

# Mining Industry Performance in 2018

Mining Conference, 9<sup>th</sup> May, 2019

Windhoek Show Grounds

Veston Malango  
CEO



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OF NAMIBIA

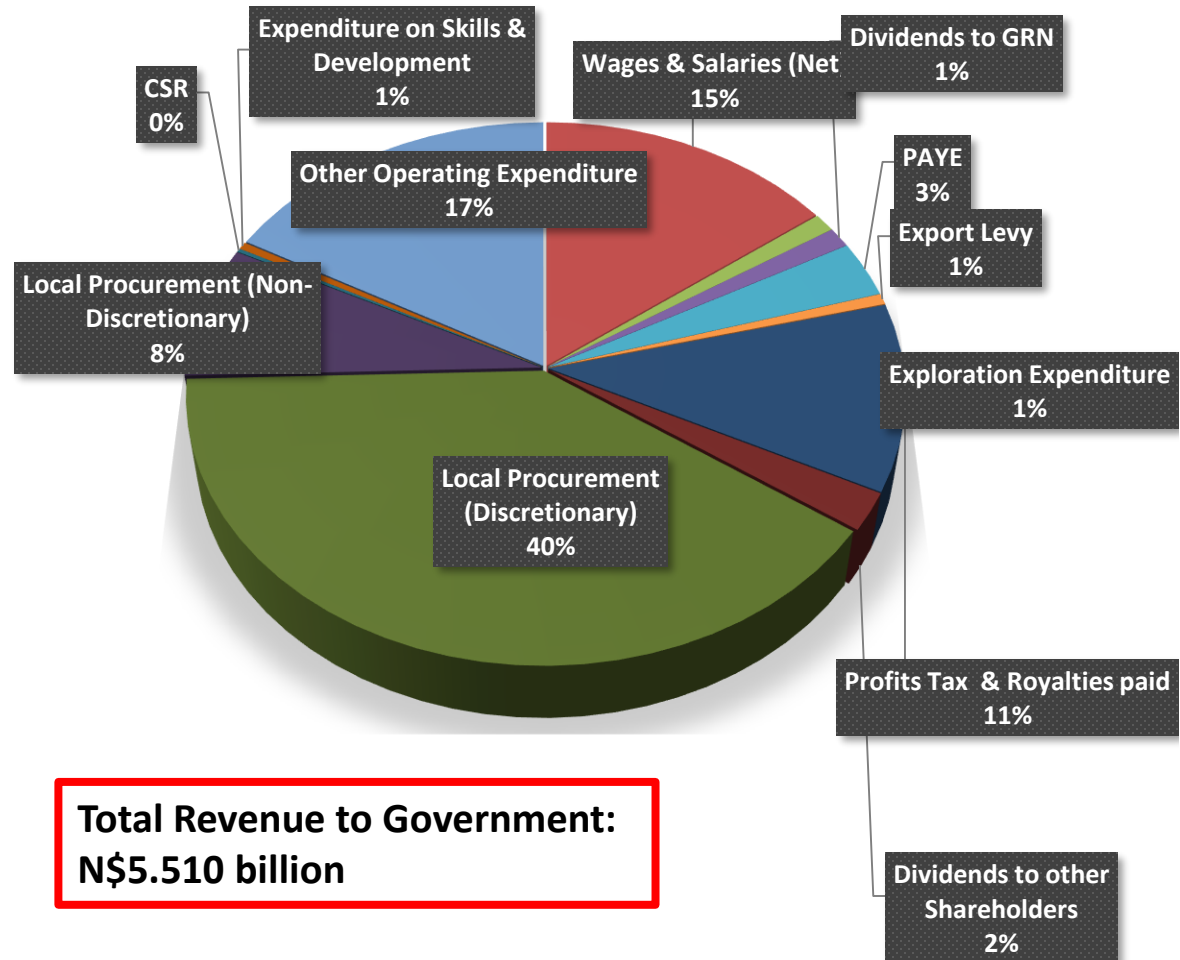
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# Mining industry generated N\$33.545 billion in 2018

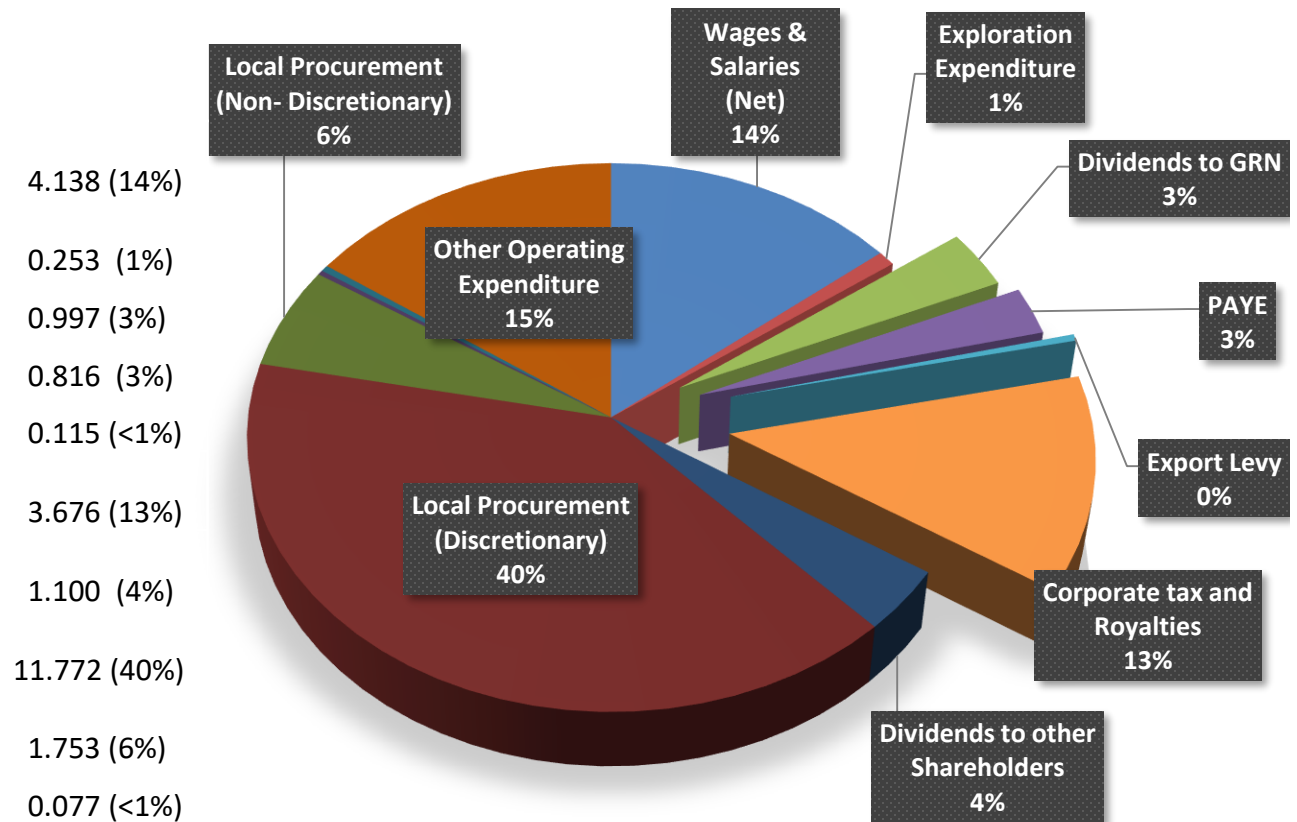
Industry Contribution (N\$bn)	
Wages & Salaries (Net)	4.967 (15%)
Exploration Expenditure	0.368 (1%)
Dividends to GRN	0.400 (1%)
PAYE	1.124 (3%)
Export Levy	0.215 (1%)
Profits Tax & Royalties paid	3.771 (11%)
Dividends to other Shareholders	0.770 (2%)
Local Procurement (Discretionary)	13.383 (40%)
Local Procurement (Non- Discretionary)	2.658 (8%)
CSR	0.071 (<1%)
Expenditure on Skills & Development	0.146 (<1%)
Other Operating Expenditure	5.674(17%)
Total	33.545



# Mining industry generated > N\$29.248 billion in revenue during 2017 (Excl. SU)

## Mining Industry Contribution (N\$bn)

Wages & Salaries (Net)	4.138 (14%)
Exploration Expenditure	0.253 (1%)
Dividends to GRN	0.997 (3%)
PAYE	0.816 (3%)
Export Levy	0.115 (<1%)
Corporate Tax & Royalties paid	3.676 (13%)
Dividends to other Shareholders	1.100 (4%)
Local Procurement (discretionary)	11.772 (40%)
Local Procurement (non-discretionary)	1.753 (6%)
CSR	0.077 (<1%)
Expenditure on Skills & Development	0.107 (<1%)
Other Operating Expenditure	4.442 (15%)
<b>Total</b>	<b>29.248</b>



**Total Revenue to Government: N\$5.603 billion**

# Contrasting 2018 vs 2017 performance

	<b><u>2018</u></b>	<b><u>2017</u></b>	<b>Increase</b>	<b>Increase in %</b>
<b>Revenue (N\$ bln)</b>	33.545	29.248	<b>N\$ 4.297 bln</b>	<b>14.7%</b>
<b>Expenditure to local suppliers (N\$ bln)</b>	13.383	11.772	<b>N\$ 1.611 bln</b>	<b>13.68%</b>



# Funds that went out of Namibia

	<b><u>2018</u></b>	<b><u>2017</u></b>
Dividends to other shareholders (N\$ bln)	0.770	1.10
Other operating expenditure (N\$ bln)	5.674	4.442
<b>Totals</b>	<b>N\$ 6.444 bln</b>	<b>N\$ 5.542 bln</b>
As % of total industry revenue	19.22%	18.95%





BACK OF THE BOOK

**Evil On A Holy Day**

Warehouse Theatre Crowdfunding Festival Starts Today

**IUM**

"A CRY FROM CASSINGA":  
A Public Lecture by  
General (RT) Denga  
Ndaitwah,  
2nd May, 14h30,  
IUM Tunana Building

A UNIVERSITY DEDICATED TO ITS PEOPLE'S FUTURE

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**the namibian**

WEEKEND

STILL TELLING IT LIKE IT IS! Vol. 33 No. 158

NS\$5 FRIDAY 26 APRIL 2019

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**DRY TAPS** ... Axab Pieters, David Danster and Johannes Swartbooi, residents of the Okahandja Park informal settlement, collect water from one of the taps there. The residents appealed to the City of Windhoek to put up more taps in their area because only one tap out of four in the area is operational.

Photo: Henry van Rooy



## Drought kills about 64 000 animals in six months

• NGHINOMENWA ERASTUS

DETERIORATING grazing conditions being experienced in most parts of the country amidst poor and below average rainfall led to 63 712 animals dying in six months, the Food Security Situation Report of March 2019 reveals.

- 30 876 cattle
- 24 598 goats
- 8 238 sheep

**DROUGHT:** continued on page 2

# Mines on tax honeymoon

• LAZARUS AMUKESHE

MORE than 30 mining companies which earned about N\$85 billion from selling Namibian minerals paid only N\$1 billion in corporate tax between 2012 and 2017.

However, Namdeb Holdings, the joint venture between the government and De Beers, alone pumped more than N\$10 billion into state coffers from its N\$61 billion income over the same period.

Namdeb, therefore, paid about 95% of the N\$11 billion corporate tax paid by all mining companies which had a combined revenue of N\$146 billion over the five-year period.

The Namibian got these details during a three-month investigation of the contribution made by various mines to the government's tax base, using data from the Chamber of Mines of Namibia, national budget documents, mining companies' annual reports, as well as interviews with experts in the extractive field.

The figures paint a picture of a government that heavily relies on one company to fund a highly indebted treasury, while other mining entities rake in billions, but pay little or no corporate tax at all – something that the tax office claims it's aware of.

The Namibian government relies on income and profit taxes for revenue.

This year's national budget documents show that these taxes make up about 40% (N\$21 billion) of the government's total income.

As of 2019, Namibia had 34 eligible taxpaying mining entities.

Mining is Namibia's primary economic sector, and accounts for more than 50% of all exports every year.

The country is home to mining companies such as De Beers, Glencore, Rio Tinto, B2Gold, Paladin Energy, Vedanta Resources, Areeva Resources, Dundee Precious Metals, China General Nuclear Power and Weatherly International.

**MINES:** continued on page 2



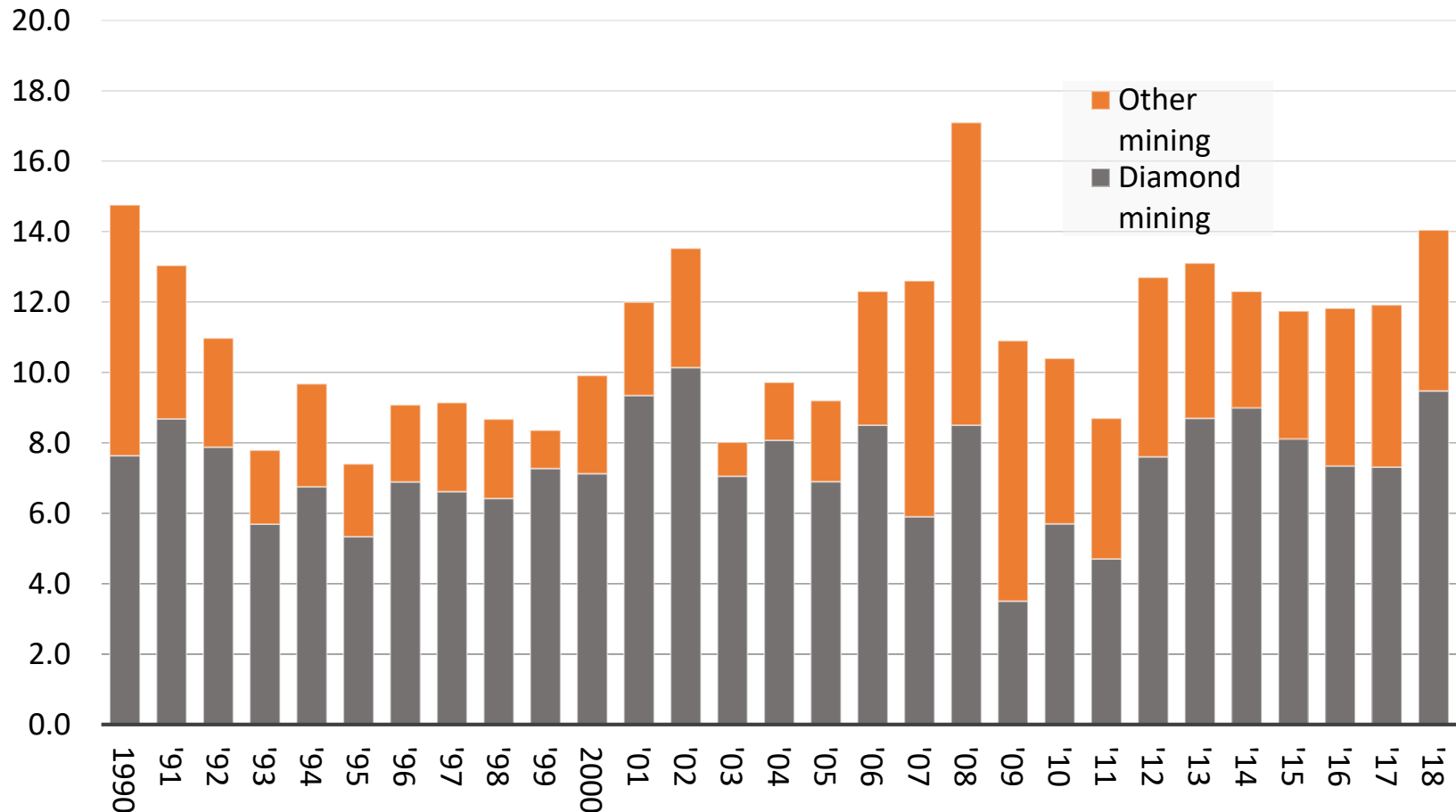
# Mining sector was best performing sector in 2018

- 22% growth in 2018, compared to 13.3% in 2017
- 14% GDP contribution in 2018, compared to 11.9% GDP in 2017





# Mining contribution to GDP

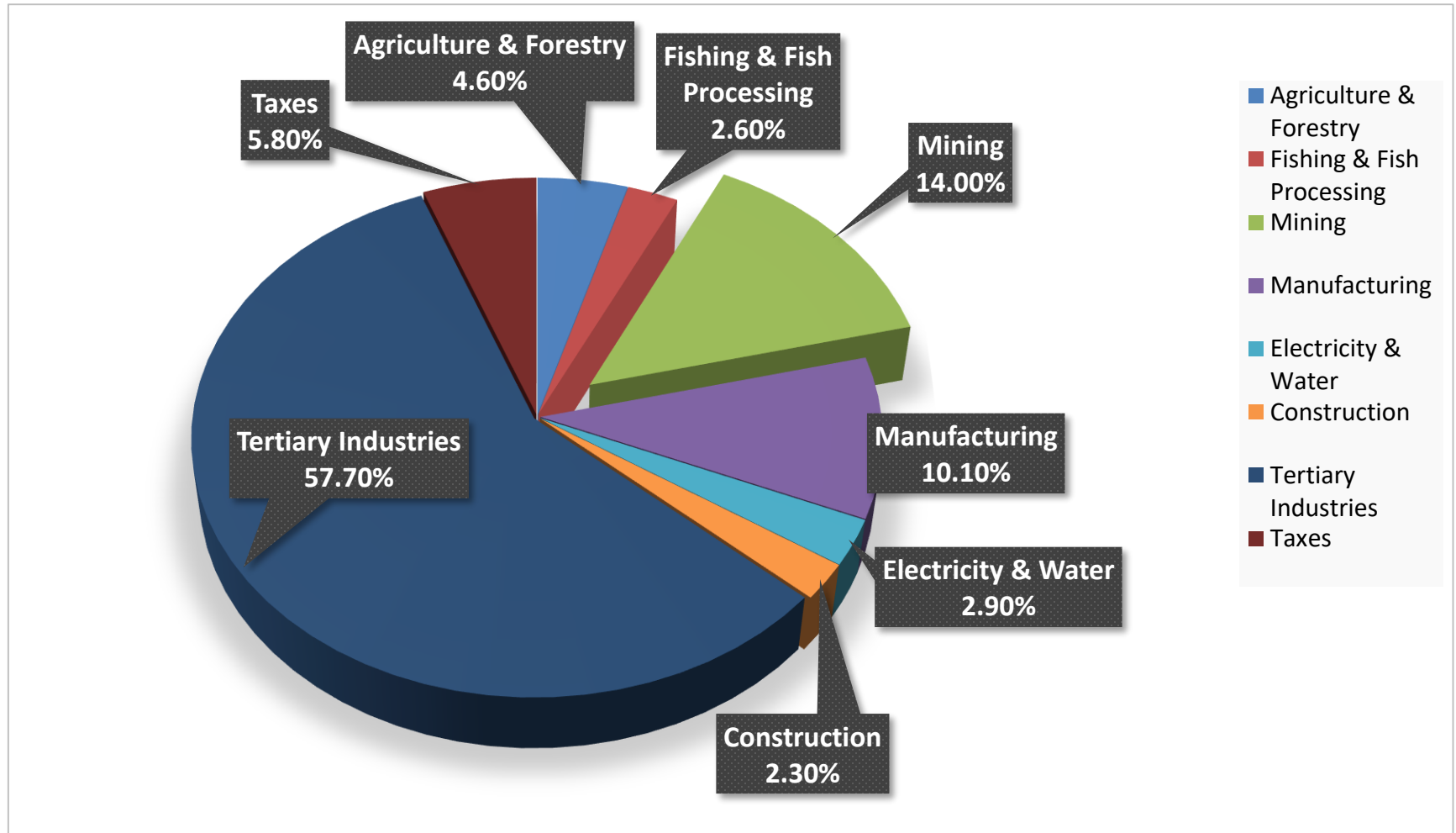


Source: Namibia Statistics Agency

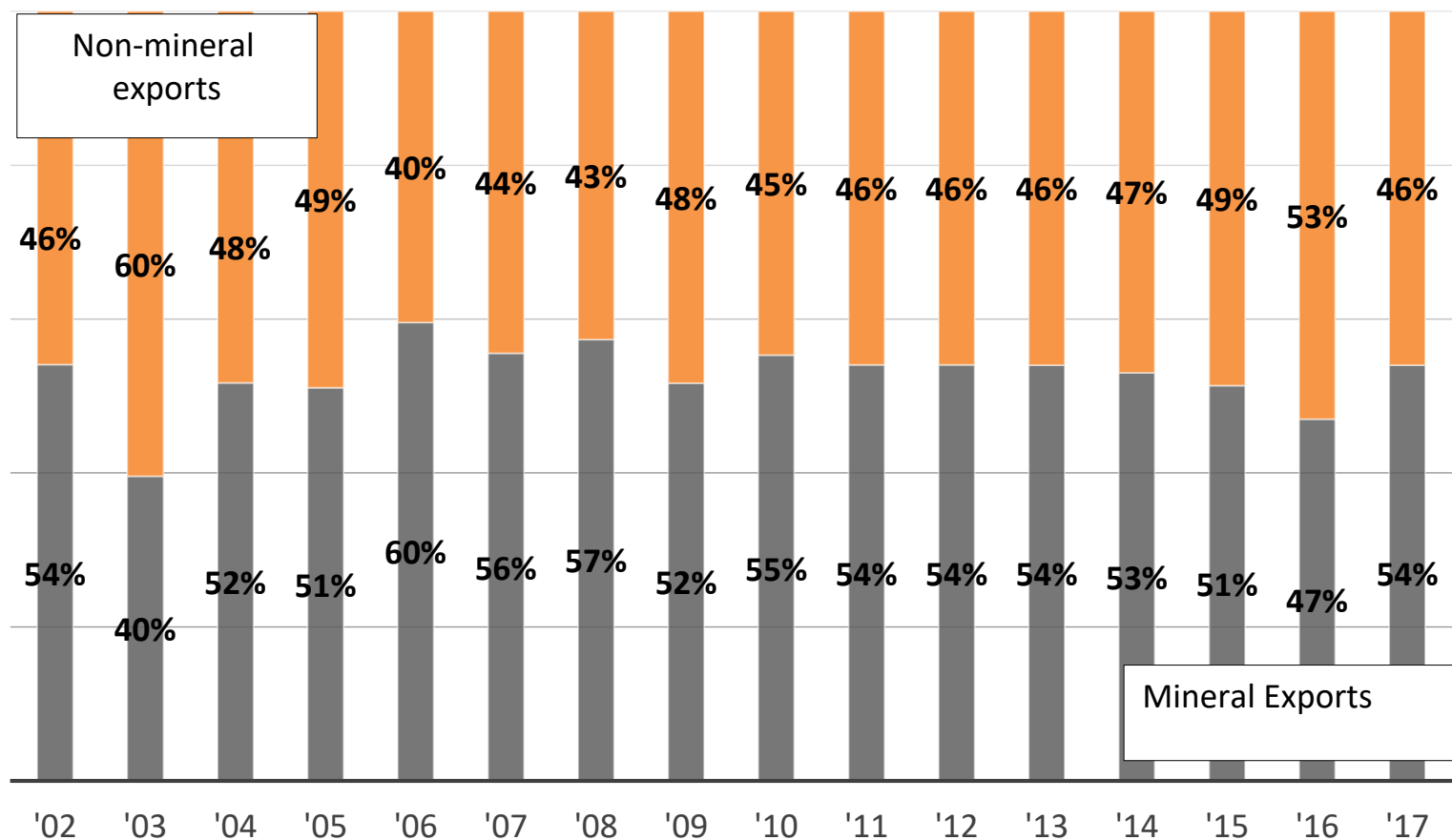


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# Comparison of GDP Contribution by Primary Industries



# Mining Share of Exports

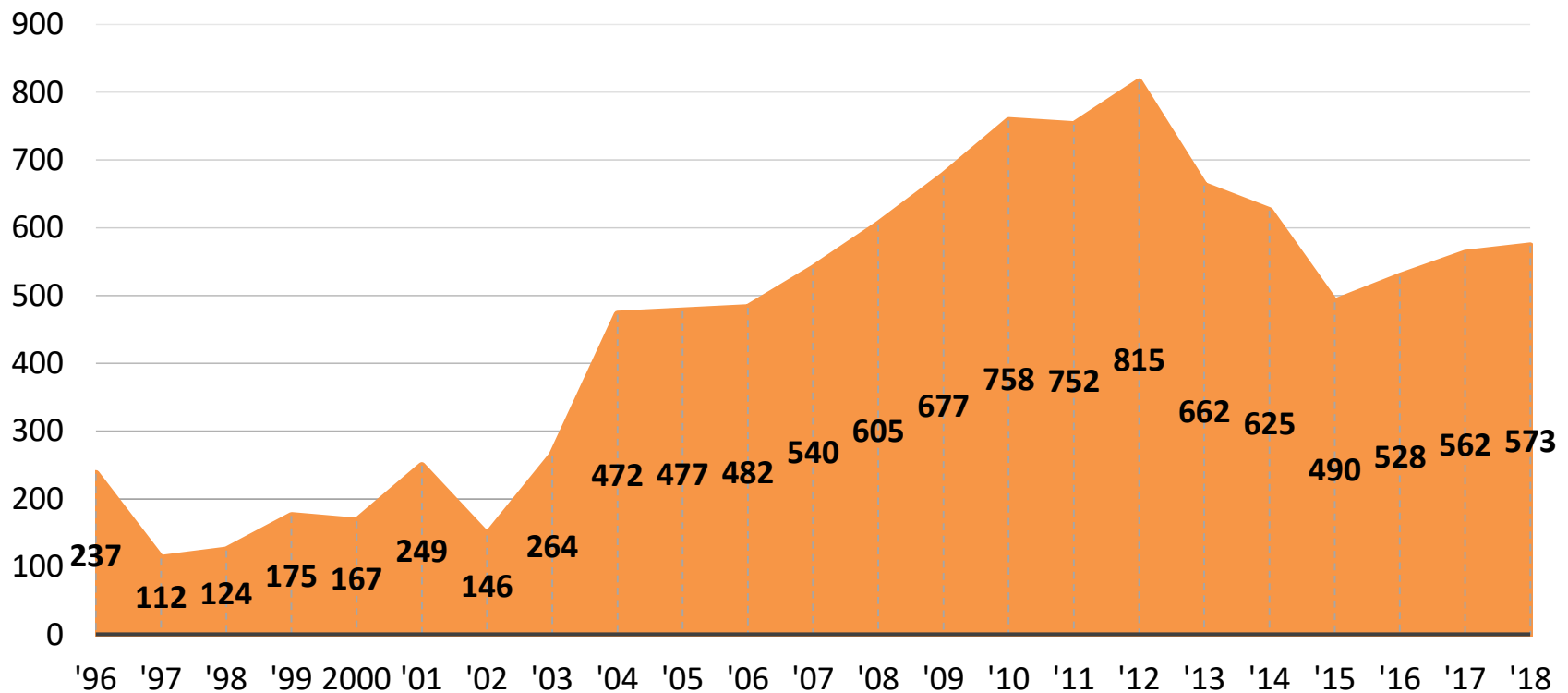


Source: Namibia Statistics Agency



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# Total Exploration expenditure (N\$m)



Source: Namibia Statistics Agency and Chamber of Mines of Namibia



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# Employment 2017/2018

Employment @ 31<sup>st</sup> December 2107

Permanent employees: 9,643  
Of which Expatriates: 340  
(96.5% Namibians, Expats 3.5%)

Temporary Employees: 906

Contractors: 6,424

**Total Direct Employment: 16,973**

Employment @ 31<sup>st</sup> December 2018

Permanent employees: 9,042  
Of which Expatriates: 283  
(96.9% Namibians, Expats 3.1%)

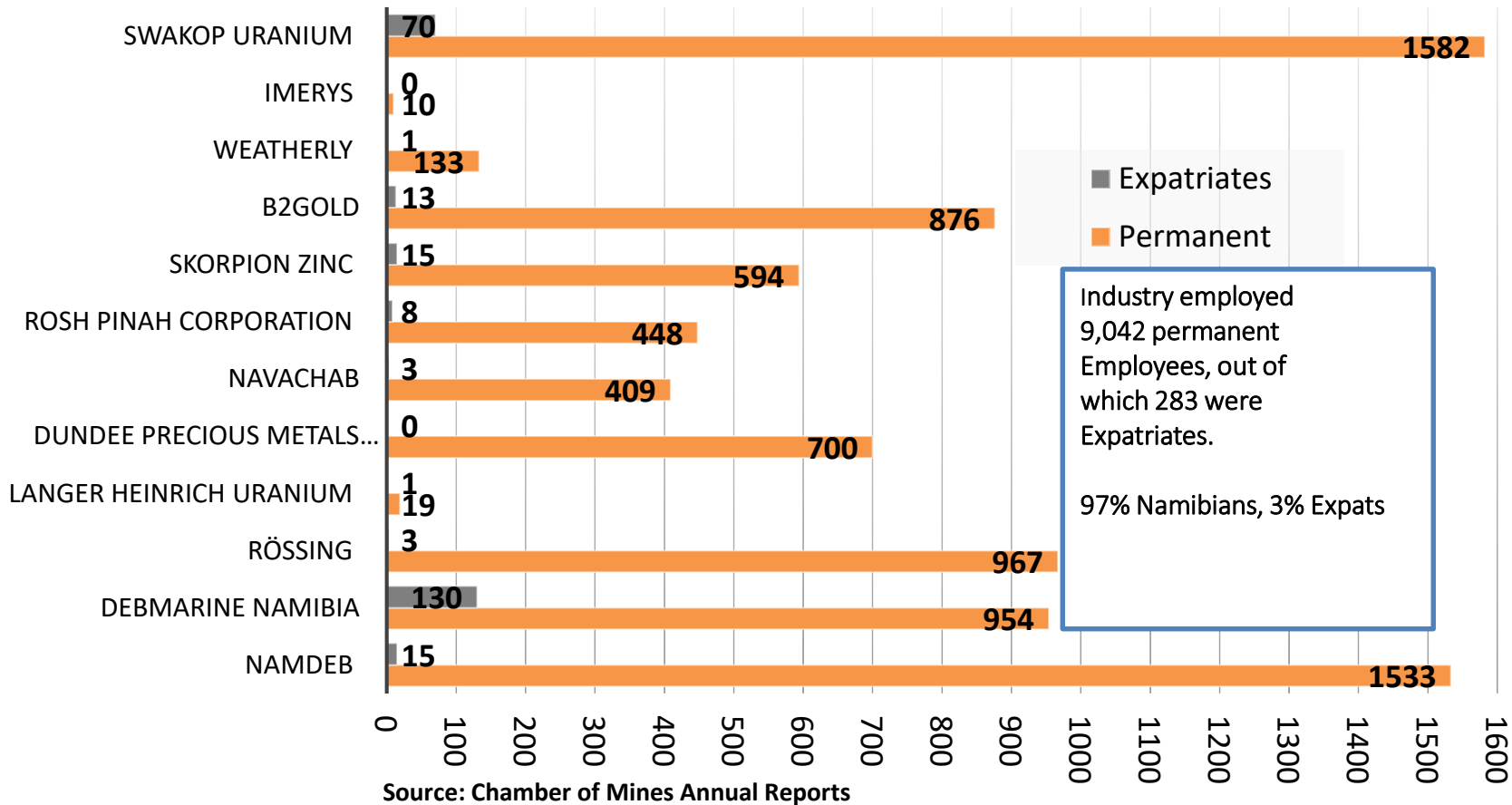
Temporary Employees: 498

Contractors: 6,681

**Total Direct Employment: 16,221**



# Permanent Employment vs Expatriates



Source: CoM Annual Reports




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# Contribution to National Employment

- 2018 National Labour Force Survey: **725,742** people employed.
- Namibia has exceptionally high unemployment rates – overall **unemployment 33.4%** and **youth unemployment 30.3%** in 2018
- **Direct jobs created by the mining industry in 2018**

Total: **16,221**  **2% of employed population**

- Taking into account the mining multiplier of 7, industry indirectly provided 113,547 jobs

**113,547 jobs**  **16% of employed population**





# What happened in 2018? - Job losses

- **Langer Heinrich** (A persistently depressed uranium market resulted in the mine being placed on care and maintenance) : 600
- **Namibia Tantalum** (Water shortages at the mine resulted in the operation significantly reducing production): 94
- **Okandjande Graphite** (Low prices for natural graphite did not warrant continuation of operations): 128

**Total job losses in 2018: 822**



# Jobs created in 2018/19

- **Whale Rock Cement** (cement plant completed in 2018 and has commenced with the mining of limestone and cement production): 450 jobs
- **AfriTiN** (The old Uis Tin mine is being redeveloped by AfriTin Mining, for which a phase one processing plant has been constructed) :110 jobs
- **Namib Lead and Zinc** (re-opening of the this mine, at an investment of US\$21.4 million, made significant progress in 2018, with first production expected in the second quarter of 2019): 150 jobs

**Total: 710**

**Net jobs lost in 2018:  $822 - 710 = 112$**



# Opportunities for Mining to contribute more

- **Exploration**

Increased exploration may lead to discovery of new mineral deposits and investments into new mines.

- **New mines**

New mines mean job creation and widening of the tax base.

- **FDI** in exploration and mining



# Opportunities for mining to contribute more – upstream linkages

- **Develop a database of Mining Inputs & Services (NDP5)**

The main objective of this database is to assist local entrepreneurs in identifying business opportunities in the mining supply chain.

The development of such a database is included in NDP5 and has been allocated N\$2 million in the 2019/20 national budget through the Development Bank of Namibia to progress this project.



# Opportunities for mining to contribute more – downstream linkage

- **Joint Value Addition Committee (JVAC)**

The development of a Minerals Beneficiation Strategy has been carried over into NDP5 (from NDP4)

The Chamber concluded the ToR for this project in June 2018 and MME has awarded the tender to NUST in February 2019. Work is underway to produce this strategy.



# Major stumbling block against mining to contribute more -- Income Tax Amendment Bill, 2018

- **Disallowance of deductibility of Royalties for non diamond mining – the elephant in the room.**
  - Will starve growth of the industry, restricting any planned re-investment by existing mines to extend/lengthen the life of operations
  - No investments in new mines – capital will flow away from Namibia. Even advanced projects at BFS stage will suddenly become unviable and not proceed into mines !
  - No investments into exploration – sustainability of mining will be jeopardized.
  - Undermine future growth of the mining industry
  - NEEEF, NIPA & Additional Conditions to licences -- largely resolved



# Conclusions

- Mining remains a vital contributor to the Namibian economy and was best performing sector in 2018.
- There are further opportunities for mining to contribute even more in growing the Namibian economy.
- However, interventions aimed at short-term revenue gains for Government will **eliminate** such opportunities. **There will be no investments into exploration, new mines or re-investments in current mines if government implements the non deductibility clause.**







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