

Mining Industry Performance in 2016

Mining Conference, 26 April, 2016

Windhoek Show Grounds

Veston Malango, CEO



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OF NAMIBIA**

Outline of Presentation

- 1) Highlights for 2016
- 2) Mining Industry Performance during 2016
- 3) Outstanding Issues & Challenges
- 4) Namibia's Global Competitiveness
- 5) Conclusions



Highlights in 2016

1. Langer Heinrich Uranium mine announced the secession of mining operations for the following two years in response to the plummeting uranium price in 2016. The company subsequently retrenched 316 employees, which comprised of 286 contractors due to mining curtailment and 30 LHU employees.
2. Two fatalities were recorded in 2016. The first occurred at B2Gold and the second at Namdeb Southern Coastal mine.
3. A two-month long strike involving a wage dispute spanning from the end of February to mid-April 2016 at the Rosh Pinah zinc mine severely curtailed production of zinc and lead concentrate.
4. Sulphuric acid plant at Tsumeb Smelter was officially opened on 6 April, 2016 by H.E. The President.
5. Husab mine officially came into production on 30 December, 2016.
6. Trebbling of refined copper production from Tschudi mine and a 12.4% increase in gold production at Otjikoto gold mine. Total gold production has more than doubled in the last two years.
7. Okandjande Graphite mine set to enter production in April 2017.
8. Namib Lead & Zinc mine set to re-open soon, once Mining Licence is granted – project by North River Resources.
9. On 18 July 2016, Salt & Chemicals inaugurated expansion of its salt production operations . This will increase production from 700,000 tonnes p/a to 1,000,000 tonnes p/a.
10. Mining Licence granted to Navachab.

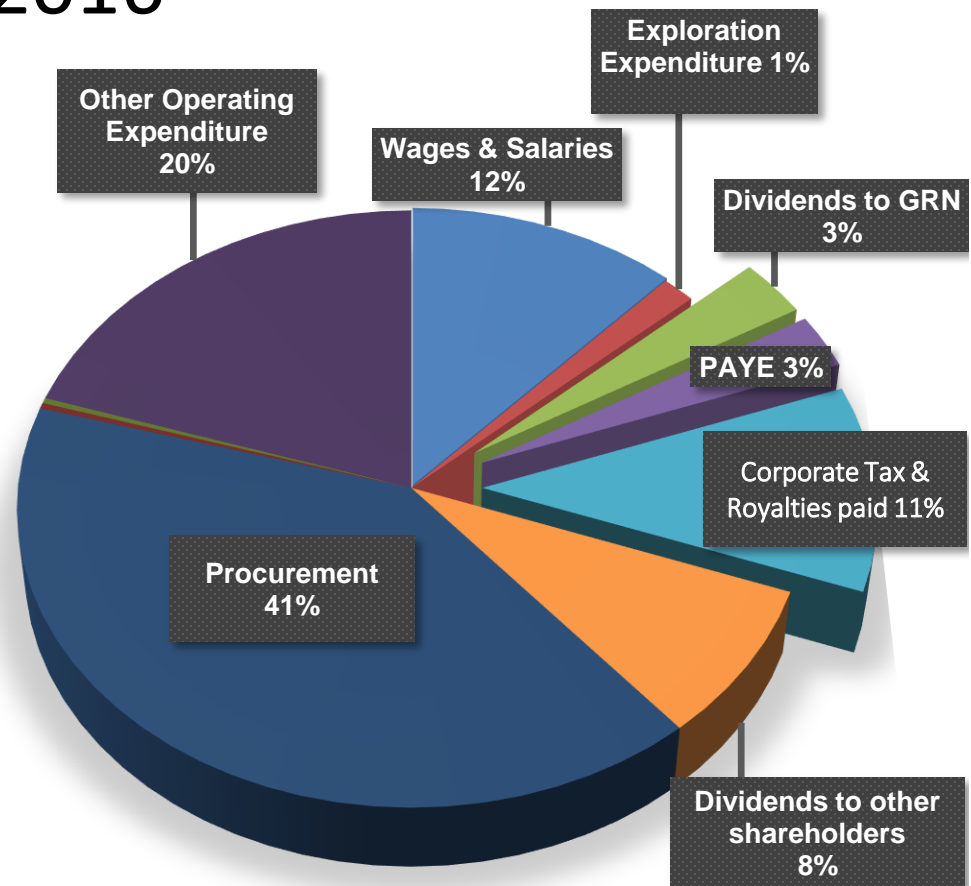


Mining industry generated > N\$28.85 bn in revenue during 2016

Mining Industry Contribution (N\$ bn)

Wages & Salaries (Net)	3.433 (12%)
Exploration Expenditure	0.428 (1%)
Dividends to GRN	0.902 (3%)
PAYE	0.845 (3%)
Corporate Tax & Royalties paid	3.206 (11%)
Dividends to other Shareholders	2.392 (8%)
Procurement (Namibia spend)	11.703 (41%)
CSR	0.088 (< 1%)
Expenditure on Skills & Development	0.083 (< 1%)
Other Operating Expenditure	5.77 (20%)
Total	28.85

Source: Chamber of Mines of Namibia



Total Revenue to GRN: N\$4.952 billion

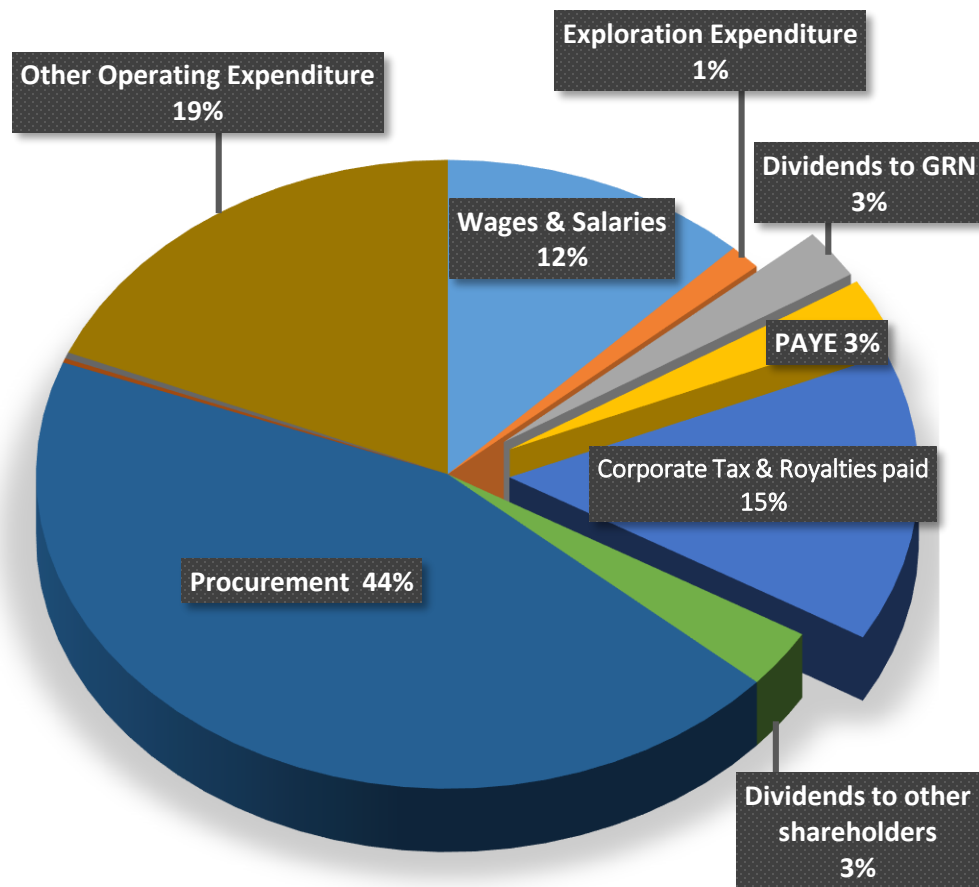


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Mining industry generated > N\$25.28 bn in revenue during 2015

Mining Industry Contribution (N\$ bn)

Wages & Salaries (Net)	3.088 (12%)
Exploration Expenditure	0.326 (1%)
Dividends to GRN	0.639 (3%)
PAYE	0.654 (3%)
Corporate Tax & Royalties paid	3.763 (15%)
Dividends to other Shareholders	0.770 (3%)
Procurement (Namibia spend)	11.198 (44%)
CSR	0.058 (< 1%)
Expenditure on Skills & Development	0.079 (< 1%)
Other Operating Expenditure	4.708 (19%)
Total	25.284



Total Revenue to GRN: N\$5.056 billion

Source: Chamber of Mines of Namibia



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Comparison of Namibian Spend by the Mining Industry 2016 -- 2014

2016: N\$11.70 billion (41% of total industry revenue)

2015: N\$ 11.20 billion (44% of total industry revenue)

2014: N\$ 7.26 billion (34 % of total industry revenue)

Increase 2014 - 2015: N\$ 3.94 billion, 54.3%

Increase 2015 - 2016: N\$ 500,000 million, 5%



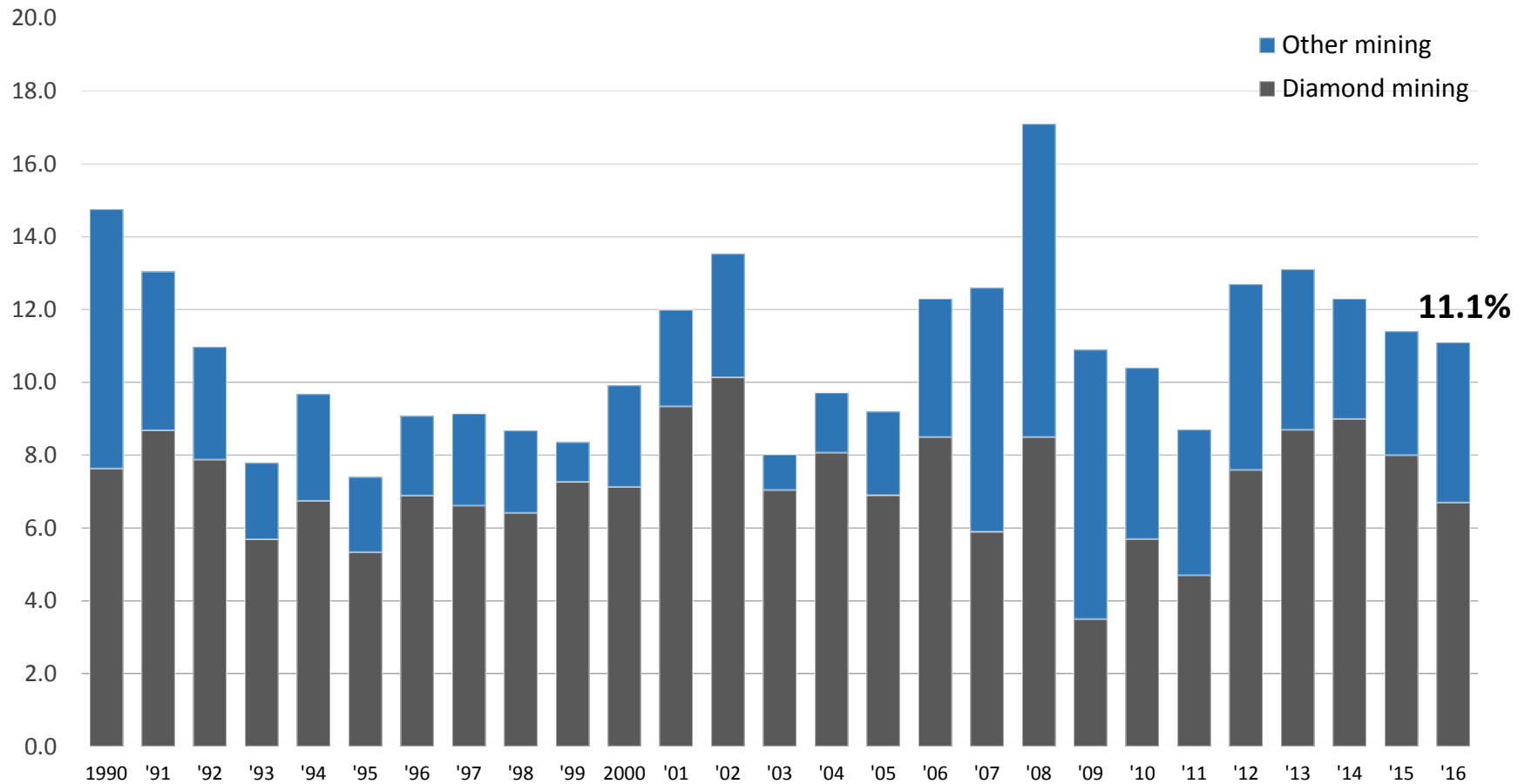
Industry Performance Comparison 2015 & 2016

	2016	2015	% Change
Turnover	N\$28.85 billion	N\$ 25.28 billion	14%
Wages & Salaries: operating mines & mine development companies	N\$4.17 billion	N\$3.76 billion	11%
Fixed Investment	N\$3.48 billion	N\$5.47 billion	-36%
Exploration: operating mines (Excl. Swakop Uranium)	N\$428.3 million	N\$326.2 million	31%
Exploration: exploration companies & mine development companies	N\$99.9 million	N\$164.7 million	-39%
Corporate tax	N\$1.75 billion	N\$2.35 billion	-26%
Royalties	N\$1.45 billion	N\$1.41 billion	3%
Total taxes paid	N\$3.2 billion	N\$3.76 billion	-15%
Total taxes and dividends paid	N\$4.1 billion	N\$4.34 billion	-6%
Procurement	N\$11.8 billion	N\$11.2 billion	5%
CSR: operating mines & development companies	N\$88 million	N\$60 million	47%
Permanent employees	9,574	8,853	8%
Temporary employees	699	716	-2%
Contractors	5,400	9,423	-43%



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Mining Contribution to GDP

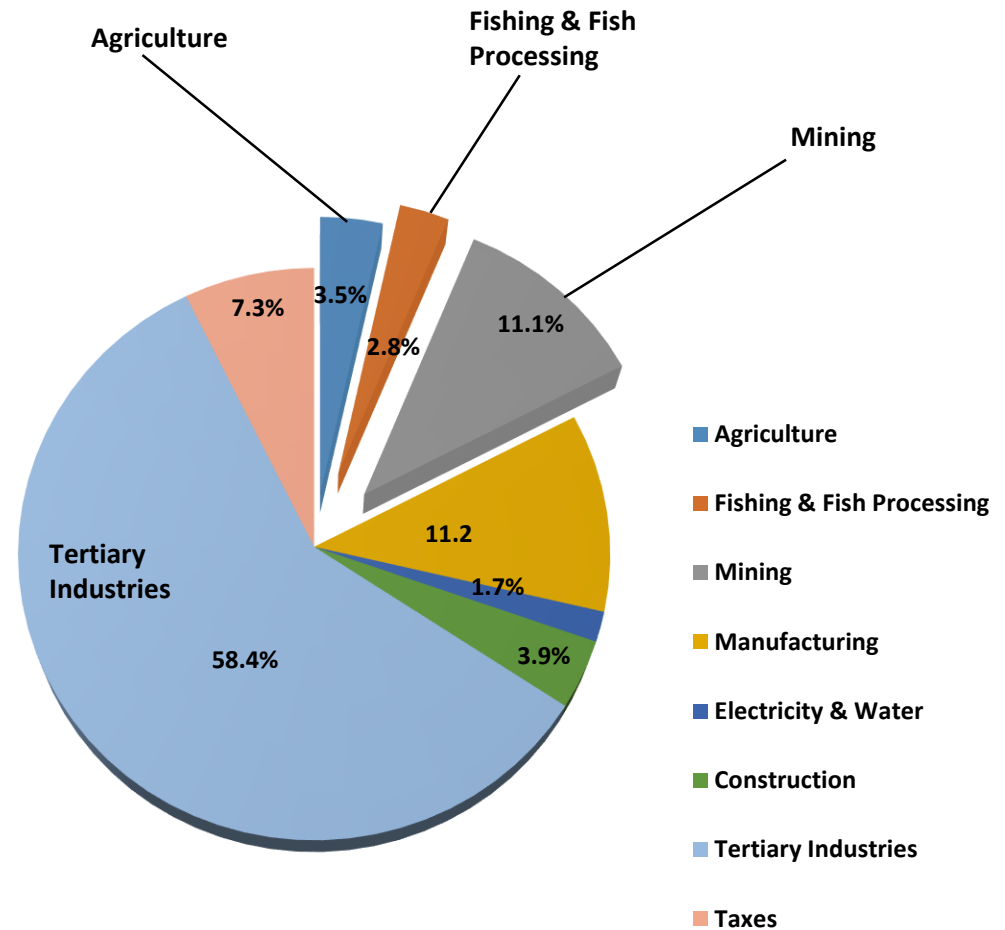


Source: Namibia Statistics Agency



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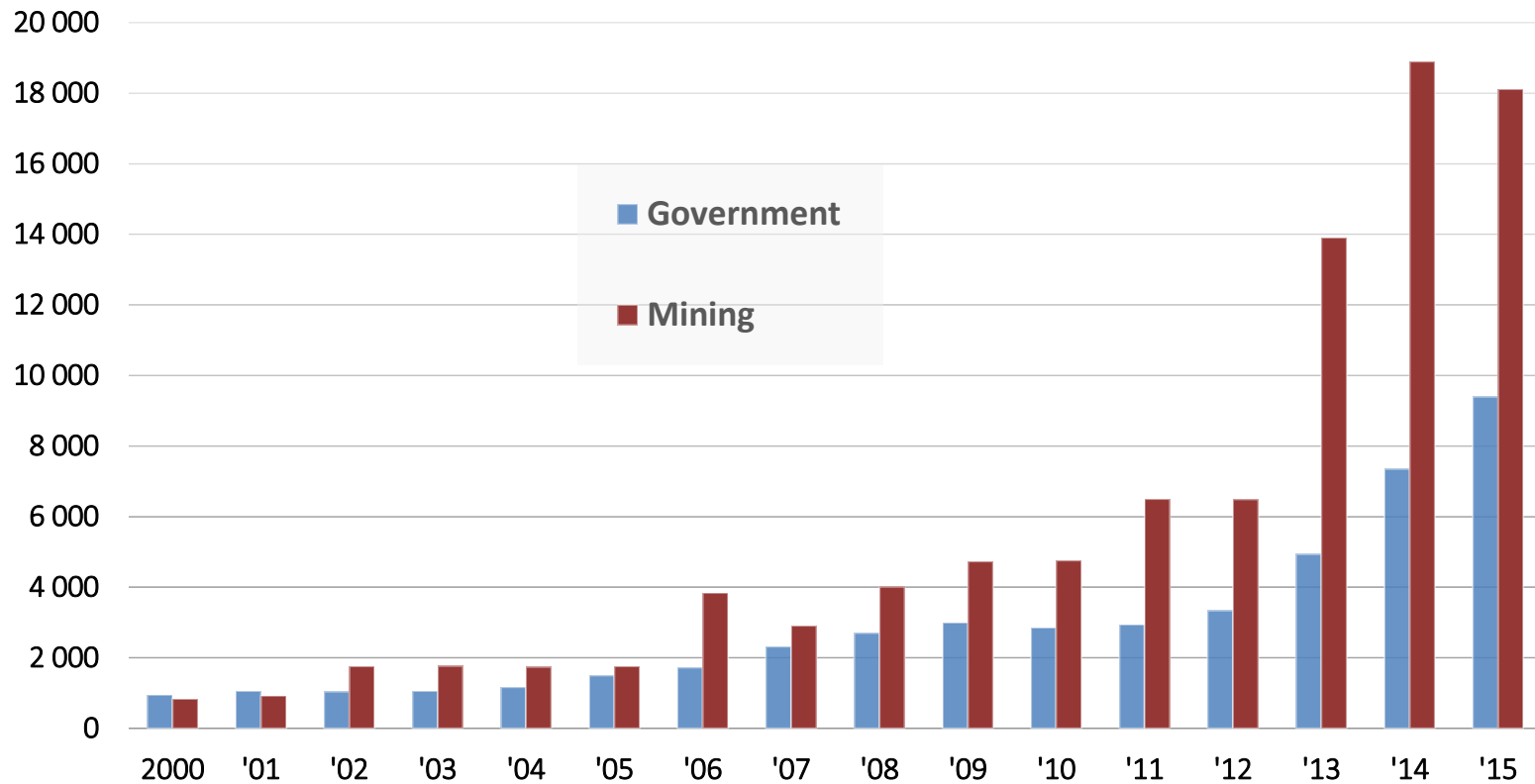
Comparison of GDP Contribution by Primary Industries



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Source: Namibia Statistics Agency

Fixed Investment

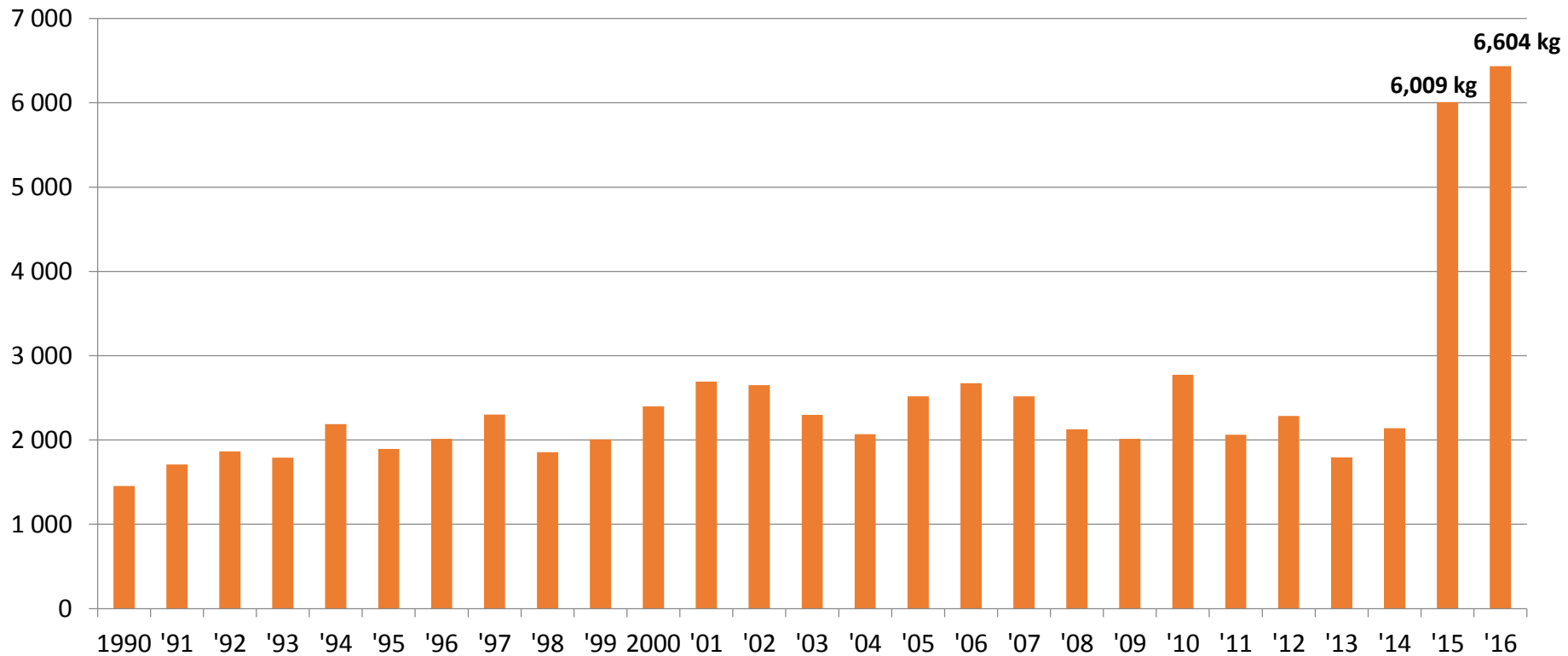


Source: Namibia Statistics Agency



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Gold Bullion Production

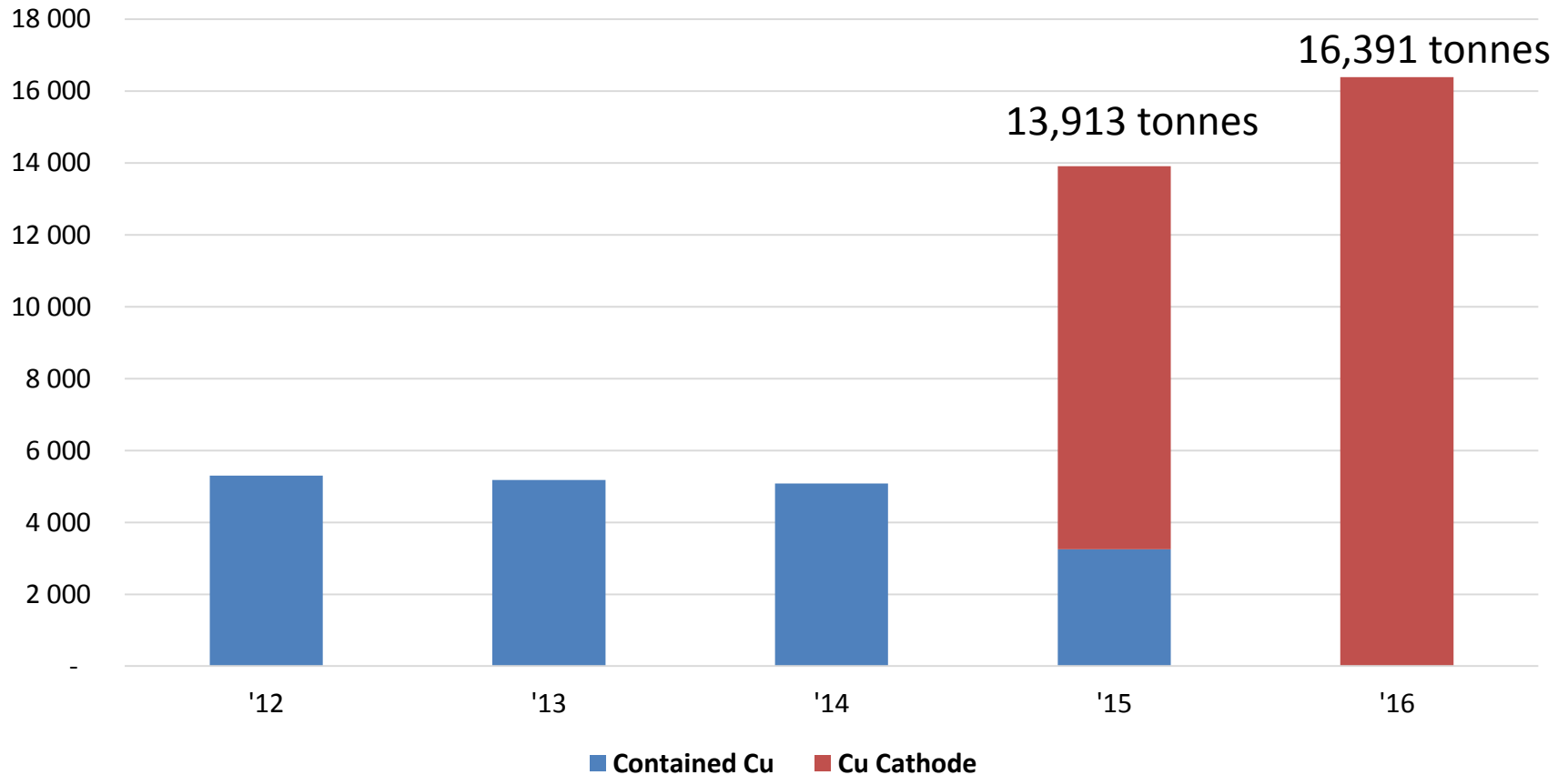


Source: Chamber of Mines Annual Reports



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Contained Cu & Cu Cathode

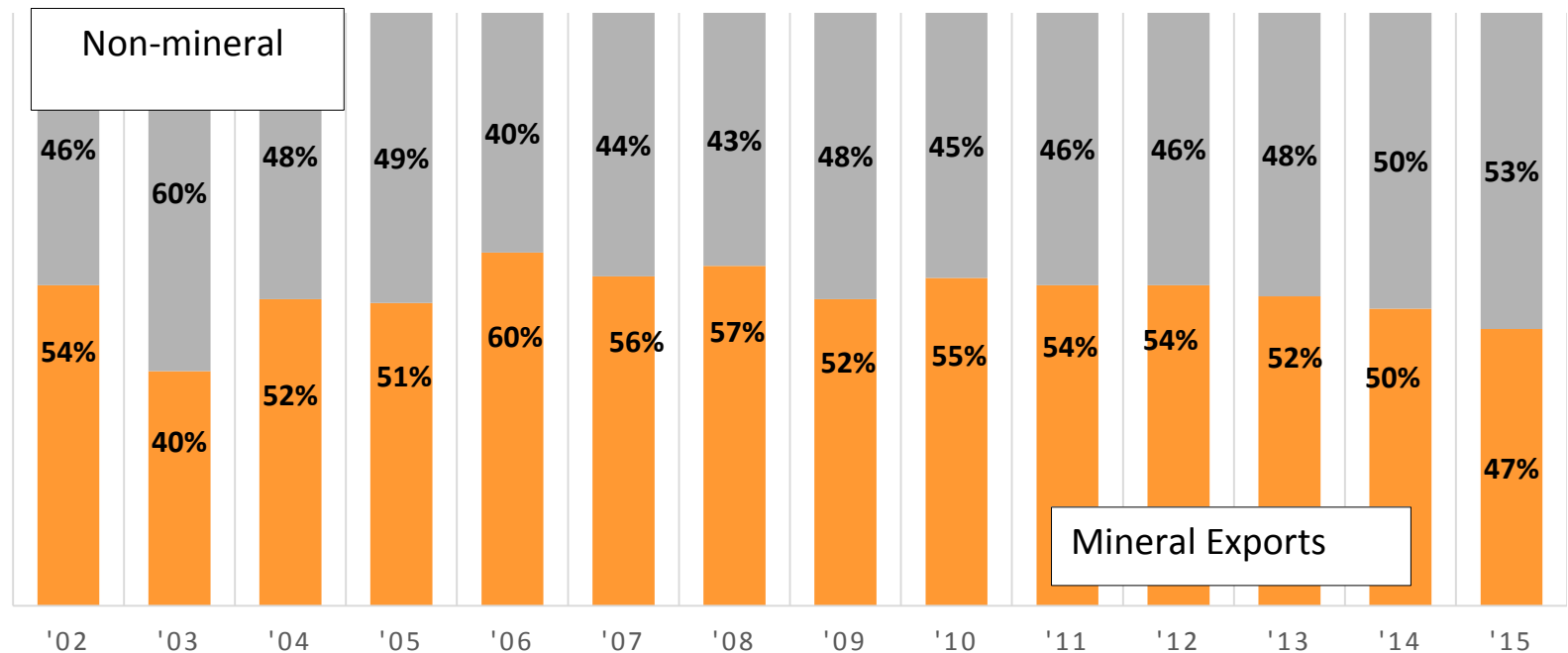


Source: Chamber of Mines Annual Reports



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Mining Share of Exports

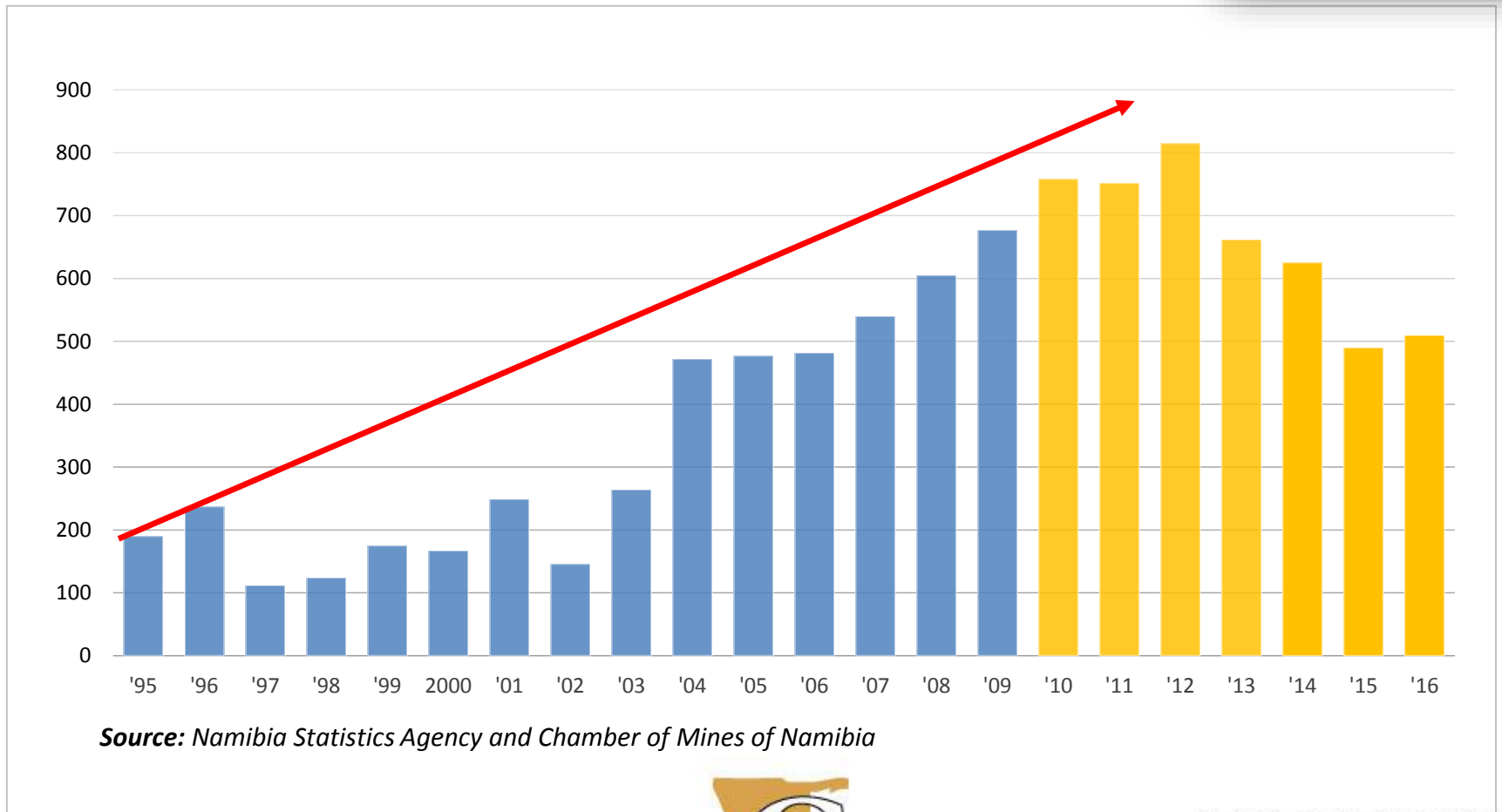


Source: Namibia Statistics Agency



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Total Exploration expenditure (N\$m)

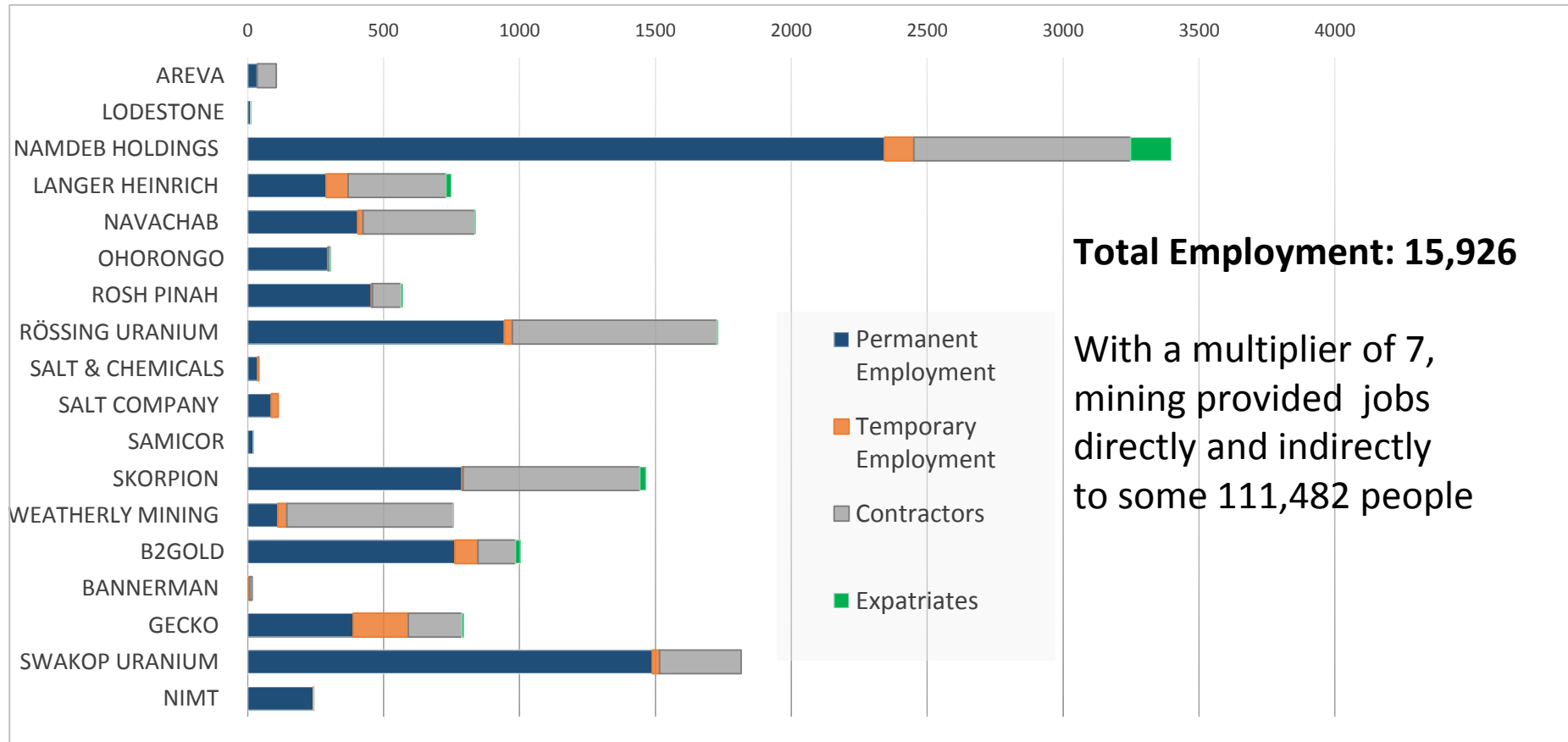


Source: Namibia Statistics Agency and Chamber of Mines of Namibia



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Employment in Mining Sector at end 2016

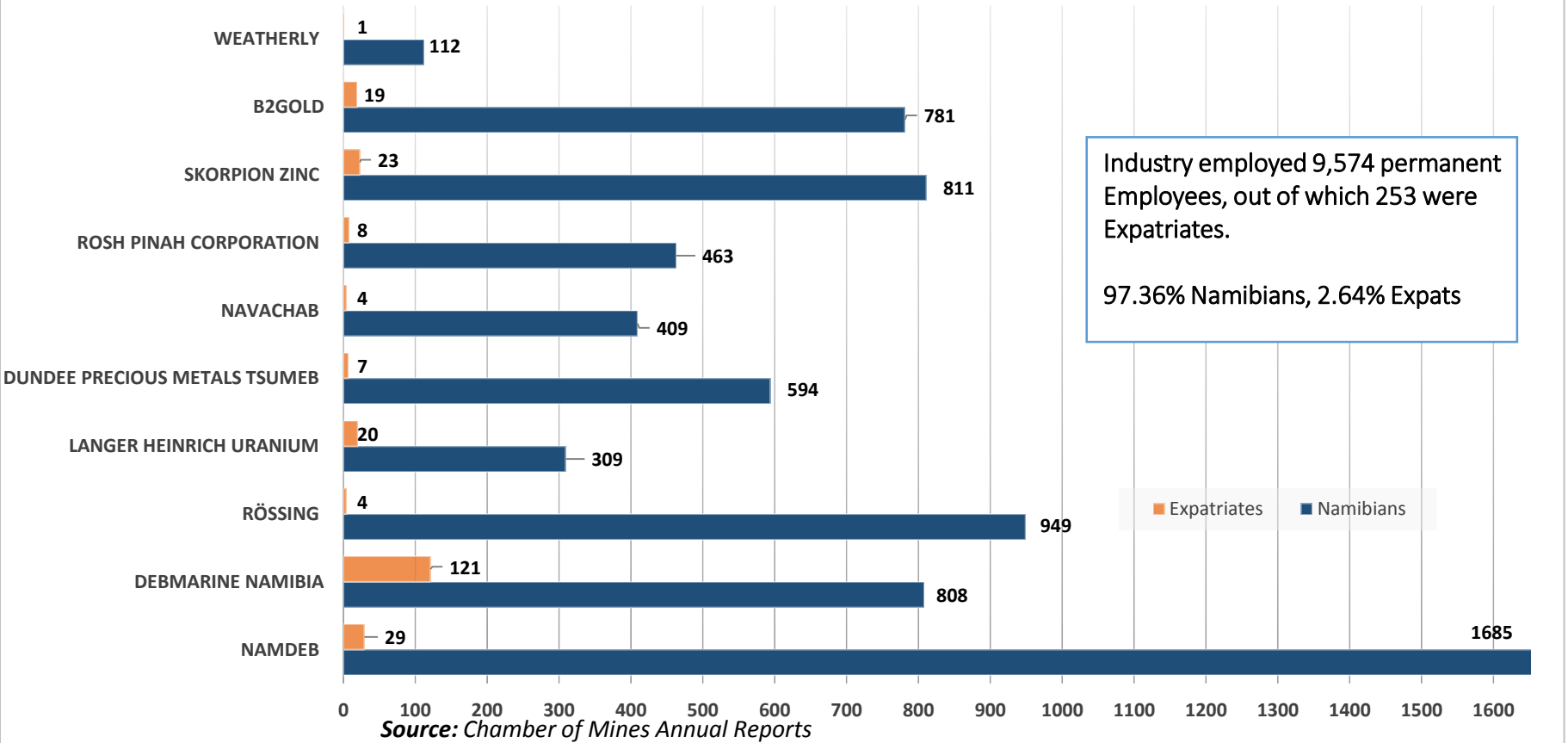


Source: Chamber of Mines Annual Reports



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Permanent Employment vs. Expatriates



Outstanding Matters & Challenges

- NEEEF – Public consultations concluded in 2016, with final Business Namibia submission to State House on 4 November. Awaiting feedback from GRN. We urge the urgent finalisation of a modified NEEEF, in support of HPP and of a pro- business and pro- investment framework.
- Namibia Investment Promotion Act, 2016 – GRN has accepted that the Act is deficient and a joint Committee with MITSMED and Business Namibia has been set up to amend the Act to address all shortcomings. The revised Act needs to be enabling and transparent, not the current over-regulatory and excessively discretionary Act.
- Additional Conditions to Licences – Chamber has finalised amendments as per fruitful outcome of engagements with the Minister of Mines and Energy in November 2016.
- Export Levy – CoM engaged extensively with MoF on aspects of legislation which would present challenges to smooth implementation and administration by mining companies. CoM has submitted alternative proposals to MoF and changes are under consideration to be in the form of Regulations/amendments to the Act.
- Moratorium on Marine Phosphate mining – CoM remains extremely concerned that a way forward on this issue has not yet been concluded.
- Depressed Uranium Price – uncertainty around recovery in the uranium prices is delaying development of advanced uranium exploration projects.

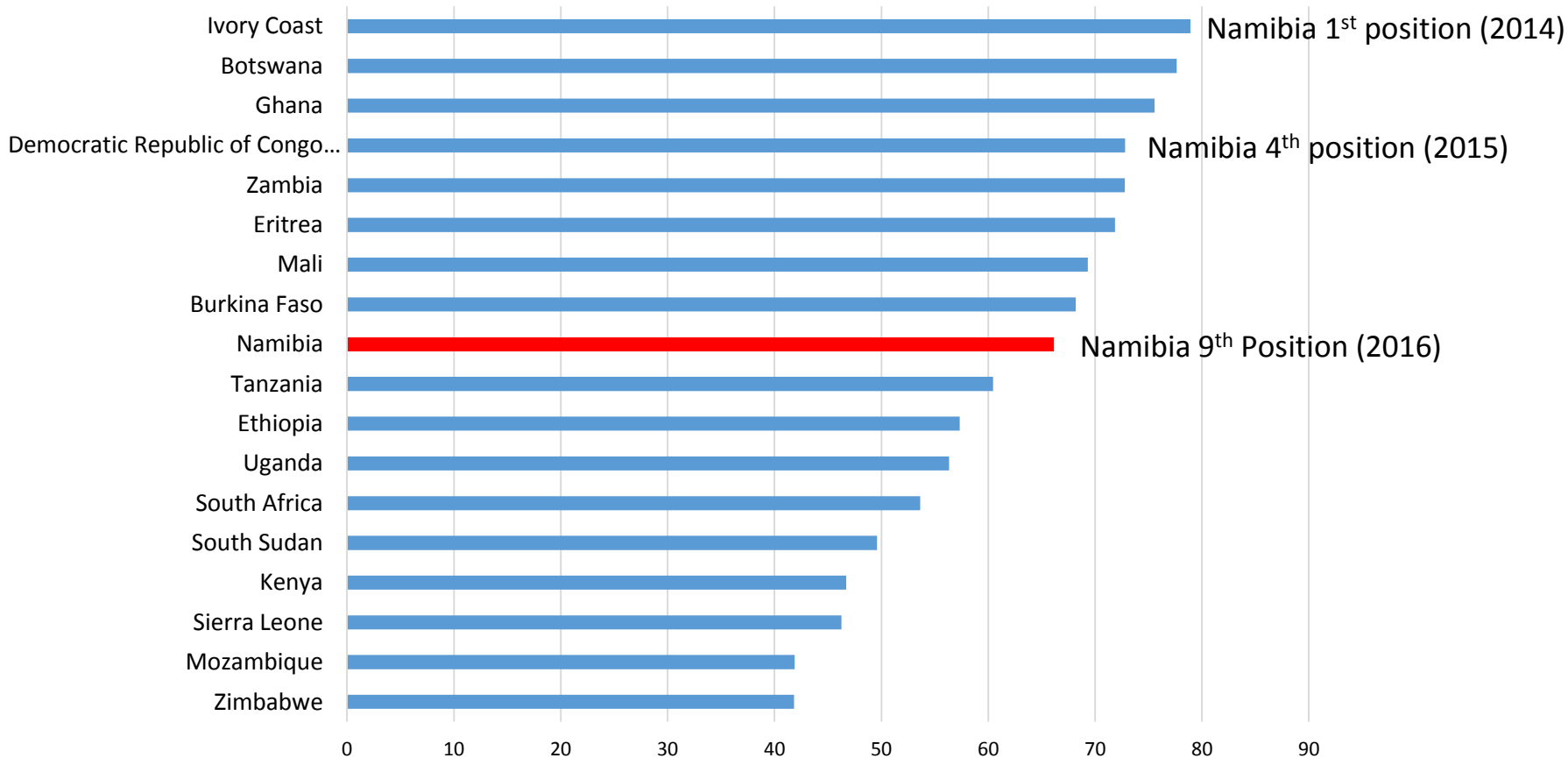


Namibia's Global competitiveness for mining

- The 2014 Fraser Institute Report revealed that Namibia emerged in 2014 as the most attractive investment destination for mining and exploration in Africa, followed by Botswana. 30 African countries participated. Namibia ranked 25th position globally, out of the 122 jurisdictions that were surveyed.
- Unfortunately, Namibia dropped three places in the 2015 Fraser Institute Report on the investment attractiveness index, after Morocco, Burkina Faso and Ghana. Namibia ranked 33rd position globally, out of the 109 jurisdictions that were surveyed.
- Namibia has further dropped 5 positions to ninth position in 2016 according to the latest Fraser report of 2016 (released at end of February, 2017). 18 countries in Africa participated in the survey.
- NEEEF and Additional Conditions to licences were cited as reasons.
- These rankings are reversible as we saw post 2011 when positive policy interventions reversed the negative threats of draconian taxes and strategic minerals. We rose to top position in Africa by 2014 and can do so again if we act quickly and decisively.



Investment Attractiveness Index



Source: 2016 Fraser Institute Survey of Mining Companies



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Conclusions

- There is major potential for further value addition in up-stream linkages with lucrative local procurement spend by the mining sector.
- However, continued success stories of the mining sector will largely remain dependent on the attractiveness of Namibia as a sought after destination for investment into mining and exploration.
- As evidenced by the recent Fraser report, the investment climate has already deteriorated in the last 2 years as a result of unfavourable policy proposals in their current formats.
- To harness full economic potential of the sector, and during a time when it is most needed, urgent clarity on policy and regulatory proposals is required to support sustained growth of the economy – and the desired subsequent redistribution of wealth.



Thank you!

For more information:

www.chamberofmines.org.na



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