

**IN THE SECOND SESSION OF THE SEVENTH
PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA**



**REPORT OF THE JOINT COMMITTEE ON
MINES AND ENERGY AND FINANCE**

ON THE

**THE DEVELOPMENT AGREEMENT
BETWEEN THE REPUBLIC OF GHANA AND
ANGLOGOLD ASHANTI (GHANA) LIMITED
(AGAG)**

20TH JUNE, 2018

REPORT OF THE JOINT COMMITTEE ON MINES AND ENERGY AND FINANCE ON THE DEVELOPMENT AGREEMENT BETWEEN THE REPUBLIC OF GHANA AND ANGLOGOLD ASHANTI (GHANA) LIMITED

1.0 INTRODUCTION

- 1.1 The Development Agreement between the Republic of Ghana and AngloGold Ashanti (Ghana) Limited was laid in Parliament on 15th March, 2018 for ratification by the Hon. Minister for Lands and Natural Resources, Mr. John Peter Amewu, pursuant to Article 268(1) of the 1992 Constitution and Sections 5 (4) and 49 of the Minerals and Mining Act, 2006 (Act 703).
- 1.2 The Agreement was subsequently referred to a Joint Committee on Mines and Energy and Finance for consideration and report pursuant to the Standing Orders of the House.

2.0 DELIBERATIONS

- 2.1 The Committee met on the 5th and 11th of April, 2018 and considered the Agreement. In attendance at the meeting were the Hon. Deputy Ministers of Lands and Natural Resource, Mr. Owusu Bio Benito and Mrs Barbara Oteng Gyasi, the Hon. Deputy Minister for Finance, Mr. Kwaku Kwarteng, a technical team composed of Officials from the Ministries of Lands and Natural Resources and Finance, Minerals Commission and officials from AngloGold Ashanti.
- 2.2 The Committee also met with some of the stakeholders in the mining sector who have submitted memoranda in respect of the Agreement. The stakeholders include the Ghana Mine Workers Union and the Coalition of Civil Society Organisations in Mining in Ghana.
- 2.3 The Committee is grateful to the Hon. Deputy Ministers and their technical team, and the Stakeholders for their participation and useful contributions.

3.0 REFERENCE

3.1 The Committee referred to the following documents:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Income Tax Act, 2015 (Act 896);
- iv. The Minerals and Mining Act, 2006 (Act 703);
- v. The Minerals and Mining (Amendment) Act, 2010 (Act 794);
- vi. The Environmental Protection Agency Act, 1994 (Act 490);
- vii. The Environmental Impact Assessment Regulations, 1999 (L.I. 1652);
- viii. The Minerals and Mining (Health, Safety and Technical) Regulations, 2012 (L.I. 2182);
- ix. The Stability Agreement between the Government of the Republic of Ghana and AngloGold Limited dated 4th August, 2003;
- x. The Obuasi Mining Lease dated 5th March, 1994;
- xi. The Binsere 1 Mining Lease dated 9th April, 1998;
- xii. The Binsere 2 Mining Lease dated 9th April, 1998; and
- xiii. The Binsere 3 Mining Lease dated 9th April, 1998.

4.0 BACKGROUND INFORMATION

- 4.1 As part of the arrangement for the merger of AngloGold Limited and Ashanti Goldfields Company Limited to form AngloGold Ashanti Limited (AGA) in 2004 to support plans of extending the life of Obuasi mine, the Government of Ghana granted AGA a stability agreement.
- 4.2 The Stability Agreement conferred various fiscal concessions and stabilisation to the company's subsidiaries in Ghana namely, AngloGold Ashanti (Ghana) Limited (AGAG) responsible for the Obuasi Mine and AngloGold Ashanti (Iduapriem) Limited (AAIL) which operates the Iduapriem Mine. The Stability Agreement for these entities are operational and valid until April 2019.
- 4.3 While the Iduapriem Mine continues to run profitably, the Obuasi Mine has been making losses due to operational difficulties. The

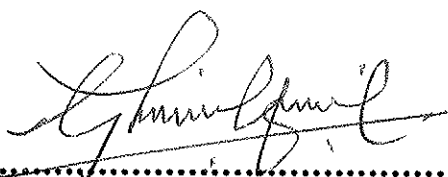
continues losses necessitated AGAG to undertake a major restructuring programme, under an Amended Programme of Mining Operations (APMO) approved by the Government in November 2014 in accordance with the Minerals and Mining Act, 2006 (Act 703). The main objective of the APMO was to conduct a feasibility study to determine an operating scenario for the Obuasi Mine which is sustainable for the longer term.

- 4.4 The feasibility study that was undertaken revealed good prospects for the Obuasi mine. It also indicated that the mine has an estimated life of twenty-one (21) years with estimated mineral reserves of 6.3 million ounces and other resources totalling about 33.5 million ounces. There was also potential to convert other minerals to proven and probable reserves to increase profitability and thereby extend the life of mine beyond the estimated 21 years.
- 4.5 The operations involved substantial redevelopment of underground and surface infrastructure with a mixture of replacement, refurbishment and upgrades occurring in phases over the initial six-year period.
- 4.6 An estimated capital of about USS1,045 million is expected to be injected over the life of the mine. In the initial 6-year of the Mine, an investment amounting to approximately USS881million would be required for redevelopment. In view of the significant impact on the environment, the company is taking steps to acquire all the necessary environmental permits including Reclamation Security Agreement (RSA).
- 4.7 It is expected that the initial 2 years of the mine's operation is expected to see the processing of 200 tonnes of ore per day (tpd). Subsequent works will enable an increase in processing to 4000 tpd from year 3 and further increase to 5000 tpd from year 5 onwards. In summary, the first 10 years will focus on the shallower and less mineralised ore whiles the later years (after 10years) would involve operations into the deeper and richer ore.

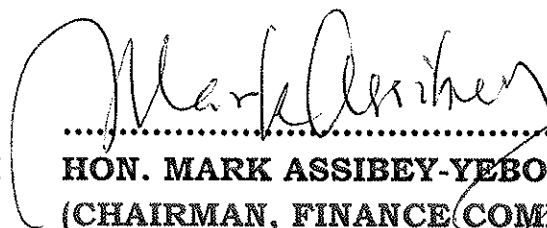
7.2 The Committee further observed that the only way for AngloGold Ashanti (Ghana) Limited to operate profitably given the current position of the Company, is to secure the State approval for Redevelopment of the Mine as well as some Tax Concessions.

7.3 The Joint Committee accordingly recommends to the House to adopt its report and ratify the Agreement in accordance with Article 268(1) of the 1992 Constitution and Sections 5 (4) and 49 of the Minerals and Mining Act, 2006 (Act 703).

Respectfully submitted




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HON. EMMANUEL AKWASI GYAMFI
(CHAIRMAN, MINES AND ENERGY COMMITTEE)



.....
HON. MARK ASSIBEY-YEBOAH (DR.)
(CHAIRMAN, FINANCE COMMITTEE)



.....
JOANA A.S. ADJEI (MRS.)
(CHAIRMAN, MINES AND ENERGY COMMITTEE)



.....
EVELYN BREFO-BOATENG (MS)
(CHAIRMAN, FINANCE COMMITTEE)

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