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IEA PRESS RELEASE

Newmont's Akyem Gold Mine Sale

The IEA has learned with dismay the reported planned sale by US-based Newmont Company of its Akyem Gold Mine Project in Ghana to China's Zijin Mining Group for US\$1.0 billion (The Business Times, Wednesday, October 9, 2024). The IEA sees the deal to be flawed in several respects, inimical to Ghana's interest and unacceptable.

The IEA notes that the project lease was signed between Ghana Government and Newmont on 19th January, 2010 and has an expiry period of 15 years, i.e. valid until 19th January, 2025. According to the terms, the lease is transferable within the duration period, subject to mutual agreement between Government and Newmont. The lease is also subject to extension after its expiry date, by mutual agreement. The lease has not yet expired and, therefore, any decision by Newmont to sell the mine must be on a transfer basis and must be for the unexpired term only and subject to Government agreement. At the end of the expiry period, Newmont is obliged to hand over the mine back to Government, the truthful owner of the gold under the assigned land. Any company that wants to operate the mine after the expiry date of the lease must sign a new agreement with Government.

As far as the IEA is aware, Newmont and Government have not reached any agreement for the mine to be transferred to Zijin for the unexpired term of the lease, i.e. up to 19th January, 2025. The IEA is also not aware that Newmont has evoked the extension clause and that Government has agreed to such an extension. The IEA wishes to point out that apart from Newmont, no other company has an original locus or right in the extension of the Lease.

The IEA has learned that some Ghanaian entities also bid for the mine, but were allegedly outbid by Zijin. Allowing a foreign company to take over the mine would, however, be contrary to the President's own position as he stated in his

State of the Nation Address (SONA) in February this year that: “*We will engage with Newmont to give priority to Ghanaian investors who will want to acquire this mine to ensure that our mineral resources better benefit the Ghanaian people.*” (Unquote). The question is: what has changed now for the President to set aside his own principle and reject Ghanaian investors in favour of a foreign company?

The IEA wants to emphasise that the Akyem Gold Mine Lease itself was flawed at its inception in several respects. In particular, the royalties and taxes payable by Newmont were not appropriately quantified as is expected of such agreements. Moreover, the Agreement is not materially different from other colonial-type agreements that cede Ghana’s mineral rights to foreign companies on concession basis, enabling them to keep the lion’s share of the products, while Ghana receives only paltry sums as royalties and taxes. The IEA wishes to state categorically that the purported sale by Newmont of the Akyem Gold Mine to Zijin is unjustified and legally flawed and must, therefore, not be ratified by Parliament. Further, if Newmont wishes to sell the mine, it must sell it to Ghanaian investors so that the wealth generated would remain in Ghana for the development of the country. Should it be necessary, Government should team up with the private sector under a public private partnership (PPP) programme to purchase it.

Using the reported annual average production figure of 11.4 tonnes of gold by the Akyem Mine (equivalent to 402,123 ounces) and an average world market price of US\$2,600 per ounce for gold, the IEA projects annual average yields of US\$1.05 billion. This is the amount that would accrue to prospective Ghanaian owners—and the country—per year. Allowing Zijin to buy the mine for US\$1.0 billion, which would accrue to Newmont, and presumably allowing Zijin to pay only royalties and taxes to Ghana, would, therefore substantially shortchange the country. The deal cannot, therefore, be said to be in the economic interest of the country, and must, therefore, be rejected.

The IEA wants to draw attention to the fact that even Canada, where Zijin is also seeking to invest in the domestic critical minerals sector, and planning initially to buy a 15% stake in Canadian copper company, Solaris Resources, has decided to limit Zijin’s stake in the interest of Canadian national security. Canada is linking its national security interest here to foreign participation in its economy,

particularly the critical mining sector. Ghana must take a cue from Canada and similarly protect its national security and economic interest. The IEA wishes to make it clear that it is not against Zijin per se as an investor in the Ghanaian mining sector. The IEA is calling, as a matter of principle, for Ghana to maintain dominant ownership of its critical mining sector—and the economy as a whole—and thereby retain the associated wealth at home for the development of the country.

The IEA wishes to emphasise that Ghana's natural resources represent the low hanging fruits for acceleration of the country's development and eradication of its endemic poverty. To achieve these goals, Ghana should maximise the benefits from these natural resources. This can only be done by jettisoning colonial-type mineral contracts skewed in favour of foreign companies. The IEA wishes to reiterate that Ghana cannot afford to continue to sell its birthright cheaply to foreign companies—as it has been doing its entire history—only to descend on the companies' capitals to beg for aid. President Paul Kagame of Rwanda could not have put it more eloquently when he said: *“If the Owners of Natural Resources Go Around Begging, Then You Should Know There's Something Wrong with Their Minds.”* (Unquote).

Ghana needs a complete paradigm shift in its mineral contracts by taking ownership of the minerals to create job opportunities, wealth and technical-capacity development for Ghanaians. The United Nations Charter of Economic Rights and Duties of States (GA res. 3281(xxix), UN GAOR, 29th Sess., Supp. No. 31 (1974) 50 shows the way as it entreats countries to derive maximum benefits from their natural resources for their development. Ghana should not depart from this noble cause, but should rather exploit it fully to its advantage.

The usual excuse given by Ghanaian officials that the country lacks the requisite capital and expertise locally for exploiting its natural resources and, therefore, has to depend on foreign investors and compensate them accordingly is no longer tenable. Other countries with similar conditions as Ghana's have been able to negotiate much better terms for exploitation of their natural resources. Ghana can do likewise by negotiating more favourable production-sharing or service contracts. Ghana also needs to resource the Geological Survey Department to enable it map out mineral deposits, which can be used as collateral to raise capital and hire the needed expertise to exploit them. At the same time, steps must be

taken to train local mining engineers so that they can provide the needed expertise to exploit Ghana's natural resources using environmental friendly means.

Finally, the IEA wants to make two fundamental proposals to help introduce sanity into the governance of Ghana's natural resources and to reduce corruption. The first is to amend Article 257(6) of the Constitution that vests Ghana's natural resources in the President on behalf of, and in trust for, the people, which seems to give him a carte blanche to sign the resources away at will. The natural resources should rather be vested in the state and every contract should require Parliamentary ratification as per Article 268(1) of the Constitution. The second is to introduce in the Constitution or the Minerals and Mining Act, 2006 (Act 703) a provision that prohibits Government from signing contracts above a specified monetary value six months to the end of their four-year term. This will prevent incumbent administrations from signing eleventh-hour contracts in favour of their families, friends or cohorts, or for personal gain. **END**