



COMMUNITIES AND SMALL SCALE MINING (CASM) 3RD AGM AND LEARNING

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PRESENTATION BY PRECIOUS MINERALS MARKETING COMPANY LTD

TOPIC: THE IMPORTANCE OF MARKETING IN SMALL SCALE MINING
REGULARIZATION PROCESS IN GHANA



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- **DEFINITION**

Small scale mining

- Is also called artisanal mining
- It involves alluvial mining operations (alluvial gold) from uncertain reserves .
- It is a process where peasant miners pan for gold along the banks and the beds of rivers and streams
- May involve mining deep down to gold bearing rocks (lode gold) and diamondiferous gravels.

NATURE

Small scale mining is:

- Driven by the get rich quick mentality of transient youth.
- Family- oriented analogous to subsistence farming
- Largely poverty driven activity
- Generally labour intensive
- Widespread and prevalent in many of the world's poorest countries in Africa and South America.



CHARACTERISTICS

Small scale mining is characterized by

- The absence or low degree of mechanization, explosives and chemicals.
- Low safety standards
- Poorly trained personnel
- High production waste due to low recovery
- Inadequate capital
- High exposure to risk and health hazards
- Some illegality due to refusal to acquire mining rights and excessive trespassing
- Very little consideration for environmental issues



HISTORICAL PERSPECTIVE

GOLD

- Ghana formerly Gold Coast had been associated with gold several years before arrival of Europeans.
- Gold used as ornaments by Chiefs and the wealthy for barter and as a treasure in ancient kingdoms and pre-colonial Arab trading.
- Before the establishment of Geological Survey Department in 1913 underground mines existed at several parts of the Western Central, Ashanti and Northern regions.
- Available records indicate between 1493 and 1600 Ghana produced over 8m fine ounces of gold representing about 35% of entire world production.

DIAMOND

- First found in 1919 in streams of gravels of the Birim river at Akwatia/Oda and tributaries of the river.
- Also found within Bonsa Diamond fields at Tarkwa in 1921.
- Isolated cases of diamonds found in the Volta and Northern regions.
- Commercial production of diamond by Consolidated Africa Selection Trust in 1924.
- Alluvial deposits remain to be prospected and developed but primary sources of Kimberlite pipes yet to be located.



EARLY DISPOSAL BY WINNERS

DIAMOND

- Local miners sold diamonds to illegal buyers mainly Nigerians who smuggled them out to neighbouring countries for sale. With the establishment of the Diamond Marketing Board in January 1963, rough diamonds purchases and sales were channelled through the main stream of the economy to bring in the needed foreign exchange for the country.
- The Diamond Marketing Board which became Diamond Marketing Corporation in 1972, was charged with the marketing of diamonds mined in Ghana by both small scale miners and mechanized mining companies such as GCD, Akim concessions and Cayco (Ghana) Ltd.

GOLD

- Several ounces of gold mined for years in Ghana were sold to smugglers and eventually found their way to neighbouring countries especially Lome, Abidjan Europe and the Far East. There was no official body responsible for the purchase and sale of gold then mined extensively in Ghana. But for Bank of Ghana where confiscated gold was deposited for sale to jewellers people traded in gold freely, everywhere in Ghana.
- With the legalization through promulgation of PNDCL 219 in 1989, Precious Minerals Marketing Corporation was established to take over the role of the Diamond Marketing Corporation (PMMC). The expanded role of the PMMC captured the marketing of gold produced under the small scale mining sectors.



ROLE OF PRECIOUS MINERALS MARKETING COMPANY LTD (PMMC)

Legalization of Small scale mining and expansion of the role of the Precious Minerals Marketing Corporation in 1989 (which became Precious Minerals Marketing Company Ltd in 2000 by Act of Parliament) were:

- Essential steps towards the transforming of the sector into a sustainable activity.
- Necessary to establish and transfer title to discoverers of deposits and miners to ensure their rights .
- To enhance creditworthiness of the mining industry
- Provide regular market, realistic and competitive prices and bring markets to the doorsteps of the small scale miners, in order to minimise smuggling.
- To regulate the mining activity and protect both the environment and the rights of the indigenous miners to channel revenue from activities through main stream economy.



MARKETING OF SMALL SCALE MINERS' WINNINGS


INTRODUCTION

- The major objective of the PMMC from its inception as Diamond Marketing Board in 1963 is to raise as much revenue as possible from the marketing of winnings from the small scale miners. This objective influenced in no small measure management's decision over a decade ago, to produce jewellery as a value-addition process to enhance earnings.
- Minerals are non-renewable resource and revenue from exploitation must be maximized in view of negative land degradation and pollution left in its wake, the social commitment and economic obligation to reclaim the land and put it back into use.
- It behoves on the government and regulating authorities to ensure maximum yield from the exploitation and PMMC is doing just that by instituting appropriate and dynamic marketing strategies.




DIAMOND

- In Ghana Diamond Mining started nearly eighty years ago and from 1924 till 1963, the producing company Consolidated African Selection Trust Ltd (CAST) had total control over the sale of its production from its mine at Akwatia. Records of small scale winners however, date back to about 1953 when there were over 20 Independent Buyers (mainly Nigerians) located at Accra, Akim Oda, Kade and environs. These buyers negotiated directly with the local winners and paid for the diamonds they could purchase. After examination by the Government Valuer, the companies were allowed to export the diamonds purchased overseas.
- Due to several allegations of under invoicing, connivance, and low prices that Ghana was getting from the sale of its diamonds, the Ghana Diamond Marketing Board (DMB) was set up in January 1963 to control the purchases and export of all diamonds produced in Ghana. The Board registered over 25 independent Diamond Buyers to participate in the regular sale conducted at the Accra market which used to be in the old buildings occupied by the National Lotteries.
- In the initial stages of its operations from 1963-1968 the Board operated a buy and sell policy, where the board purchased all the diamonds produced by CAST and the local winners. Various methods were used to sell the diamonds such as:
 - i. Tender sales involving overseas independent Diamond Buyers
 - ii. Retail Assortment sales and
 - iii. Wholesale, sales at its office in Antwerp, Belgium with the assistance of a Consultant.

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- Towards the end of 1968 CAST objected to the outright purchase of their diamonds by the Board on account of excessive profit claimed to have been made by the then DMB. Sale by international tender system was instituted with modifications below:
 - Sale of 25% of production by tender at least 4 times a year
 - 25% of production for GCD to carry out market research to confirm the bid price.
 - 25% of production allocated to GCD for sale outside the tender.
 - 12½% for DMC to carry out market research for floor price.
 - 12½ to the winner of the tender

Ghana was producing about 3 million carats of diamonds annually and by 1976 there were only 6 registered Buying Agents. CAST became Ghana Consolidated Diamonds Ltd (GCD) after 1982 when CAST sold its minority 45% shares to the Ghana Government.

Marketing system of diamonds produced by GCD changed frequently until it adopted finally the system used now by PMMC to market local winners production.



Marketing of artisanal diamond mining winnings have actually gone through several process

- Purchased diamonds were shipped to PMMC officer in Antwerp for both wholesale outright sale and retail sorting sales with the assistance of a Consultant. This proved expensive and unprofitable due to taxes, rent and payment of emoluments to staff and Consultant.
- Registered overseas buyers (6 in number) were invited every quarter for tender sales. The system was abrogated due to consistent low prices offered, resulting in near losses and marginal profits on account of collusion between the buyers expected to be independent.
- In operation now is an open market system whereby registered buyers from various countries India, Belgium, South Africa, far East and Israel have been provided with offices to offer competitive prices. Winners are at liberty to show the mixed parcel of diamonds to any of them and take same away if there is deadlock in price negotiation. The local seller decides on whom to sell to after negotiation on price with as many of them as possible.

The latest method have actually increased sales, raised the confidence, transparency and has brought about sustainable healthy competition in the one- stop Diamond



Bourse created at the same floor in the Diamond House Head Office, Accra of PMMC.

- Management ensures the financial strength, integrity and credibility of prospective buyers by conducting Dun & Bradstreet report on their companies prior to commencement of operations. All resident buyers transfer upfront in US Dollars funds through the Central Bank for the purchase of the diamonds. Winners are paid immediately after sale at a Bank at the Diamond House. Diamonds purchased by the registered buyers under lock and key, are kept in custody of PMMC pending shipment to various destinations on request.
- Diamonds for shipment are subjected to PMMC's pre-shipment inspection of the value, weight and 'conflict diamonds' prior to processing of export documents and subsequent shipment.

GOLD

- Marketing of gold produced by the major mining companies such as Ashanti Goldfields Company Ltd (AGC), Goldfields Ghana Ltd, Billion Bogoso Gold Ltd. etc is carried out under various marketing and refining agreements independent of PMMC. Under the provisions of PNDCL 219 gold produced by small scale miners as well as medium sized companies are to be purchased by PMMC.



PMMC price quotations are based upon:

- Weight of the gold normally in pounds (1 pound = 7.775g = ¼ oz)
- Purity of the gold (Assay value) in karats. (24 karat = 100% pure gold) maximum karat in Ghana hardly exceeds 23.
- London Metal Exchange (L.M.E) A.M Quote for the day of sale.

Initial attempt to pay the small scale gold miners full LME less 7% in order to pay 3% towards a Land Reclamation fund rendered PMMC uncompetitive to the illegal buyer. At present prices offered is about 2% below the LME and sometimes winners are given the full LME to price out smugglers in the producing areas. An amount of 200M was paid to Minerals Commission for land reclamation prior to the revision.

PMMC has succeeded in sending markets to the doorstep of the producer with the:

- Establishment of purchasing offices at Accra and Tarkwa.
- Establishment of agencies at Kumasi, Konongo, Cape Coast, Wassa Akropong, Bolgatanga and Wa.
- Licensing of over 500 local buyers scattered all over the country to purchase the gold from miners and other small dealers in the dust grain or amalgam form for treatment prior to selling at PMMC offices or agencies.



• SALES

Factors taken into consideration when PMMC is considering overseas buyers of our gold include:

- Charges for refining the gold; as quoted international prices are always for fine gold.
- Percentage of gold recovery.
- Percentage of silver recovery
- Freight and insurance charges
- Transportation, assaying and handling costs
- Terms of payment
- Other benefits to be derived e.g training for staff, bonus, hedging facilities, pre-financing prospects etc.

In addition Silver, the major by-product from the refining process is paid for. On the average purity of Ghana gold is 92% with about 7% Silver component and the 1% being metals in traces possibly Copper, Iron, Palladium etc.

All these are aimed at realizing higher earnings for the country from the exploitation of this non-renewable natural resource.

- PMMC however utilizes part of gold purchased for Jewellery production in an adjoining workshop but the major component of purchases are exported overseas for sale to end users such as Refineries at the full LME less charges.



CONCLUSION

- The importance of marketing in small-scale mining cannot be relegated to the background at all. Artisanal gold mining in Ghana is reported to produce more than 250,000 ounces annually valued over \$75M whilst artisanal diamond mining produce 1,000,000 carats annually valued about \$20M dollars.

Over 600,000 ounces of gold valued \$200M and 7.3M carats of diamonds valued \$170M have been realized by PMMC from artisanal mining since legalisation of small scale mining in 1989.

In addition over 80,000 people are employed directly or indirectly under the sector yet small scale miners are hardly assisted by banks and financial institutions probably due to the risk, unregulated and the nomadic nature of players in the industry.

For sustainability and improvement in the sector to realize intended economic benefits to rural communities, the government through its agencies, needs to continue searching for a way to provide true technical assistance for the small scale miners, especially in the areas of exploration, evaluation of mineral deposits, mining and extraction techniques, safety and environmental issues.



In addition it is important to encourage a perfect co-existence of small and large scale miners for the exploitation of pockets of lands not economically feasible to mine mechanically. Sustainable development however entails the building of necessary technical capacity/direction and enhancing greater productivity and job security while minimising the negative impacts on environment.

The artisanal mining sector however, serve as an economic anchor point for stimulating the development of complementary, sustainable and revenue generating activities to be integrated into the local economic structure. This can go a long way to check rural-urban drift by the youth for non-existent jobs and reduce social menace in such communities.

