ECOWAS FEDERATION OF CHAMBERS OF MINES

EFEDCOM ANNUAL GENERAL MEETING – November 30th, 2023

Address Delivered by the President of the ECOWAS Federation of Chambers of Mines of West Africa, Mr. Adam Soro, at the Fourth Annual General Meeting held Virtually on 30th November 2023

1.0: Introduction

I am elated to welcome you to the fourth (4th) Annual General Meeting of the ECOWAS Federation of Chambers of Mines of West Africa (EFEDCOM) as we take stock of developments in the sub-region's mining sector and look forward to deepening our members' footprints in their respective host countries.

Firstly, I would like to congratulate the executive board for their commendable efforts. Let us acknowledge the tremendous work carried out by the executive board over the past two years under the leadership of Sir Sulemanu Koney. I would also like to salute the significance of our collective efforts, including our new members such as the Liberia Chamber of Mines, in fostering collaboration, promoting sustainable development, and advancing the interests of the mining sector in West Africa.

As you may be aware, members of our Federation produce a variety of minerals, of which gold, bauxite, manganese, diamond, phosphate, and iron ore are the predominantly commercially exploited minerals. The mining industry plays a pivotal role in our economies, contributing significantly to job creation, foreign exchange earnings, and infrastructural development. It is imperative that we go the extra mile and work together to ensure that the benefits of this vital sector are equitably distributed, and that its operations adhere to the highest environmental and social standards.

Over the past two years, our region has faced numerous challenges, including global economic uncertainties, fluctuations in commodity prices, the aftereffects of the COVID-19 pandemic, insecurity, and political instabilities in several countries, including EFEDCOM member states such as Burkina Faso. These challenges have significantly impacted our sector. As a regional body of the industry, we play a vital role in helping alleviate the effects of these issues through collaboration and active engagement with ECOWAS and regional financial bodies. I acknowledge the power of our mining communities and industry stakeholders in displaying resilience and adaptability in navigating these challenges.

I am thus pleased to provide you with some updates on the overall state of the mining sector in our region.

2.0: Overview of Mineral Production in 2022 and Upcoming Mineral Projects

The West Africa sub-region’s contribution to global gold production increased from 557 tonnes in 2021 to 571 tonnes in 2022. The 2.6 percent growth in output was driven primarily by increased production from both small and large-scale miners in nearly every gold-producing country in the sub-region, with Mauritania, Cote d’Ivoire, Ghana, and Mali recording the largest upswing in output. More so, the gold output of Mali and Burkina Faso outstripped South Africa in 2022, making them the second and third largest producers of gold in Africa respectively. This also implies that four out of the five largest gold producers in Africa, Ghana, Mali, Burkina Faso, and Guinea, are in the sub-region and members of EFEDCOM. Overall, the sub-region’s share of continental gold production improved from 56 percent in 2021 to 58 percent in 2022 while the analogous share in global gold production was largely unchanged at 16 percent.

However, the outturns in the volume of diamonds produced and exported by member states of ECOWAS under the Kimberly Process (KP) were mixed. The sub-region’s largest diamond producer, Sierra Leone, recorded a downturn in its output, from 839,225 carats in 2021 to 688,970 carats in 2022. In the same vein, Guinea’s output fell from 273,321 carats in 2021 to 128,771 in 2022 while that of Liberia declined from 59,404.36 in 2021 to 52,165 in 2022. On the other hand, Ghana’s diamond output rose from 55,100 carats in 2021 to 82,500 carats in 2022. On the whole, the quantum of diamond production attributable to producers in the sub-region fell from 1.23 million carats to 0.96 million carats in 2022, representing a downturn of 22%. This translated into a reduction in the sub-region’s share of global diamond production from 1 percent in 2021 to 0.8 percent in 2022.

With respect to the bulk minerals, the sub-region’s dominant producers, Ghana, and Guinea, recorded downturns in production. The quantum of manganese produced by Ghana fell by 4.9 percent, from 3.3 million tonnes in 2021 to 3.2 million tonnes in 2022 while that of Cote d'Ivoire reduced from 957,791 tonnes in 2021 to 929,700 tonnes in 2022. The latter translates into a dip of 3 percent. In Guinea, the volume of bauxite produced fell from 87 million tonnes in 2021 to 86 million tonnes in 2022. This is equivalent to a year-on-year fall of 1 percent. Likewise, Ghana's attributable production of bauxite contracted by 7.9 percent to 0.773 million tonnes in 2021 from 0.839 million tonnes in 2022.

In terms of upcoming projects, Shandong Gold's Namdini Gold Mine (planned production of 7.9 tonnes per annum), Newmont's Ahafo Gold Mine (planned production of 10 tonnes per annum), and Atlantic Lithium's Ewoyaa Mine (planned production of 365,000 tonnes) are the main pipeline projects in Ghana, with production expected to commence in 2024, 2025, and 2025 respectively. Further, the Lafigue Gold Mine of Endeavour Mining in Cote d'Ivoire is expected to achieve commercial production in 2024 while the restarted Simandou Iron Ore Project is anticipated to achieve its first pour by the end of 2023.

3.0: Major Policy Developments in 2022

Globally, the West Africa sub-region is famed for its precious and critical minerals, which has culminated in positioning the sub-continent as a frontier destination for mining capital. For instance, the total number of gold exploration projects in West Africa was 98 in 2022 while the expenditures by these projects totaled nearly US$530 million in the same period. While the outstanding geology of the sub-region has provided tailwinds to lure investments into the development of the sub-region's mineral endowments, the business environment has been a deterrent force for many investors. It is trite knowledge that the gestation period for mining projects is long, which makes the mining sector vulnerable to a plethora of factors. It is against this backdrop that most miners place a premium on stability in policy-related factors, which is one of the set of variables that can impact the viability of mining projects and could be managed.

In the year under review, most governments in the sub-region tweaked the fiscal and legal framework for mining operations with the objective of increasing the state's share of revenue from the sector. In Ghana, for instance, the government announced a first-in-the-world non-deductible mineral royalty, known as the Growth and Sustainability Levy (GSL). In a similar breath, the Government of

Guinea announced a reference price for bauxite producers which was somewhat different from the market-based rules for trading such minerals. While the private sector-operated mines are naturally disposed to the equitable sharing of mineral rents with the state, the sector is equally concerned about the spike in such one-sided measures. The government's proclivity for frequently revising fiscal and other policy-related parameters disrupts the operational plans of mines, impacts adversely on the viability of marginal mines, and makes investors wary of injecting long-term capital into such jurisdictions. The Federation calls on the governments of member Chambers to provide certainty and stability in the policy framework for miners in their respective countries.

4.0: Political Stability and Security

Further, the sub-region witnessed unprecedented toppling of democratically elected governments in the last few years. These developments do not only upset the democratic credentials of the sub-region but also have negative implications for the attractiveness of the jurisdiction to investors. In some cases, it could even lead to scarring the jurisdiction as a risky destination for mining investments with the associated effect of increasing the cost of capital for projects in the sub-region.

Coupled with this challenge, is the deteriorating security situation in the sub-region. The activities of extremists in some countries have led to the suspension of mining operations, deaths of employees, and costly security arrangements to sustain operations. We implore ECOWAS and the international community to support the affected countries to clamp down on the activities of these terrorists to ensure the safety of people and the security of livelihoods.

5.0: Local Content and Value Addition

A proven way of enhancing the benefits of mining to a host economy is deepening the participation of locals in the entire continuum of mining operations. In that regard, nearly every government in the sub-region has passed a form of legislation that requires indigenes to participate in a given aspect of the mining business. However, the most popular form of local participation requirements, which are generally known as local content, is in the procurement of goods and services consumed in the production of minerals. Although this country-specific endeavor is laudable, it is a sub-optimal way of leveraging the sub-region's mineral resources to accelerate industrial development at the regional level. Given the efforts to increase regional production and trade through the setting up of the Africa Continental Free Trade Area (AfCFTA), it would be prudent to tailor local content legislation to meet regional industrialization objectives. This will provide the critical mass needed to attract investments to support the production of inputs used in the mining industry, which may also be demanded by other non-mining sectors. We, therefore, urge ECOWAS to consider galvanizing its member states in that regard.

6.0: Supply of Electricity

The supply of competitively priced and reliable electricity continues to be a challenge in most mining jurisdictions in the sub-region. In Guinea and Nigeria, for instance, most mines are required to co-generate or fully generate their power requirements for production. This situation increases the initial capital cost for projects, prolongs the capital recovery period, and impacts adversely on the competitiveness of the country relative to jurisdictions that depend on the national grid. Moreover, mines that have access to the national grid, tend to experience periodic fluctuations in the supply of power. This affects the availability of plants and increases equipment downtime, which invariably leads to a decline in production and an escalation in repair costs. It is our considered opinion that this challenge represents a viable opportunity for the government and investors to leverage the presence of the mines to build large-scale power projects that would also be beneficial to the host communities. For instance, the Ghana-based Independent Power Producer (IPP), Genser Energy, could be supported to leverage the pipeline infrastructure of West Africa Gas Pipeline Ltd to provide electricity in countries with a shortfall in power generation. In this way, the sub-region would optimally utilize its resources to address the gap between the supply and demand of electricity for mining projects.

7.0: Environmental Regulation

The Federation's member mines are committed to environmental sustainability and therefore strive to adhere to the highest standards of environmental practices. These are usually done in conjunction with the governments and regulators in the host mining countries. For instance, the Chamber of Mines in Guinea liaised with the relevant stakeholders to develop guidelines for the reclamation of mined-out areas. In addition, the mines and member Chambers have undertaken various initiatives to reduce their carbon footprint. For instance, the Ghana Chamber of Mines and its members included a target of achieving zero greenhouse gas (GHG) emissions by 2050 in their new five-year strategy in 2022. We are confident that these initiatives will inspire the governments of our member Federations to accelerate the implementation of their respective GHG emission reduction strategies.

8.0: Human Resource Development and Localization Initiatives

In line with the efforts to increase the representation of locals in the mining industry's workforce, our members continued to train and facilitate the transfer of skills from expats to locals. These initiatives have culminated in the progressive increase in the population of locals working in the mining industry. In the case of Ghana, for instance, the proportion of locals in the mining industry's labour force was nearly 99 percent as of December 2022. The Chamber of Mines in Guinea and its member companies also liaised with the World Bank and other Development Agencies to train locals in mining-related skills. It is our expectation that these skills-enhancing initiatives will enhance the benefits of mining to our host countries and communities.

9.0: Illegal Mining

The bane of illegal miners encroaching on the concessions of producing mines and exploration tenements is a pervasive phenomenon in the sub-region. The activities of these illegal miners deplete delineated reserves of mining companies, rob the state of taxes, bequeath environmental liabilities to the mining firms, and endanger the lives of persons who engage in such illicit acts. It is our collective plea to member Federation's governments to deal decisively with the problem of illegal mining.

10.0: Community Development

The development of communities that our member mines operate in is critical to the mining industry's social license. In that regard, our members set aside funds or work with government agencies through a Community Development Agreement to finance a variety of social intervention projects in host mining communities. For instance, member mines in Guinea invested significant resources in health intervention projects, including sensitization on HIV, malaria, ebola, and COVID-19. In the case of Ghana, the producing mines of the Ghana Chamber of Mines spent US$ 43.3 million on a number of community development-related interventions.

The next two years will undoubtedly be challenging. Nevertheless, we are here to support and suggest the best alternatives to maintain the positive momentum established years ago. As we engage in an era when most governments and global financial and mining stakeholders are advocating for the formalization of Artisanal Mining, our role will be to lay out and support a regional-wide framework to ensure a smooth and optimized process while assuring the continuity and competitiveness of the Large-Scale Mining sector.

Therefore, our agenda today must reflect our commitment to innovation, sustainability, and inclusivity. It is crucial that we explore new ways of thinking, adopt best practices, and foster partnerships that will enhance the efficiency of mining operations. In doing so, we reaffirm our dedication to working towards the achievement of our goals.

11.0: Conclusion

On behalf of the Federation, we wish to express our profound gratitude to ECOWAS Commission and the African Development Bank for their continued support for the work of EFEDCOM. Again, we commend the governments and good people of our host countries for their partnership in leveraging the sub-region's mineral resources to create shared prosperity and accelerate broad-based development. Although the environment for mining in West Africa is faced with grave headwinds, we are confident that we can continue to count on the support of our various stakeholders to enhance the reputation of the sub-region in the global mining industry. Merci.