the previous year's output. However, gold assayed by the Precious Minerals Marketing Company (PMMC) on behalf of Licensed Gold Exporting Companies, which represents small-scale production, decreased from 1.984 million ounces in 2018 to 1.588 million ounces in 2019.

This 20 per cent decrease in the small-scale mining sub-sector resulted in a decline in total gold production from 4.792 million ounces in 2018 to 4.577 million ounces in 2019. Consequently, the large-scale sector improved on its contribution to national gold production, from 59 per cent in 2018 to 65 per cent in 2019 whereas the small-scale sector accounted for 35 per cent of national gold production in 2019; a decline from 41 per cent in 2018.

Meanwhile, the bulk minerals sector – manganese and bauxite - recorded 18 per cent and 10 per cent improvements in output respectively. The shipment of manganese by the country's sole producer, Ghana Manganese Company, increased from 4.551 million tonnes in 2018 to 5.383 million tonnes in 2019 as a result of the company's business model which is designed to increase production to meet global demand for its product.

Similarly, Ghana Bauxite Company recovered from the previous year's slump in production to record a year-on-year growth. Improvements in operational activities of the company resulted in an increase in shipments from 1.011 million tonnes in 2018 to 1.116 million tonnes in 2019.

Regrettably, purchases of diamonds by PMMC fell from 0.057 million carats in 2018 to 0.033

million carats in 2019 due to a 41 per cent fall in production. The persistent decline in purchases of diamonds largely reflects low recoveries from small-scale winners and the continued shut down of the only large-scale producer of diamonds in Ghana.

### **Impact on the economy**

Data from the Ghana Revenue Authority (GRA) showed that the mining sector's total fiscal contribution, at 7.7 percent of domestic revenue in 2019, was the second highest after the financial and insurance sectors. This notwithstanding, the share of the mining and quarrying sector in total direct domestic receipts mobilized by the GRA improved by 70 per cent from GH¢ 2.36 billion in 2018 to GH¢ 4.02 billion in 2019. This growth was occasioned by the simultaneous increase in production and price of some minerals, particularly, gold. Likewise, the expiration of the Stability Agreements between the Government of Ghana and some mining companies further resulted in changes that boosted revenue for the State.

Specifically, corporate tax receipts from the sector, saw an 89 per cent increase to GH¢ 2.27 billion in 2019 from the previous GH¢ 1.20 billion in 2018. Moreover, the income tax (Pay As You Earn) receipts of mining sector employees rose from GH¢ 457.16 million in 2018 to GH¢ 736.26 million in 2019, representing a growth rate of 61.1 per cent. In a similar fashion, mineral royalty payments increased from GH¢ 705.26 million in 2018 to GH¢ 1.01 billion in 2019 representing a 42.7 per cent leap while other taxes stood at GH¢ 0.67 million in the same period.

In terms of total government revenue, the mining and quarrying sector's contributions increased from 4.9 per cent in 2018 to 7.6 per cent in 2019. Additionally, data from the Bank of Ghana shows that the increase in receipts from minerals expanded the sector's share in gross merchandise export receipts from 39 per cent in 2018 to 43 per cent in 2019, consolidating the mining sector's status as the leading source of foreign exchange from export earnings. In fact, the mining sector comes into its own, when you add the equivalent contribution of crude oil and cocoa, which stood at 29 per cent and 15 per cent respectively in the same period.

It is equally vital to note that out of their realized mineral export revenue of US\$ 4.5 billion in 2019, the producing member companies of the Chamber returned US\$ 3.3 billion to the country, representing 73 per cent of export proceeds. As



has always been the case, the mineral revenue was returned through the various commercial banks; a critical factor in stabilising Ghana's currency and fiscal outlook.

### **Human Resources and Employment Opportunities**

The mining industry prides itself as a purposeful equal opportunity employment generator for Ghanaians. The employment opportunities created by mining are both direct and indirect. In 2019, the total workforce engaged directly by producing member companies of the Chamber was 11,899 compared to 10,109 in 2018. The 18 per cent growth in employment was primarily due to additional recruitments at Newmont's Ahafo Mine, Asanko Gold Ghana Ltd, Golden Star Wassa Ltd and the redeveloped AngloGold Ashanti Obuasi Mine.

Out of the total number of direct mine employees, only 1.2 per cent are expatriates while the overwhelming majority remain Ghanaian nationals. Let me state emphatically that gone are the days when expatriates occupied all the key management roles on mine sites. Today, highly skilled Ghanaian mining professionals are occupying key positions at all levels of our industry, much to the satisfaction of our now actively discerning investors and stakeholders. Interestingly, Ghanaian mining professionals are in high demand on the global market, as many of our colleagues have taken up management roles as expatriates, in both developed and emerging mining destinations across the globe. We should be proud of what we have achieved as a relatively small nation with a big heart for the whole range of mining competences.

While we pat ourselves on the back for the increase in direct jobs, it is important to recognise that direct jobs created by large-scale mining are but a fraction of the multiplier effect of mining operations on employment. The value chain of mining creates a huge pool of opportunities that ensure that support service providers such as input suppliers, food producers and vendors as well as social entrepreneurs are able to take advantage of the inherent opportunities to generate sustainable employment.

It is also useful to focus on the importance of a well-structured small-scale mining sector to job creation. We are all aware that thousands of our brothers and sisters are engaged in illegal mining financed by persons who are able to

afford heavy machinery that are posing a major risk to our environment. If properly structured, small-scale mining could create many more decent jobs for the teeming youth of our dear nation, who would have the added benefits of pension contribution and plan for their future. It also has the potential to open up a pool of revenue generation streams for the state, if modelled in a worker-friendly manner.

Kindly let me take this opportunity to state that in line with the Chamber's commitment to improve education in the minerals sector, the Tertiary Education Fund was set up to support the development of high calibre mining professionals and global leaders in the sustainable exploitation and management of natural resources. The Fund, which will be administered in phases, would see member companies of the Chamber contributing USD442,500 annually for five years to support tertiary education, giving priority to the University of Mines and Technology (UMaT). It is our expectation that this will set the tone for churning out world class mining professionals and innovators to improve Ghana's competitiveness as a mining destination.

### **2020 Forecast on mining and the economy**

With the pouring of first gold from the redeveloped AngloGold Ashanti Obuasi mine in December 2019, there was a general optimism about growth in Ghana's mining sector for 2020, due mainly to the anticipated increase in production at some key mines and planned organic growth in production of most producing members. The production and shipments of Manganese by Ghana Manganese Company was, however, expected to record a year-on-year decline due to the protracted regulatory impasse that compelled the mine to suspend operations in the first quarter of 2020. The production of Bauxite was expected to grow if the efficiencies introduced in the year under review remained in place.

This optimism has since given way to a grimmer outlook for the sector globally. The outbreak of COVID-19 Coronavirus is expected to not only disrupt local economic activities but potentially trigger a reversal of capital inflows as non-resident investors re-organize their portfolios away from treasury securities to hedge against the uncertainty induced by the pandemic. Ghana is not alone in this forecast as the contagion has ravaged many developed nations that are major investors in mining.



Such a negative impact may cause the local currency to depreciate. It could further result in an increase in the general price levels of inputs and increase the debt service burden for businesses. Moreover, the decline in oil prices on the international market is expected to worsen the plight of the economy in view of the global impact of Covid-19. Accordingly, the country needs to begin to plan beyond the disease as the IMF projects Ghana's GDP growth rate to drop sharply to 1.5 per cent in 2020 from the 6.5 per cent recorded in 2019.

**Health, Safety and Environmental Performance**  
The Ghana Chamber of Mines remains committed to global sustainability mechanisms to safeguard lives and the environment within which we operate. In January 2019, the world was hit with the news of a tailings storage facility collapse on a mine in Brazil. The dam is said to have released a mudflow that washed off a cafeteria during lunchtime, along with houses, farms, and roads downstream. Nearly 270 people died as a result of the collapse.

A panel of technical and environmental experts concluded that a persistently high-water level caused the structure of the dam to lose strength and stability. Such grave occurrences can result in loss of lives and property as well as heavy environmental pollution with dire consequences for the ecosystem.

It is therefore in the interest of mining companies to continue to work hand in glove with the regulators to maintain the safety of host communities, employees, mine assets and to protect the environment. In this regard, producing member companies collaborated with the Minerals Commission and the Environmental Protection Agency in the year under-review to ensure that regulatory requirements and globally accepted standards were not circumvented in the management of these vital aspects of our operations.

Data from the Minerals Commission on the performance of the industry in health and safety demonstrated that the safety metrics of Ghana's mining industry had improved. Whereas the 'incidence of near miss' and 'fatal injuries' declined on a year-on-year basis, cases of 'first aid' and 'serious injuries' increased by 4 per cent and 8 per cent respectively in 2019.

It is important to clarify that 'serious injuries' are incidents that involve loss of time for more than 14 days and can pose a serious risk to the

sustainability of mining operations. Additionally, incidents that resulted in the death of a casualty also declined from 7 in 2018 to 3 in 2019 demonstrating the operational workplace protocols that have been put in place to ensure that our employees are protected. As an industry that has safety as its primary value, we continue to strive for zero fatalities to make mine sites safer for our employees and host communities.

It is appropriate for me now congratulate Newmont Ghana Ahafo Mine for emerging winners at the 2019 Inter-Mines First Aid and Safety Competition. Also, congratulations to Golden Star Wassa Ltd for winning the Best performer in Occupation Health and Safety as well as Newmont Golden Ridge Ltd and Perseus Mining Ghana Ltd for emerging winners of the coveted Best Performer in Environmental Management. These are significant achievements as our industry remains a considerable hazardous business activity.

### **Stakeholder Engagement and Community Development**

As I implied earlier, the Chamber relied extensively on the expertise of its members to advocate for an improved business climate for operators in the mining sector. By engaging government institutions and regulators in a spirit of collaboration and fairness, we chalked many successes in ensuring that the mining sector remained viable and a force to be reckoned with in the global mining environment. We will continue to chart this path of collaboration, whether it is working with government officials, members of parliament, the media and or civil society organisations. We are committed to building a sustainable mining industry to support current and future generations.

With respect to expenditure on community development and social interventions by producing member companies of the Chamber, our host communities were beneficiaries of increased investments to support local level development. Corporate social investments (CSI) from producing member companies increased to US\$ 24.45 million from US\$ 24 million in 2018 as a variety of projects were executed to complement government's efforts at developing mining communities.

Companies also invested heavily into the construction and rehabilitation of roads in host communities in addition to infrastructure for healthcare, education, electricity, water, and sanitation as well as agriculture-oriented



livelihood projects. Without the support of our communities, we do not have a business; hence our continued support to ensure that inhabitants of such mining communities continue to have good quality social services.

### **Mineral Exploration and Ghana's Competitiveness**

The relevance of exploration in ensuring a pipeline of future viable mining projects cannot be over-emphasized. The ravages of illegal mining or galamsey on lands which could have been properly drilled for more efficient mining later by relatively more competent miners remains a disastrous situation. Yet exploration is the single most critical activity that guarantees sustainable production of mineral and discovery of new mineral resources to supplement production from existing mines or replace output of mines whose economic ore body gets exhausted.

However, exploration investment in Ghana has declined significantly in recent years. This is alarming for a country to which mining is critical for forex and fiscal revenue generation as well as other value enhancing services. Indeed, the expenditure on global mineral exploration, as measured by company exploration budget, dropped by 11.5 per cent to US\$ 4.293 billion in 2019 from US\$ 4.852 billion in 2018. The decline in budgeted exploration expenditure was caused by a general reduction in spending across all the mining jurisdictions except Australia and South East Asia-Pacific regions.

In Africa, the projected exploration spending for 2019 stood at US\$ 615.9 million and Ghana's neighbour, Burkina Faso, was the biggest beneficiary. Burkina Faso was earmarked to receive US\$ 132 million in 2019 while Ghana came second with a budget of US\$ 98.6 million. The disparity runs its own sad commentary for the Ghanaian mining industry. As Africa's leading producer of gold, Ghana must continue to create the requisite policy and legal prescriptions and platforms to engender mining exploration. Essentially, it will be immensely useful to put in place an incentive scheme that will reduce the cost associated with exploration to help attract the required investments into this high-risk business of mineral exploration.

Therefore, the Chamber humbly requests the government to exempt exploration companies from payment of Value Added Tax (VAT) on big ticket cost items such as drilling and laboratory services. This exemption has proven to be a

major incentive for attracting exploration into mining countries globally. In taking advantage of the opportunities that mining presents, we must be seen to be creating the enabling environment for both local entrepreneurs and foreign investors while looking beyond the risks associated with exploration.

### **Sector Challenges**

Over the years, the Chamber has been engaging government on some recurrent challenges inhibiting the growth of the industry. I wish to use the final part of my address to tackle some of these challenges and redirect the discourse to find lasting solutions.

The first major challenge that has been with us for years now is the poor nature of our railway system. To take optimal advantage of the opportunities in the bulk minerals that Ghana is endowed with, a well-functioning railway system is a sine qua non. Without a railway system which is a more cost competitive mode of transporting the bulk materials to the ports for shipping, companies will be forced to use the more expensive road haulage alternative from their respective mines. The rehabilitation of the railway network would not inure to the benefit of the mining companies alone but also provide a cost-effective alternative for transporting passengers and goods for the other sectors of the economy.

It is estimated that the cost of road haulage is 50 per cent more expensive than the alternative of using the railway lines; which would consequently result in high cost of operation and adversely impact the revenue that the State would receive by way of corporate tax... We need to take advantage of the innovative measures in global transportation to construct fully functional railway systems to further open opportunities in the value chain of mining.

Secondly, in the past year, the Chamber continued its engagement with government institutions to consider the removal of some of the elements in the price build-up of diesel supplied to the mines. As we have stated in the past, these elements have little or no bearing on the cost of supplying fuel to the mines and have become duplications and burdensome on the operations of mining companies. Challenges with the ex-refinery price, as well as taxes, levies, and margins on diesel have a lasting impact on the productivity of the mining industry if not checked. It is our firm belief that government should reconsider our request and



put in measures to protect the industry from the debilitating effects of such fiscal imposts.

Additionally, we wish to urge government to review its intention to standardize mineral revenue retention regimes. The Chamber's analysis shows that retaining the existing general practice where mining companies have binding retention agreements based on their forex requirements will inure to the benefit of the industry and the country as well. It is obvious that in the last five years, mining companies have repatriated an average of 70 per cent of their mineral revenue into the country, which evidently, is far in excess of the mandatory maximum of 25 per cent of realized mineral revenue. Apart from disrupting the commercial arrangements between mining companies and their suppliers, a variation in the prevailing mineral revenue retention regime will further saddle companies with additional transaction costs and delays.

On the issue of operational permitting, members of the Chamber saw a slight improvement in the issuance of environmental permits. However, interactions with the EPA showed that despite the highly skilled team at their disposal, there was a lack of adequate personnel to review permit applications on time causing avoidable delays in the approval of same. The unpredictable lead times for issuing permits by the EPA adversely affect project planning and execution.

It also impacts negatively on the sourcing of investment capital for projects because it creates uncertainty regarding cash flows and other project metrics. A survey by the Fraser Institute of Canada, further demonstrates that most investors were concerned with the long lead time for the approval of environmental permits for both mining and exploration firms. I am therefore using the opportunity to urge government to increase the EPA's resources considering the very critical role they play in the mining sector.

One other key challenge that the Chamber had to grapple with in the year under review, was the decision by the government to withdraw military officers from the concessions of mining companies on 31st January 2019. This measure ushered in serious security challenges for the operating mines across the country. Suddenly magazines for storing explosives were exposed to the evil schemes of criminal elements because the civilian guards were unable to ward

off armed intruders.

Significantly, the law requires that explosives be secured by highly competent security persons and as a practice, the security apparatus given the responsibility to handle such assets is the military. In view of the risk of the exposure of magazines to miscreants and by extension to the country's security, years ago an agreement was reached among National Security, Minerals Commission, and mining companies for military persons to permanently protect these explosives magazines.

Thus, the pull-out of the troops from the mines was disconcerting and resulted in a situation where the mines were not fully assured of safeguarding such critical installations. The counsel for increased security is undergirded by the increasing forays by militants in the Sahel region of West Africa, notably Mali and Burkina Faso, Ghana's northern neighbour. In these harrowing experiences in the sub-region where mine sites and employees of mining firms have been attacked by armed militants, this development could even be a fertile ground for coordinated attacks on the mines in Ghana.

There is no gainsaying the fact that mine sites and their host communities are usually targets for sophisticated crimes, which cannot be easily repelled by civilian security officers. Indeed, the severity of the situation led to the deployment of military persons in mining communities under "Operation Calm Life". It is for this reason that the Chamber continues to call on the government to rescind its decision and redeploy the military to protect mine sites, which are by extension, assets that the State has interests in. With the appropriate protocols set in motion, we are more than certain that it will serve as a deterrent to miscreants who seek to plunder and foment trouble on mine sites.

### **Conclusion**

In bringing this annual review to a conclusion, there are several acknowledgements and commendations that I wish to make. I start off with the leadership, management and staff of the Chamber as well as all member companies for keeping us empowered and on course. Together, our strides have been deeper and more enduring even though the odds were usually stacked against us. Together, we have played our respective roles to push the Chamber to become more than just an advocacy entity for member companies but a beacon of sustainable mining and valuable partner of the state. The CEO and



his lean staff have maintained a steady ship much to the admiration of many organisations that seek to emulate our commitment, competence and the resultant track record of significant achievements and stability.

Our relationships with our major stakeholders, government and labour, have been both cordial and constructive. The collaborative partnerships that have been established especially in recent years are unrivalled; and I would, on behalf of the Chamber and its members, like to express our deepest gratitude to the Minister of Lands and Natural Resources, Mr. Kwaku Asomah-Cheremeh; Minister for Environment, Science, Technology and Innovation, Prof. Kwabena Frimpong-Boateng; the Immediate past General Secretary of the Ghana Mine Workers Union, Mr. Prince Ankrah and his successor, Mr. Abdul-Moomin Gbana; Mr. Kwaku Addai-Antwi Boasiako, CEO of the Minerals Commission; Mr. John Pwamang, the Ag. Executive Director of the Environmental Protection Agency, as well as our media partners and civil society organisations

who played their watchdog role and pushed us to remain credible and relevant to the socio-economic development of our dear nation Ghana.

On behalf of the entire membership of the Chamber, we wish to pledge our unwavering support to government in the efforts to curb Covid-19 and return our nation to the path of growth. We owe it as a duty to the many who rely on the economy for survival and their wellbeing. May we all continue to remain safe in these difficult times as we imbibe all aspects of the evolving mining technologies while chasing our very taxing targets. We also maintain the goal of deepening and widening, at the same time, the footprint of mining in our national life, as a people with a remarkable destiny and purpose.

Thank you

**Eric Asubonteng**  
**President**