

GHANA

METS

REPORT



AUSTRALIA AFRICA

CHAMBER OF COMMERCE

METS TO GHANA

Mining Equipment Technology & Services

Conditions underpinning demand for Australian METS in Ghana's concentrated large-scale mining sector are sound. Ghana's mining experience and regulatory capability are among the best in Africa.

Spending on mining supply exceeds USD 2 billion annually. The existing mines of the eight international companies running Ghana's gold operations are maturing. Technical and cost solutions offered by METS will be key to maintaining their competitiveness, and the country's pre-eminence in African gold production.

Future greenfield discoveries will be required to maintain a pipeline of new developments needed to sustain this attractive METS market. An adequate balance of fiscal incentives and certainties for explorers and new developers will be important.

Australian METS are well regarded and have long track-records of supplying Australian other nationality mine owners alike. Changes in mine ownership and management could in the future see preference given to lower priced METS suppliers and possibly to suppliers already tied to new owners.

Local participation requirements can be well-managed through Ghanaian partners and collaborative arrangements with mining company clients.

The Ghana Investment Promotion Centre is active in providing foreign entities with step-by-step processes for entering the Ghanaian market. Links are provided throughout this export market profile.

REPORT FOCUS



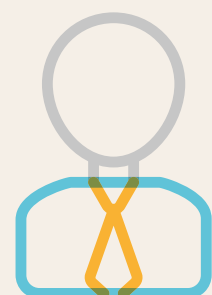
Demand Trends



Competitive Environment



Laws and Regulations



Doing Business

DEMAND TRENDS

AT A GLANCE

Opportunity for Australian METS in Ghana is secured by mining's national economic importance, the government's relatively strong management of the sector, and miners' reliance on specialised METS inputs to stay competitive.

Challenges include potential taxation increases to fund the Government's ambitious economic growth and future diversification plans.

The market for METS inputs in Ghana is large and stable with spending on mining consumables, services and capital items exceeding USD 2.5 billion in 2019.



OPPORTUNITIES

Solid Underlying Demand

Demand for METS in Ghana comes almost exclusively from the mining industry; and that industry is vital for Ghana's economy. The International Council on Mining and Metals ranks Ghana's economy as the 15th most reliant on mining in the world. In 2019, mining contributed

- Over 18% of Ghana's direct domestic tax payments – second only after banking and insurance;
- Approximately one third of Ghana's FDI;
- 43% of Ghana's total merchandise export revenue – equivalent to crude oil (29%) and cocoa (15%) combined ;
- 5% of Ghana's GDP;
- Imports of machinery and complex manufactured products totalled at USD 4.045 billion in 2019 and USD 4.998 billion in 2020.

Forecasts for mining in Ghana note that:

Mining is expected to be valued at USD 8.89 billion and USD 9.44 billion, and expected to account for 11.77% and 11.43% of Ghana's GDP in 2021 and 2022 respectively

The value of the industry will increase to USD 9.95 billion by 2026

As part of its gold exports, Ghana produced 4.50 million oz of gold in 2020, and is expected to produce 4.77 million oz in 2021 and 4.96 million oz in 2022 respectively. This represents growth of 6% and 3.98% in gold production.

Aluminium production meanwhile shows that Ghana will continue to grow its aluminium production throughout the next five years. There was 81,000 tonnes for 2020 and 2021, and it is expected that 2022 will have a 90% increase in production to 153,900 tonnes. Production is then expected to grow up to 333,788 tonnes in 2026.

DEMAND TRENDS

Sound Future Prospects

Looking ahead, Ghana's long-term economic blueprint, Ghana@100, recognises mining's important role in the country's transition from lower-middle income to high income status by 2057. Mining is recognised as a cornerstone of the Plan's "economic pillar", because it creates wealth, jobs, skills, infrastructure, and metal supply for downstream industry.

Ghana's institutions and policies support mining relatively well. The Fraser Institute has consistently ranked Ghana as the best-performing mining jurisdiction in the continent. When last measured in 2017, Ghana ranked 22nd in attractiveness for mining out of 91 jurisdictions globally.

Fitch has named Ghana as the second most attractive market in Sub-Saharan Africa for 2021, with the country maintaining significant opportunities to conduct trade. Ghana maintains the highest positive long-term political risk rating in the region, and the second highest rating for the short-term, trailing behind Botswana.

Innovation

Ghana's large-scale gold, manganese, and bauxite mines run to international standards; they need to source investment and many key supplies and services at globally-competitive cost, and thus rely on continuous improvement and best practice.

In this context, METS in Ghana will remain a key factor in achieving efficiencies through general supply and operating improvements.

Market Extensions

Two broad avenues exist for METS businesses in Ghana to extend beyond domestic miners...

- into other sectors– particularly downstream processing and metal-based manufacturing (including Ghana@100's vision of industrialisation through "integrated bauxite, iron, and steel industries"), infrastructure, and energy sustainability; and
- into the mining sectors of other West African economies, leveraging Ghana's advantages as a regional hub

CHALLENGES

Mining Activity Levels

Demand for METS has different drivers depending on the stage of the mining cycle. For existing operations, METS' ability to add value ensures reasonably stable on-going demand.

Exploration and greenfield activities, because of their long lead times, react more to investors' perceptions of risk as to future returns, and they in turn are sensitive to any threats of resource nationalism or increases in taxes.

DEMAND TRENDS

At present:

- Ghana's tax structures favour brownfield developments by existing producers over explorers for new mineral deposits, diminishing the chances of greenfield success
- Nevertheless, greenfield gold exploration in northern Ghana has shown promising results
- Ghana is also considered prospective in iron ore, kaolin, salt, and from recent discoveries, lithium.

Looking forward, any increase in the fiscal burden on mining would dampen the appetite for exploration and the development of new projects and, with this, associated METS opportunities.

Alongside limited greenfield development, Ghana maintains a low ore reserves sustainability rating. A focus on brownfield sites compliments this low rating, with opportunities to create greenfield developments overall are diminishing.

Local Content

See *Competitive Environment* for the impact of laws reserving certain supply opportunities to locals.

SIZE OF METS MARKET

Ghana exported USD6.7 billion in metals in 2019, with gold providing USD6.2 billion. (The value of gold exports grew a further 9.1% in 2020) USD 4.5 billion came from the large-scale gold mining sector - the market for METS suppliers.

Of this, spending on consumables, services and capital items (a large part of which would be METS-type items) exceeded USD 2.5 billion, split roughly:

- As to USD 1.9 billion - to Ghanaian suppliers.
- As to USD 0.6 billion - to international suppliers and capital equipment providers.

COMPETITIVE ENVIRONMENT

AT A GLANCE

The market for international METS inputs in Ghana is highly concentrated but deep. Channels include direct supply or indirect inputs via a partnership or collaborative projects.

Opportunities for specialist METS are extensive as gold mining adjusts to declining grades and more underground operations, and as exploration continues. Challenges include local content requirements and potential shifts of mine ownership, favouring METS players with cheaper cost structures.



MARKET STRUCTURE

Market for METS suppliers

The market for METS consists overwhelmingly of the eight relatively high-spending large-scale mining companies operating at international standard . These produce two-thirds of the country's mineral wealth. In addition, there are the Ghana Bauxite and Ghana Manganese companies. The latter two were previously Australian-owned but are now both Chinese controlled . All are located in Ghana's south west .

The large gold miners made up 93% of the large-scale sector's sales revenue in 2019. In order of production (ounces, 2019) they are:

- Newmont Mining (USA) 1,065,000
- Goldfields (South Africa) 737,000
- AngloGold Ashanti (South Africa) 275,000
- Asanko Gold (South Africa/Canada) 251,000
- Golden Star (USA) 203,000
- Kinross (Canada) 201,000
- Perseus Mining (Australia) 180,000
- Adamus Resources (Australia) 84,000

Around 15 (mostly gold) explorers/developers (mainly Australian, Canadian, South African and Chinese) are active in the south-west and north.

Key International METS Players

Key international players in or affiliated with Ghanaian METS providers include multinational companies from the U.S., Canada, UK, EU, South Africa, and Australia .

Australian-owned/affiliated METS have been strong players and Australia's robust bilateral relationship with Ghana assists Australian METS.

Key Sales Channels

Approximately 90 mining support services companies are registered. The two main METS supply channels are:

- Direct to mining companies;
- Sub-contracting or partnering with an existing supplier, e.g..
 - Australian METS based in-country;

COMPETITIVE ENVIRONMENT

- Collaboration between METS with complementary specialties;
- Consortium-style projects between METS companies and miners to provide bespoke solutions

Australian METS have been widely used by Ghana's large-scale miners regardless of owner nationality.

Opportunities

Looking ahead, Ghana's gold mining industry will increasingly require specialist METS as it confronts major changes.

- declining ore grades, requiring improved near-mine exploration, and mining and processing technology and know-how;
- increased progression from open cut to underground mining, requiring new equipment and skill sets;
- greenfield exploration and development.

Examples include geotechnical services, technical training, fatigue management, safety technologies, predictive technologies, data management tools, wastewater treatment, efficient fuel management, automation and system controls, and cost management systems. Incentives to invest in the METS sector include exemptions from import duties on machinery, equipment, and services.

CHALLENGES

Key Sales Channels

Local supply to mining has been increasing dramatically, propelled by tightening Government regulations, and supported by the Chamber of Mines and miners. Companies must:

- “to the maximum extent possible consistent with safety, efficiency and economy” give preference to materials/services made/located in Ghana and supplied by Ghanaian-owned businesses; (18 prescribed categories must now be purchased locally);
- submit annual local procurement plans and report against them; and
- compliance by foreign companies has been seen as good business.

The take-out for international METS is to focus on providing high value-add product/service inputs through partnerships with low-cost local businesses.

Pricing

Constraints on future METS supply – whether through pricing competition or tied supply arrangements - may emerge from changes in the ownership of new gold prospects.

LAWS & REGULATIONS

AT A GLANCE

Ghana's mining and METS sector is regulated by several agencies, the main body being the Minerals Commission Ghana. Corporate regulatory requirements are straightforward.

Local participation requirements are reasonable and well-observed by miners and METS



REGULATORS

Key Regulators

- The Ministry of Lands and Natural Resources is responsible for overall management of Ghana's mineral resources.
- The Minerals Commission is the main regulatory body of the mining industry.
 - This is the most important regulatory body for METS companies, governing the rules, concessions and benefits described below.

Important supplementary regulators

- The Ghana Revenue Authority, which regulates tax liability of companies in the mining sector, with key inputs from the Ministry of Finance and Bank of Ghana.
- The Environmental Protection Agency plays a key role in environmental regulation of the mining sector, with important Forestry Commission and Water Resources Commission inputs.

Corporate Regulation Issues

Establishing a mining support company in Ghana requires:

- incorporation with the Registrar General's Department,
- registration with the Ghana Investment Promotion Centre, and
- a licence from the Minerals Commission.

Support companies

- must have at least two directors, one being Ghanaian;
- take around three weeks to incorporate, and
- if 100% foreign-owned, must have USD 500,000 capital - versus USD200,000 for companies with a Ghanaian partner. (The Ghanaian partner must own at least 10% of the equity.)

LAWS & REGULATIONS

The Minerals Commission issues foreign support service companies with a “Class A” certificate for operation, which grants concessionary rates of customs import duty and an immigration quota for expatriate personnel (see Local participation section below).

Whilst registration with the Minerals Commission allows METS companies to make payments in foreign currency, this is subject to ongoing Bank of Ghana approval.

Key Regulators

Ghana has been highly successful in maximising Ghanaian nationals’ integration into the mining value chain. Since 2010, expenditure on Ghanaian locally sourced non-labour inputs has grown from 33% to 56% of total mineral revenue earned .

Key local participation requirements applicable to mine support service providers, set out in Minerals and Mining (Local Content and Participation) Regulations:

- require submission of localization programs for recruitment and training of Ghanaians,
- apply tight limits on numbers and categories of expatriate workers,
- require submission of five yearly procurement plans for goods and services, which must also address future prospects for and specific support to be provided to local supply aspirants,
- require at least annual reviews of and reports against approved plans, and
- specify that specific goods and services gazetted in a list from the Minerals Commission Ghana must be targeted.

Provision of certain types of METS services are reserved only to Ghanaian citizens.

Specific additional regulation also applies to supplies of:

- Technical and engineering services,
- Insurance/reinsurance services, and
- Accounting, legal and financial services.

Large-scale miners recognize that local sourcing is more secure and usually cheaper than importing goods and services, and with Chamber of Mines’ leadership, have generally embraced government policy. The Chamber of Mines provides an on-line portal which publishes the supply needs of its members which are available to local METS providers.

Challenges still remain in the form of structural weaknesses impeding the supply-readiness of domestic industry. There is a lack of political consensus on how to overcome this problem, but attempts to tackle the issue are underway through the Accra based Africa Centre for Economic Transformation.

DOING BUSINESS

Using Trade Agreements

There are no trade agreements in place between Australia and Ghana.

Accra was commissioned as the Secretariat for the African Continental Free Trade Area (AfCFTA), which came into effect on 1 January 2021.

Import Duties and Taxes

Ghana's import duties and VAT are assessed based on classification under The Harmonized System and Customs Tariffs Schedules and a duty of either 0%, 5%, 10% or 20% is assessed to the CIF value of imported items. Most METS machinery would have a duty of 0% and be exempt from VAT.

It is best to engage a reputable shipping company for customs and import clearance advice.

Getting Paid

Getting paid is a critical part of any export transaction. The payment terms you offer can also make a difference when competing to win export contracts.

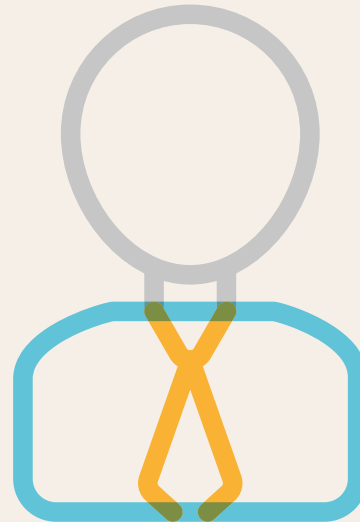
Information about getting paid for goods and services you export is available from Austrade.

Cultural Considerations

In each country, the way people do business varies. You may need to adjust your expectations and be sensitive to how business is done.

Resources for doing business in Ghana:

- PricewaterhouseCoopers (PwC) Ghana: Doing business and investing in Ghana.
- KPMG Doing Business in Ghana.
- Deloitte Guide to fiscal information: Key economies in Africa 2020.



Intellectual Property

Consult with an IP lawyer in Ghana. Austrade can refer you to a list of IP lawyers in Ghana. Contact Austrade on 13 28 78 or email info@austrade.gov.au.

For more information, visit:

- Ghanaian Ministry of Trade and Industry.
- World Intellectual Property Organisation - Contact information for Copyright and Industrial Property Offices within the Ghanaian Ministry of Justice.

Australia-Wide

Export Market Development Grants (EMDG) can reimburse up to 50% of your export promotional expenses, including market visits.

Export Finance Australia is the Australian Government export credit agency. They help businesses export by providing advice, loans and other financial solutions.

Export Council of Australia provides online training in exporting.

Business Enterprise Centres provide mentoring, business analysis, training, grants and networking advice.

DOING BUSINESS

- Tradestart is a partnership between Austrade and local state and territory government to help small and medium-sized exporters succeed in international markets.

Entrepreneurs' Programme provides:

- up to \$1 million in matched funding and support to take novel products and services to market,
- up to \$500,000 for incubators who deliver support services to Australian globally-focused startups,
- access to skilled facilitators to research business growth opportunities, and up to \$50,000 in matched funding for further research.

Research and Development Tax Incentive offsets the cost of research and development. Apply for a refundable tax offset of up to 43.5%.

Australian Research Council Linkage Program promotes national and international research partnerships. Matched project funding is available of \$50,000 to \$300,000 per year, for two to five years.

Centres of Excellence Program provides grants for research in the national interest. Grants are for \$1 to \$5 million per year. Funding can be sought for up to seven years.

Cooperative Research Centres Program supports industry-led collaborations between industry, researchers and the community.

BHP Supplier Innovation Program provides opportunities to METS companies solving business problems with BHP.

Victoria

Global Victoria is a global network of Victorian Government Trade and Investment (VGTI) offices. It supports businesses to connect with global markets, sustain strong trading partnerships and capitalise on export opportunities.

The Regional Jobs Fund program stream aims to increase regional export potential and access to new markets for business and industry groups.

Trade advisors and referrals in Ghana

- Ghana Investment Promotion Centre provides resources for seeking investment opportunities and clarifying regulations in Ghana.
- African Mining Services offers full complement of contract mining services.
- Ghana National Chamber of Commerce & Industry.
- Government of Western Australia: Middle East and Africa Office (HQ in Dubai).
- Victorian Government Trade and Investment Office: Middle East, Africa and Turkey (HQ in Dubai).

Industry Associations

Key industry associations include:

- The Ghana Chamber of Mines.
- Australia Africa Minerals & Energy Group (AAMEG).

