Newmont Ghana Response to Danwatch Reports on Ghana

The Danwatch reports are critiques of the socioeconomic impacts of mining in Ghana. Although very general and overall quite superficial, the report requires careful analysis and a detailed response. Our initial reading suggests that they are not fully accurate and are based on misconceptions about global economic development and how Ghana is linked to global development. Not only do the reports contain flawed analysis, they utilize a somewhat condescending tone which could be insulting to the Government of Ghana.

For the present, and speaking from Newmont Ghana's perspective the following points are relevant.

- Newmont always has and will continue to abide by Ghanaian laws and regulations and the Investment Agreement with Ghana. Newmont Ghana is audited and assessed on many aspects of our business by both Ghanaian and international regulatory bodies and other agencies. The company reports publicly on these assessments.
- The Government of Ghana (past and present) has always encouraged foreign investment. When that investment occurs on a very large scale (in terms of capital invested) and is long term in nature, the law and government policy provide for stabilization of tax rates to help investors better understand the economic risks associated with long-term investments.
- Newmont's investment in Ghana is currently in excess of US$1 billion and may double in the coming years. These investments are subject to an agreement between the company and the Government of Ghana which was approved by the Ghanaian Parliament.
- The agreement entered into between the Government of Ghana and Newmont Ghana does not contain hidden or confidentiality clauses regarding tax or any other feature of the investment and this document is in the public domain.
- All aspects of expenditure and revenue are publicly reported.
- Newmont's Ahafo operation project to date has paid more than $42m in royalties (since July 2006) as per the Investment Agreement.
- The focus of the Danwatch reports on taxes and royalties misses perhaps the more significant points about Newmont Ghana's investment.

    - In 2009 alone, more than 340 Ghanaian businesses were awarded contracts by Newmont worth over $144.3 million. This accounted for over 60 percent of the company's total purchase of goods and services for that year. This is certainly not evidence of 'capital flight'.

    - Newmont Ghana has partnered with the International Finance Corporation to foster local business capacity via the Ahafo Linkage Program and the resulting linkages to the local economy are quite extensive. Up to year-end 2009 Newmont Ghana has awarded contracts to more than 180 businesses whose origins are from the local Ahafo host communities for a value of more than $10.5m.

- The Newmont Ahafo Development Foundation supports ten local communities and their sustainability projects and is currently valued at almost $5m, based on a contribution by the company of $1 per ounce plus 1% of net profit.

- A soon-to-be-released independent socio-economic impact study will show that the Newmont Ahafo operation alone has contributed to creating nearly 50,000 direct, indirect and induced jobs in Ghana.

Newmont cannot of course respond to what other companies have allegedly done, but has seen no evidence of widespread practices as alleged by Danwatch. Speaking for itself, Newmont can affirm that those practices are prohibited by its own standards, by its Investment Agreement with Ghana and in most cases by applicable law.

The key points Danmark makes relate to transfer pricing. In terms of gold sales, this is clearly not an issue, as the gold price is widely and publicly quoted. Additionally, Newmont has no affiliates that produce mining equipment or other products where the cost of products can be inflated; again this is a moot point. It would make no sense for Newmont to pay higher prices for products, goods and services to an unrelated third party. Furthermore, the Investment Agreement includes a section that requires pricing to affiliates to be on an arms length, market basis.

Danwatch also makes a major point about companies consolidating income and/or reporting only overall group financials as a way to "hide" profits from a particular operation or country. In fact, each Newmont entity in Ghana (NGGL and NGRL) stands separate for tax purposes both from each other and from the parent company. Each entity separately reports financials which are reviewed by certified accountants, and separate tax returns are filed to the Ghana IRS. The argument simply does not apply.

Newmont pays a fixed royalty on gross gold sales (3%, and 3.6% in forest areas). Thus, manipulation of the type described by Danwatch is not possible as production and price received for sales are publicly reported.

In essence, Newmont Ghana is dismayed and disappointed with the Danwatch 'studies' and the apparent insults to the Government and people of Ghana implicit in them. Only sustained and sustainable economic development will reduce poverty in Ghana. A continued focus on and a call for more donor aid merely perpetuates a dependent society rather than invigorating a vibrant market-based economy within which Ghana can take advantage of its capacities and resources and through which it can promote self-development.

Newmont Ghana Gold Limited
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