

# Mining Industry Performance in 2017

Mining Conference, 25 April, 2018

Windhoek Show Grounds

Veston Malango  
CEO



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OF NAMIBIA

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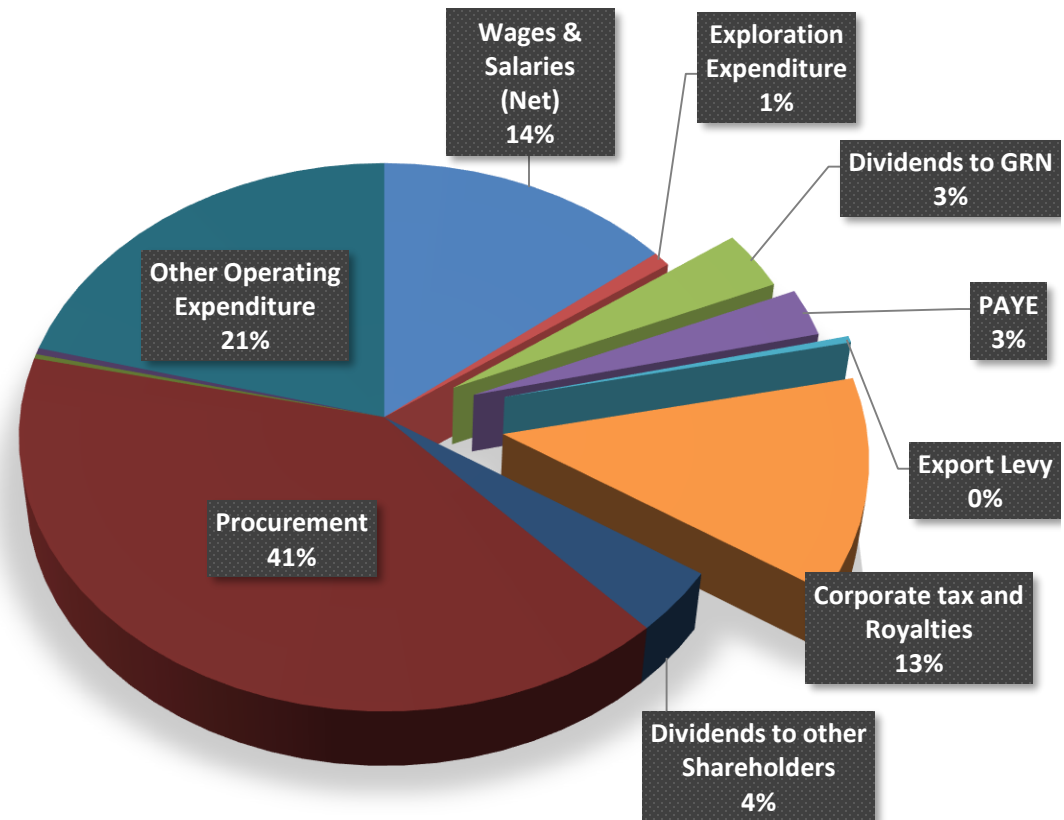
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# Mining industry generated > N\$29.09 billion in revenue during 2017 (Excl. SU)

## Mining Industry Contribution (N\$bn)

Wages & Salaries (Net)	4.135 (14%)
Exploration Expenditure	0.253 (1%)
Dividends to GRN	0.997 (3%)
PAYE	0.815 (3%)
Export Levy	0.113 (<1%)
Corporate Tax & Royalties paid	3.662 (13%)
Dividends to other Shareholders	1.100 (4%)
Procurement	11.769 (41%)
CSR	0.077 (<1%)
Expenditure on Skills & Development	0.107 (<1%)
Other Operating Expenditure	6.068 (21%)
<b>Total</b>	<b>29.099</b>

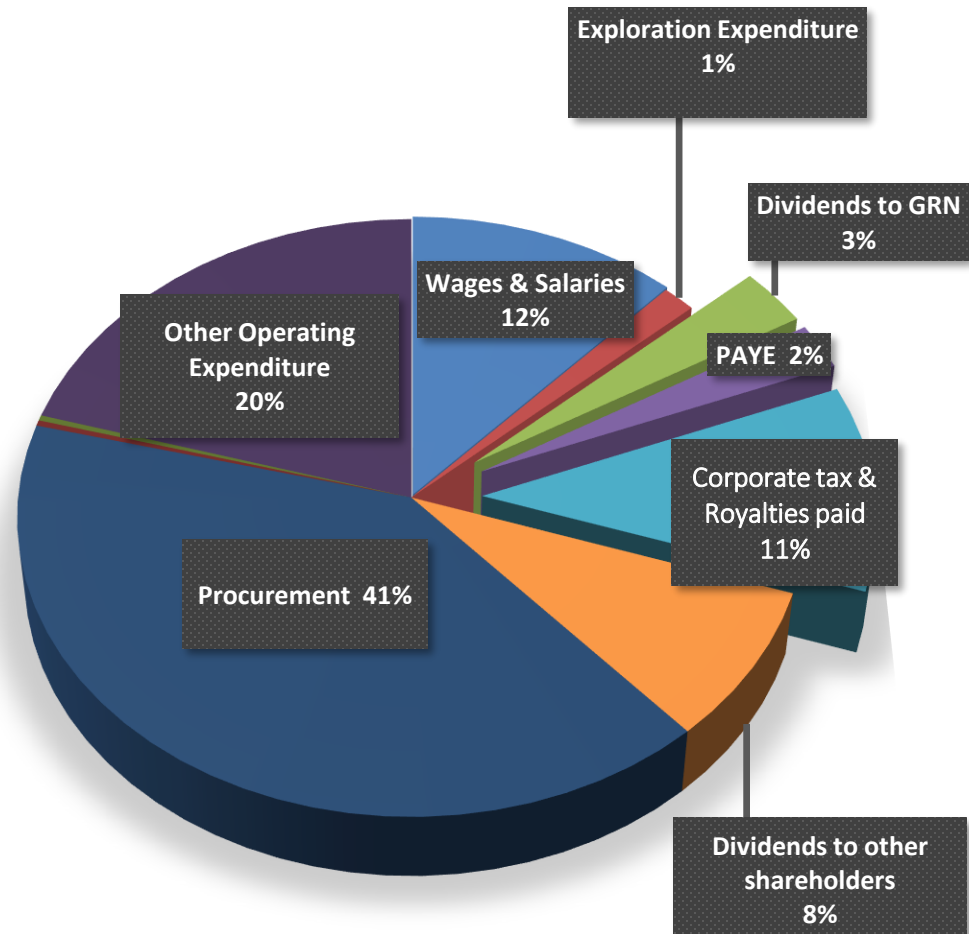


**Total Revenue to Government: N\$5.587 billion**

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

## Mining Industry Contribution (N\$ bn)

Wages & Salaries (Net)	3.434 (12%)
Exploration Expenditure	0.428 (1%)
Dividends to GRN	0.902 (3%)
PAYE	0.715 (2%)
Corporate Tax & Royalties paid	3.206 (11%)
Dividends to other Shareholders	2.393 (8%)
Procurement (Namibia spend)	11.703 (41%)
CSR	0.085 (< 1%)
Expenditure on Skills & Development	0.083 (< 1%)
Other Operating Expenditure	5.903 (20%)
<b>Total</b>	<b>28.85</b>



**Total Revenue to GRN: N\$4.823 billion**

*Source: Chamber of Mines of Namibia*



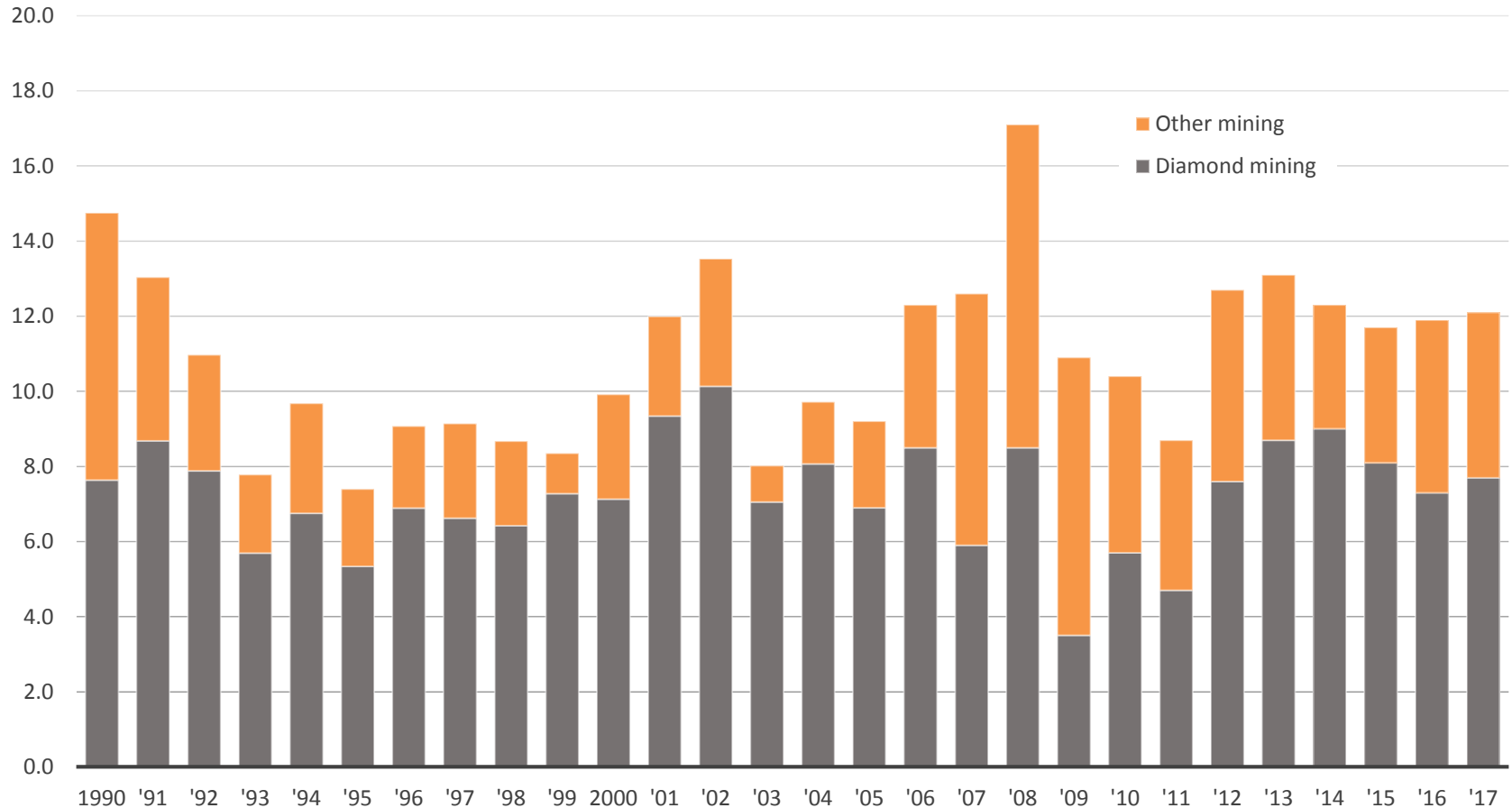
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# Industry Performance Comparison 2016 & 2017

	2017	2016	% Change
Turnover	N\$ 29.099 billion	N\$28.852 billion	1%
Wages & Salaries (Net): operating mines & mine development companies	N\$4.647 billion	N\$3.456 billion	34%
PAYE: operating mines & mine development companies	N\$963.077 million	N\$850.630 million	13%
<b>Fixed Investment: operating mines</b>	<b>N\$5.611 billion</b>	<b>N\$3.486 billion</b>	<b>61%</b>
Exploration: operating mines	N\$258.382 million	N\$428.321 million	-40%
Exploration: exploration companies & mine development companies	N\$303.777 million	N\$99.993 million	204%
Corporate tax	N\$2.133 billion	N\$1.753 billion	22%
Royalties	N\$1.529 billion	N\$1.453 billion	5%
Export Levy	N\$113.221 million	n/a	n/a
<b>Total taxes paid</b>	<b>N\$3.662 billion</b>	<b>N\$3.206 billion</b>	<b>14%</b>
Total Revenue Received by GRN	N\$5.587 billion	N\$4.823 billion	16%
Procurement Operating mines	N\$11.781 billion	N\$11.807 billion	-0.2%
<b>Skills development: operating mines and exploration companies</b>	<b>N\$184.958 million</b>	<b>N\$82.871 million</b>	<b>123%</b>
CSR: operating mines and exploration companies	N\$79.762 million	N\$92.067 million	-13%
Permanent employees	9,643	9,574	1%
Temporary employees	889	699	27%
Contractors	6,373	5,400	18%
<b>Total Direct Employment</b>	<b>16,905</b>	<b>15,673</b>	<b>8%</b>



# Mining contribution to GDP

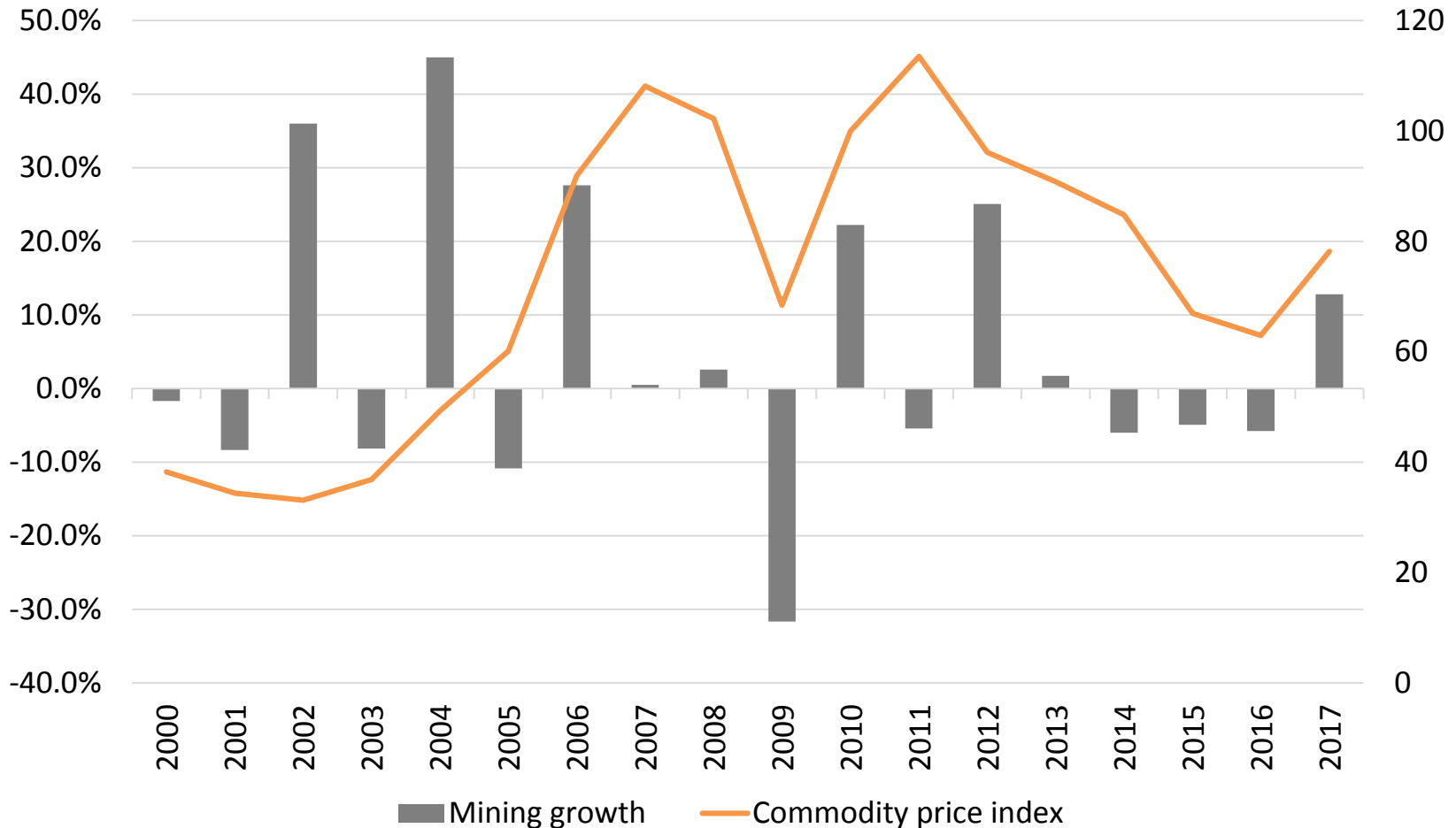


Source: Namibia Statistics Agency



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# Mining sector growth (real value added) and commodity prices

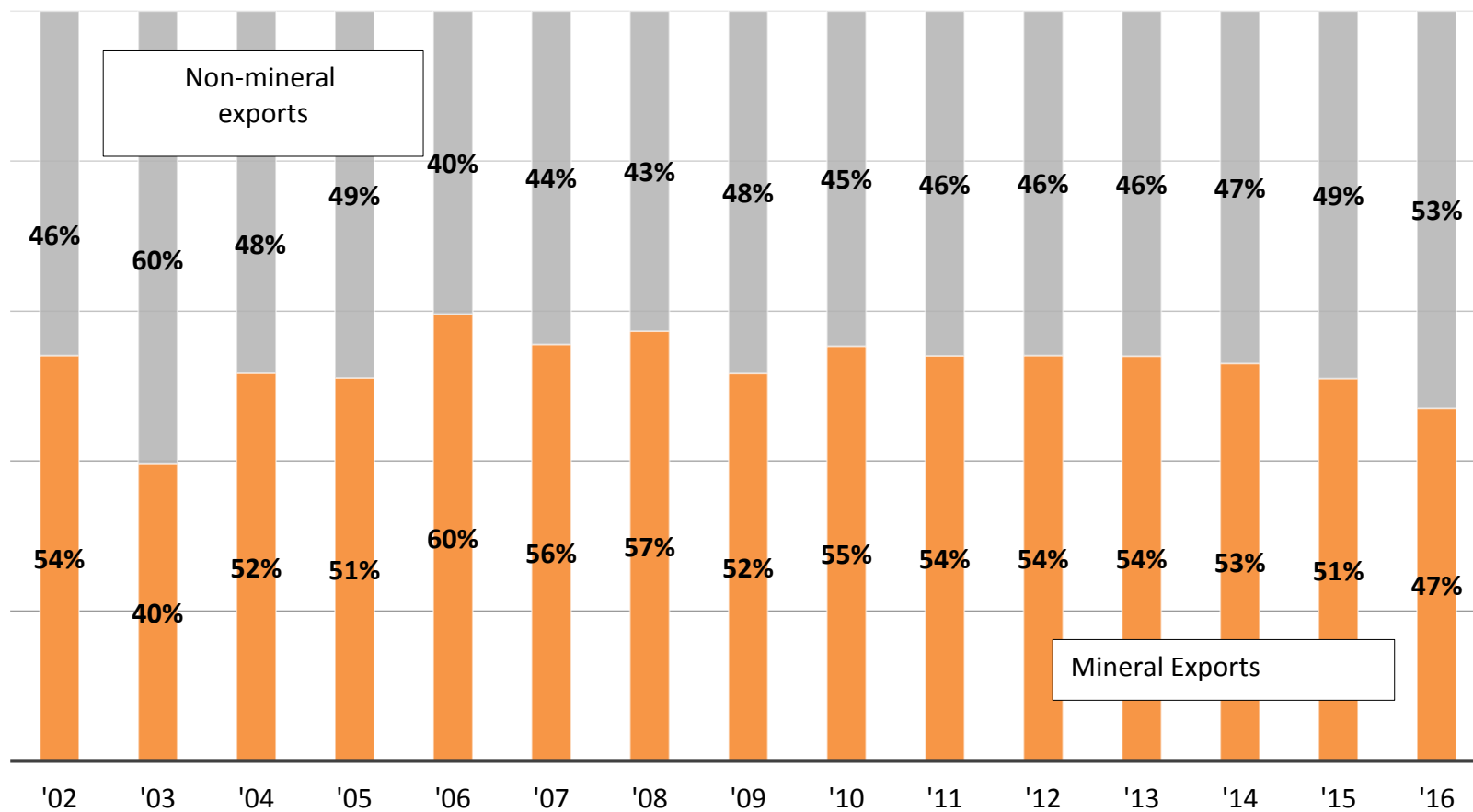


Source: Namibia Statistics Agency and Index Mundi



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# Mining Share of Exports



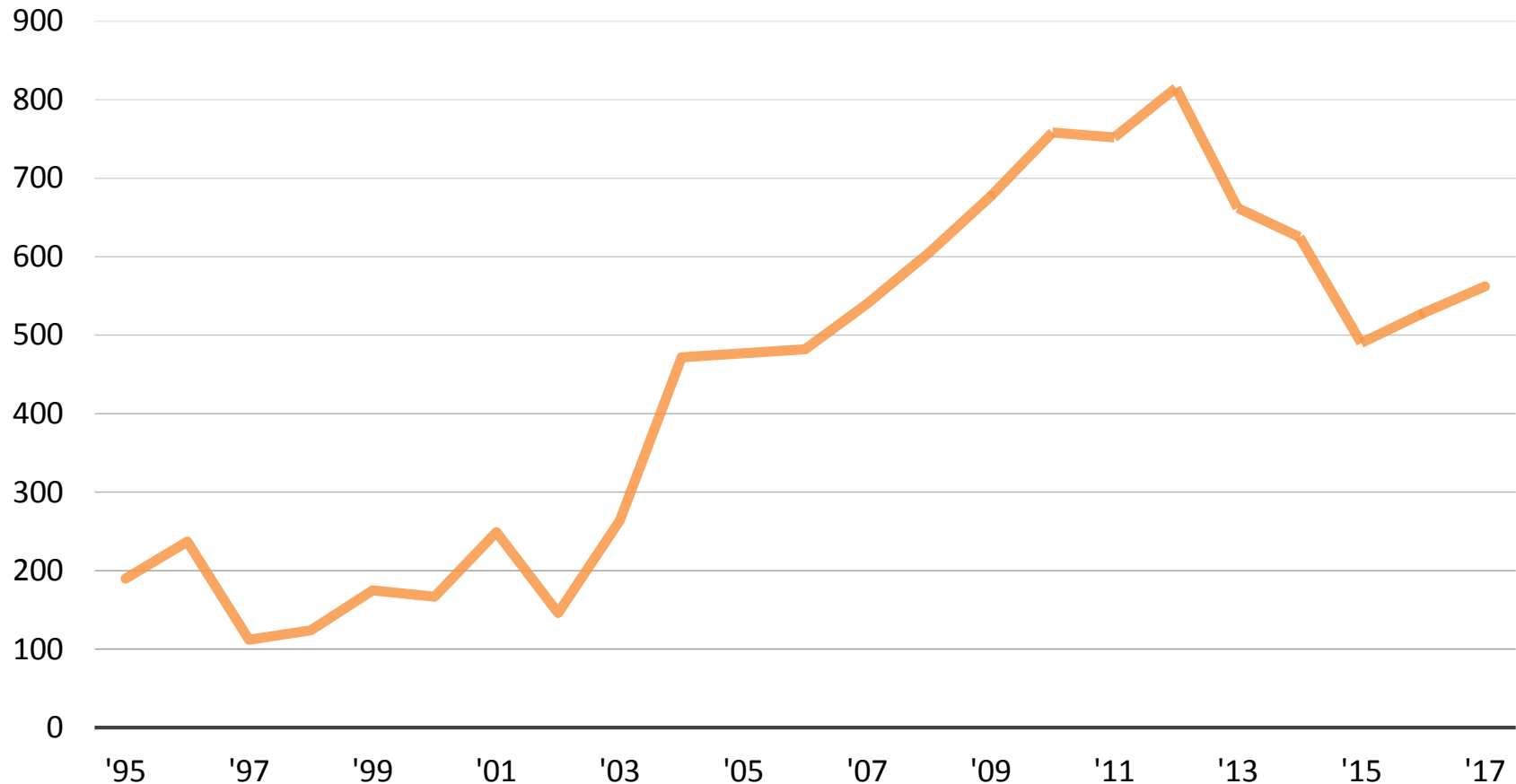
Source: Namibia Statistics Agency



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# Total Exploration expenditure (N\$m)

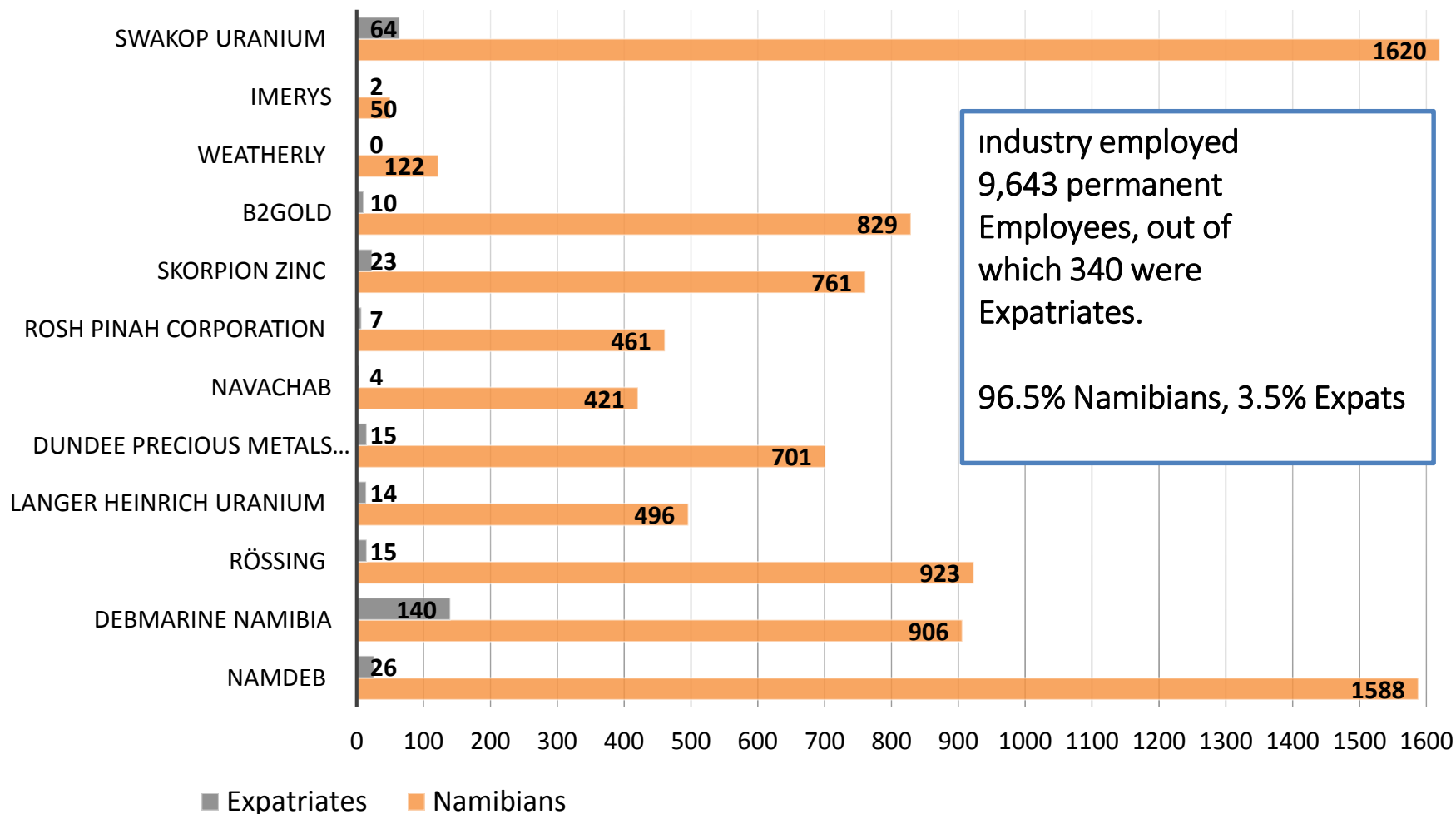


Source: Namibia Statistics Agency and Chamber of Mines of Namibia



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# Permanent Employment vs Expatriates

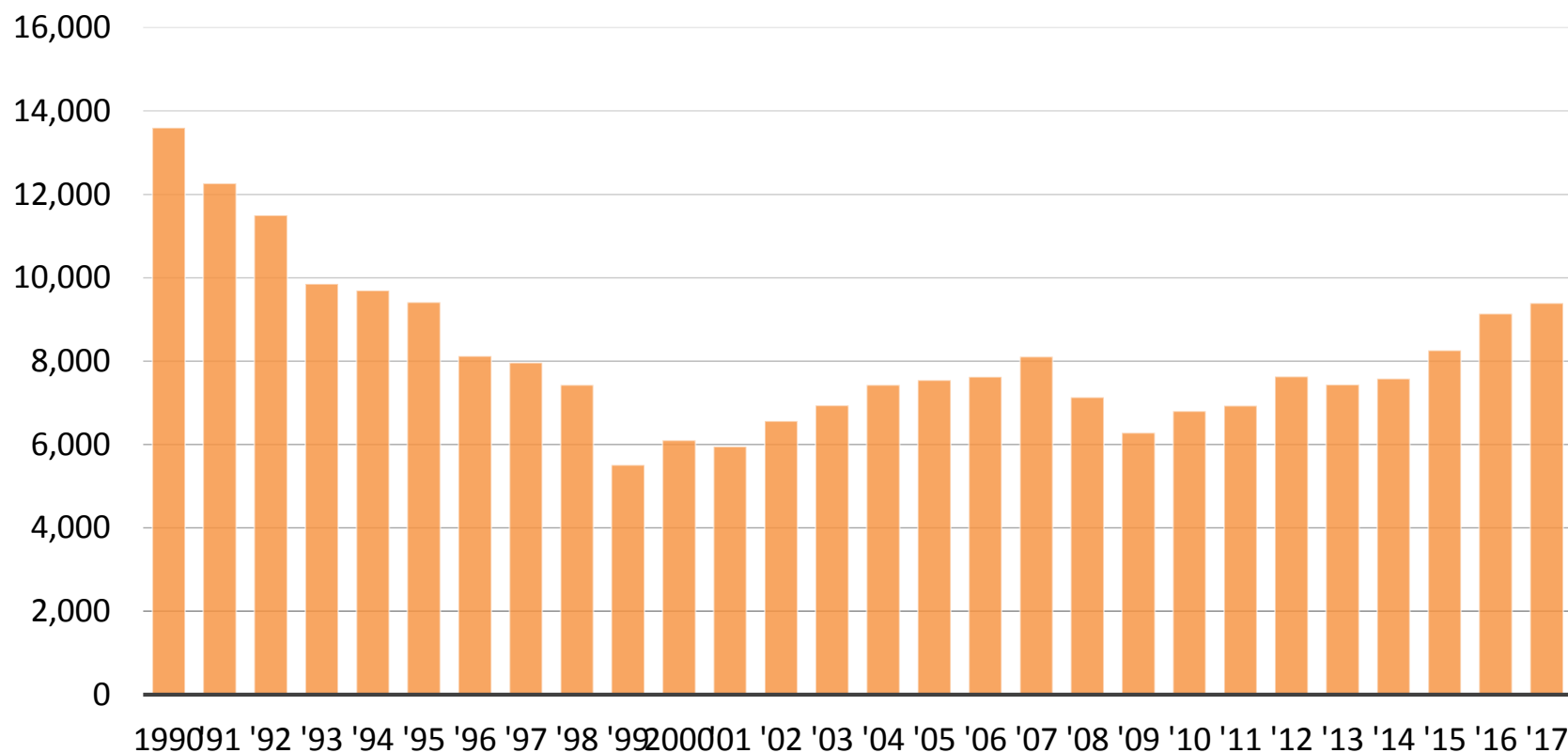


Source: CoM Annual Reports



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# Mining Employment (Including NIMT)



Source: Chamber of Mines Annual Reports



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# Contribution to National Employment

## Jobs during 2017


Permanent jobs: 9,643

Temporary jobs: 889

Contractors: 6,373

**Total: 16,905**  **2.5% of total labour force**

- 2016 National Labour Force Survey: 676,885 people employed.
- Taking into account the mining multiplier of 7, industry directly and indirectly provided 118,335 jobs

**118,335 jobs**  **17.5% of total labour force**



# New Developments

1. Okandjande Graphite mine entered production in April 2017.
2. N\$2.3 billion SS Nujoma Exploration & Sampling vessel was officially commissioned at the Walvis Bay Port on 15 June, 2017.
3. Skorpion Zinc embarked on a Push Back programme in 2017 to access deeper oxide ore and successfully extended the life of mine to 2020, resulting in improved production from the mine.
4. Weatherly announced a modest restart at the Otjihase copper mine with a focus on a mining training programme. The proceeds of this modest production will be used to fund full restart. A similar approach is being planned for Matchless.
5. Desert Lion commenced production at its lithium operations just outside Karibib.  
Restart of old mines -- Rubicon & Helicon
6. The African Tantalum mine in the Karas Region entered production in 2017 – Tantalum pentoxide is final product.
7. Namib Lead and Zinc mine preparing for production in January 2019.
8. Craton Mining finally received the ML for its Omitiomire copper project, with “*mini mining*” to commence in 2019.
9. Exploration at the Gecko Opuwo Cobalt project has yielded very promising results.
10. Several Namibia Rare Earths projects are being actively investigated.
11. Near future potential in several projects such as Berg Aukas and Kombat copper mines.

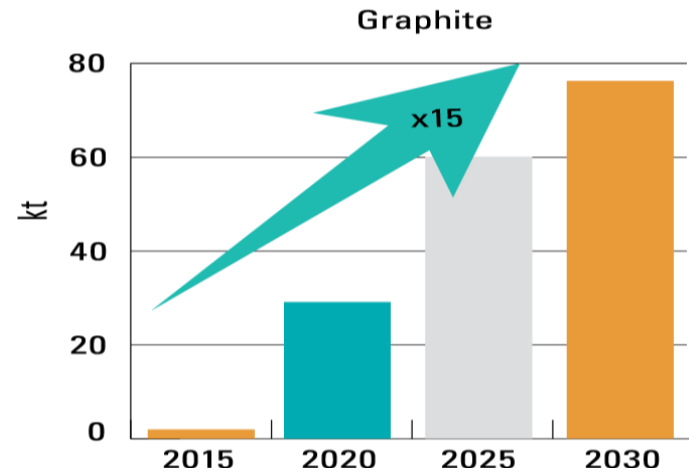
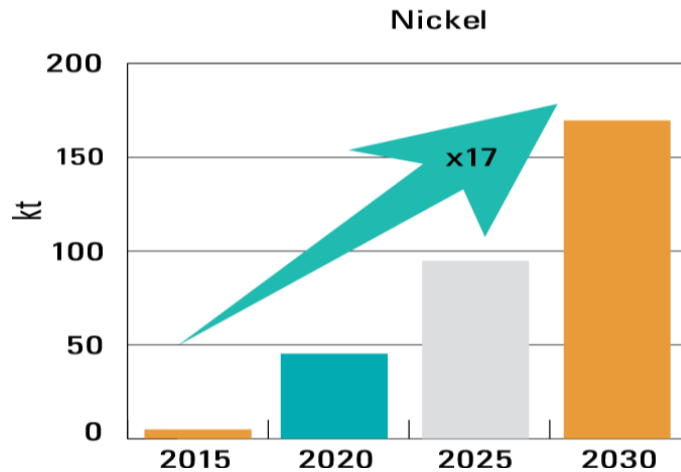
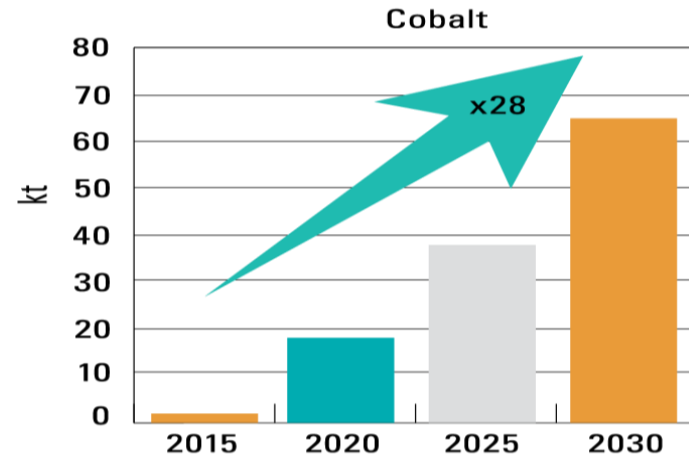
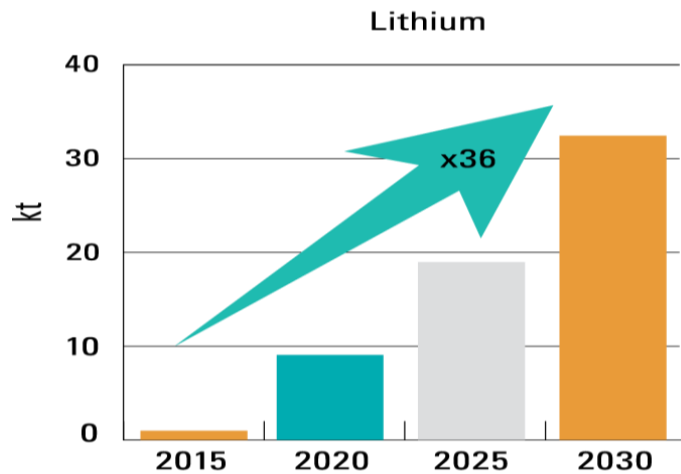


# Commodity Price Developments & Battery Minerals

- Outlook for commodity prices is extremely positive; 2018 opened with the gold price breaching US\$1,300/oz, copper breaching US\$7,000/mt and zinc above US\$3,400/mt.
- Electric motor vehicles and renewable energy storage solutions are driving demand for commodities. The battery component of electric motor vehicles is made from an array of minerals, namely; cobalt, lithium, graphite, rare earths and nickel. Copper requirements in such cars are 20% more than conventional vehicles.
- This is extremely positive in that it will drive Namibian exploration for years to come.



# Expected increase in demand for battery minerals



Source: METI & Yano Research



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# Namibia's Global competitiveness for mining – Fraser Survey of Mining Companies

**Investment Attractiveness Index:** In 2014, Namibia was rated as the most attractive investment destination for mining and exploration in Africa.

Unfortunately Namibia fell to forth position in 2015 and ninth position in 2016.

The country's ranking has improved to 6<sup>th</sup> position in 2017.

**Caveat:** However, it is not prudent to compare the overall country rankings as a measure of performance due to the declining number of African countries participating in the survey.

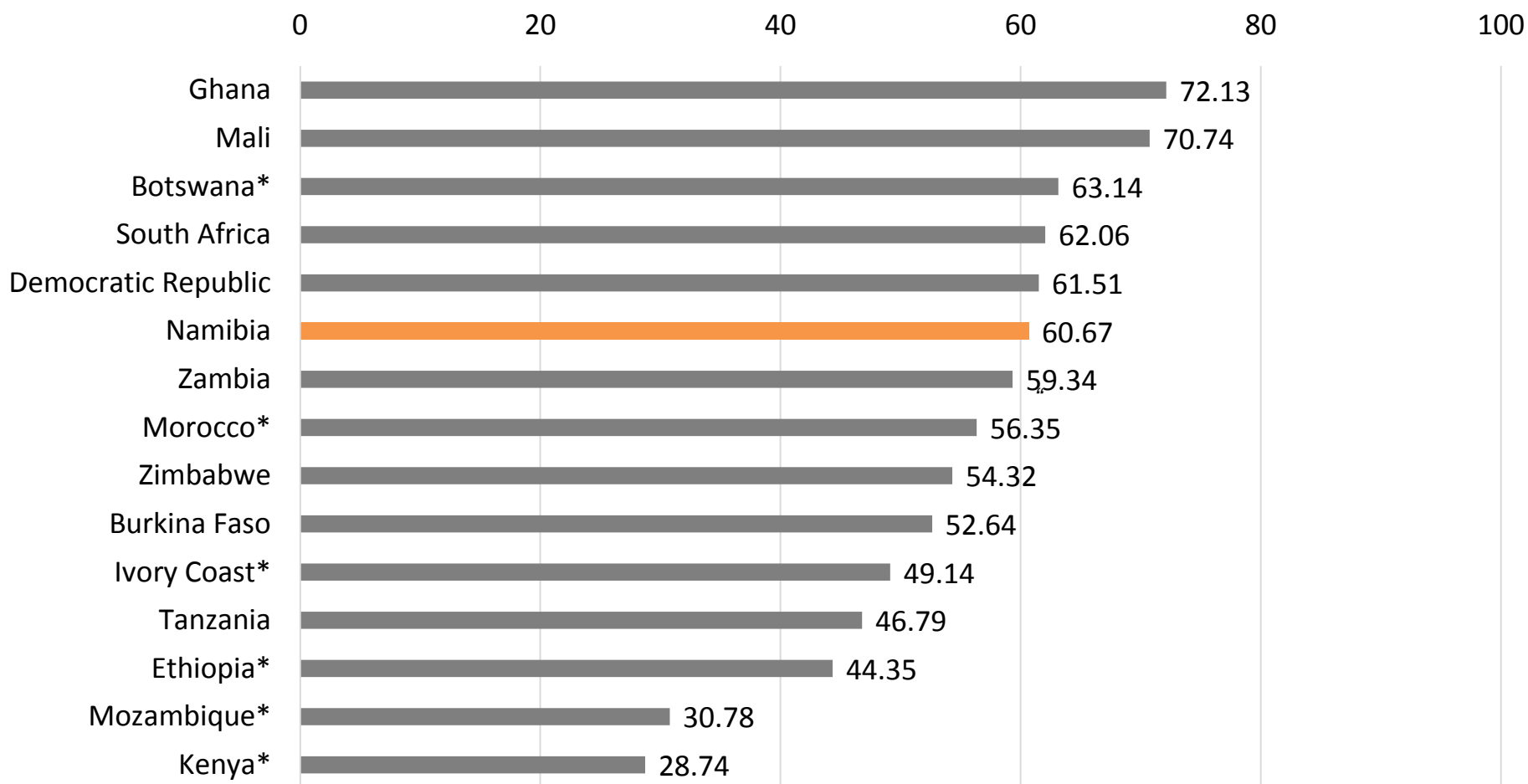
- **2014:** 30 African countries
- **2015:** 20 African countries
- **2016:** 18 African Countries
- **2017:** 15 African countries

The number of Global countries' participation have also been decreasing over the last four years. Thus more accurate to measure absolute scores.





# 2017 IAI African Scores

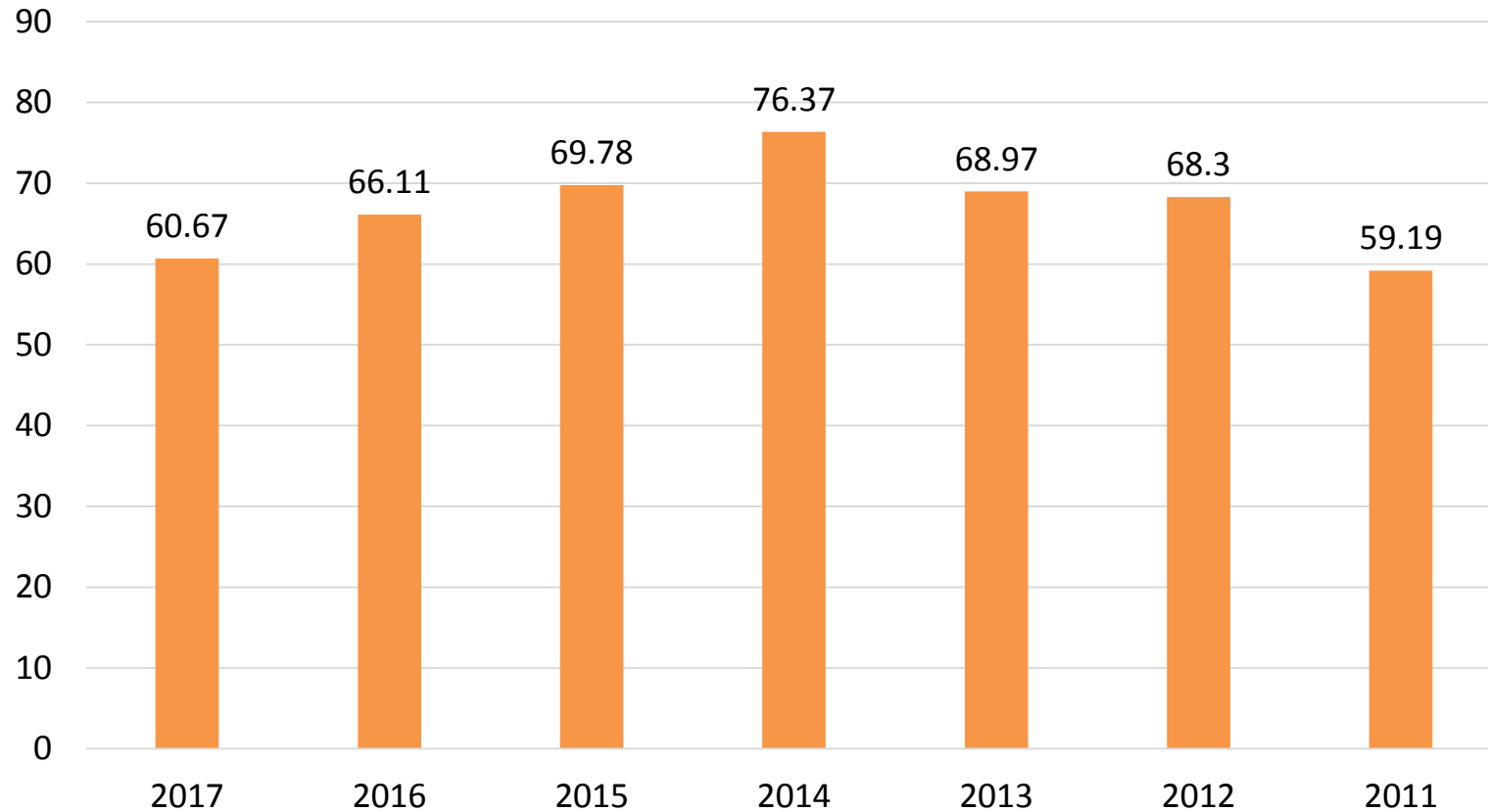


*Source: Fraser Institute 2017 Survey of Mining Companies*



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# Comparison of Namibia's IAI Scores



*Source: Fraser Institute 2017 Survey of Mining Companies*



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# Outstanding Matters and Challenges

- **NEEEF** - Chamber is relieved at announcement by H.E. The President in his SONA on 11 April, 2018 with regards to the Ownership pillar. We await full details of Cabinet decisions in May from the Prime Minister's office.
- **Namibia Investment & Promotion Act, 2016** –The Chamber is pleased to note that Government has acknowledged that the Namibia Investment Promotion Act of 2016 (NIPA) is flawed and has retracted the unworkable provisions following consultations and input from the private sector. Amendment Bill expected in Parliament within 2018.
- **Additional Conditions to Licences** – Biggest outstanding regulatory challenge faced by the sector, especially for exploration companies. Chamber is confident that these will be resolved under MME's new administration.
- **Moratorium on Marine Phosphate mining** – CoM remains extremely concerned that a way forward on this issue has not yet been concluded.
- **Depressed Uranium Price** – Sustainability of uranium mines is threatened by low uranium prices (Rössing and LHU), however, analysts predict a rebound between 2020 and 2022.



# Conclusions

- Mining sector has remained the bedrock of the Namibian economy in all conditions of the economy – in good times and in turbulent times as seen in the last 2 yrs.
- The mining sector recorded a healthy growth in 2017 (12.2%) on the back of a combination of a rebound in commodity prices and an increase in production of diamonds, gold and uranium.
- New mines being developed are smaller in nature. However, their combined contribution will make a positive impact, particularly in spin offs to rest of the economy.
- There is a major potential for growth of mining input and service industry in the upstream linkages with lucrative local procurement spend. Industry has sustained a local spend in excess of N\$ 11. billion/year in the last 3 years. Industry commitment to supporting local suppliers of goods and services and growing the job market.
- With the recently communicated GRN position on NEEEF and expected finalization of amended NIPA, along with resolution of Additional Conditions to licences, the Chamber expects Namibia to regain its position as the most attractive destination in Africa for exploration and mining investments.



**I thank you**

**[www.chamberofmines.org.na](http://www.chamberofmines.org.na)**



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