



The Chamber of Mines of Namibia

Mining Industry Review for 2012

By

Mark T. Dawe

President, Chamber of Mines of Namibia

At the AGM

Safari Hotel. May 21, 2013

Director of Ceremonies
Hon. Isak Katali, Minister of Mines and Energy,
Senior staff of MME present,
Chamber Members present,
Esteemed invited guests,
Members of the Press,
Ladies & Gentlemen.

Honourable Minister, it is a pleasure to have you as our Guest of honour at our AGM.

It is now my honour to present the President's Report for the year 2012.

Safety

2012 was one of the worst years for the mining industry, with the highest recorded number of fatalities since independence. I wish to emphasise that Safety is the number one priority for the Namibian Mining Industry and indeed for this Chamber. We strive to meet the highest international standards of mine safety. However, it is with deep regret that I announce that the mining industry suffered five fatalities during 2012.

Mr. Wilbard Angula was fatally struck by a rock fall at Otjihase underground mine on 29th January 2012, while working from a telehandler basket to make the workplace safe.

Mr. Stefanus Akawa, Machine Operator at Namdeb, died when his parked articulated dump truck rolled backwards and ran over him on 2nd March 2012 at the Southern Coastal mine.

Mr. Gottlieb Sikongo was fatally struck by a rock slab that dislodged from the hanging wall at Otjihase mine on 13th April 2012.

Mr. Ambrosius Maharero was fatally pressed between the vertical column of a forklift and a column of a brick making machine at Purity Manganese mine on 28th April, 2012.

Mr. Petrus Kashango, a boiler maker, fell from a height of 24 meters above the ground and died on the spot at AREVA's Trekkopje mine on 13th October, 2012.

Unfortunately, two fatalities have also been recorded during the first quarter of 2013.

Although the company involved is not a Chamber member, I report that there was a fatality at Marvest Marble mine on 7th February 2013 near Karibib, where Mr. Benjamin Aib was struck by a diamond wire that cuts dimension stone blocks. He later died in hospital on 13th February 2013.

Mr. Petrus Engelbrecht was fatally electrocuted underground at Weatherly's Matchless mine on 12th March 2013.

We express our heartfelt condolences to the families and friends of the deceased employees. We continue to learn from these tragic mine accidents and intend to do everything possible to prevent a repeat of the circumstances that led to the accidents.

The Chamber of Mines responded by recruiting an internationally recognised mining expert to review the state of health and safety in the entire mining industry and to make appropriate recommendations. The consultant was also tasked to carry out an international benchmarking exercise, to compare safety standards in the Namibian mining industry with leading mining countries around the world. I am pleased to announce that this exercise was successfully undertaken and most of the mines in Namibia were visited by the consultant and the Chamber's own safety expert, Werner Ewald. The experts presented the main report to the Chamber in September last year and mine specific reports were submitted to individual mines that were covered in the review. The Chamber has shared and discussed this report internally through the Council and the Safety Committee and has also presented it to the Chief Inspector of Mines. I am pleased to announce that we shall be releasing the full report to the public during the Mining Expo and Conference which starts tomorrow. This Chamber is fully committed to the implementation of all measures recommended by the consultant and will work tirelessly to regain our industry's status as a modern, safe, world class mining community. I would like to acknowledge the passion and dedication of Werner Ewald who heads up our Safety Committee and is driving our new Chamber safety initiatives with the utmost dedication and professionalism.

World Economy

The global economy was characterised by economic turbulence and decreased growth for both developed and developing nations in 2012. During the last two years, as a delayed response to the 2009 GFC, Europe has been struggling to contain sovereign debt and poor economic performance of many European countries, including Greece, Spain, Ireland and Italy. Euro zone negotiations resulting in a spate of bail-outs and mandatory austerity measures were mostly able to prevent outright disasters in many countries, but most of the affected economies continue to show poor or negative growth. . The European Union experienced a negative growth rate of -0.3% in 2012 down from 1.6% in 2011. Unemployment has reached record high levels in the European Union, recorded at an average of 10.6%. The unemployment rate in Spain and Greece has escalated, especially among the youth.

2012 was a stagnant year for the US, despite their economic upswing at the end of 2011. Unresolved fiscal policy was the main cause for the sluggish growth recorded in the US last year leading to talks of the world's largest economy teetering on the edge of the so-called fiscal cliff. Ambiguity surrounding fiscal policy has resulted in uncertainty and a lack of confidence in the business community although there are finally signs of a recovery of the US economy, as is witnessed by the strength of the US dollar against other major currencies. Although economic conditions have been tenuous, there has been a resurgence in the housing sector. In October housing starts and permits reached record high levels since July 2008.

The impacts of the Euro zone crisis and tepid growth in the US have also stunted growth in other areas of the globe, most notably in Asia. Growth in the value of exported goods from China and India decreased drastically after post-recession highs recorded in 2010. This slowdown has been reflected in commodity prices, most notably crude oil and iron ore.

The effects of the Fukushima tragedy are still being hard-felt by the uranium industry, with the price hitting a two year low in November 2012, to U\$41.50 a pound. Of course, this has had a negative impact on uranium mining operations in Namibia, causing mining companies to trim costs and defer capital projects. Investment decisions have been put on hold pending a recovery of the market.

Highlights of Mining in Namibia

The Namibian mining industry experienced mixed fortunes in 2012. According to the newly established Namibia Statistics Agency (NSA), the preliminary figures for mining and quarrying show that the sector grew by 11.2% in contrast to 2011 when the industry contracted by 7.9%. International markets for uranium continued to be depressed with spot prices below US\$ 50/lb for the second half of the year, placing enormous operational pressures on the uranium sector as has just been mentioned. AREVA announced the deferment of the launching of its Trekkopje mine and plans to place it under care and maintenance from 2013. However, on an extremely positive note for Namibia, in spite of these adverse market conditions, Swakop Uranium announced the decision to forge ahead with the construction of the Husab uranium mine at an investment of N\$ 20 billion. The Husab mine is billed to become the second largest uranium mine in the world. Once it reaches its nameplate production, Namibia is likely to become the second largest producer of Uranium in the world, after Kazakhstan.

The diamond sector continued on the path to recovery from the world recession, posting impressive returns to its shareholders. Existing mines and operations continued to make significant investments.

Weatherly announced plans to open the Old Matchless mine and a positive Bankable Feasibility Study was completed on the Tschudi copper project, which will produce refined copper for the first time in the history of Namibia. Namibia Custom Smelters have invested heavily in their new smelter with state of the art gas filtration systems. NCS also announced their decision to go ahead with the construction of a Sulphuric Acid plant, utilising the sulphur from the off-gases. It is likely that Namibia's uranium sector could be entirely serviced by locally produced sulphuric acid. This positive development exemplifies the synergies this Chamber has been encouraging in terms of up-stream beneficiation.

The Minister of Mines and Energy granted three mining licences, further giving impetus to the growth of the industry. As soon as B2Gold received their licence, they officially announced the development of their Otjikoto gold mine which will become Namibia's second gold mine. The ground breaking ceremony for this mine took place a mere two weeks ago.,

Deep Yellow Limited intend to establish their Shiyela Iron ore mine which, among other markets, is likely to supply iron ore to Rössing, a further progression of our up-stream value-addition chain. Zhonghe Resources is likely to proceed with a new uranium mine in spite of depressed market conditions.

In addition to these new and exciting mines and projects, operating mines and exploration companies made significant investments in exploration. As mining is undeniably the backbone of Namibia's economy, it is only through the growth of our industry that we will be in a position to support and realise the lofty aims of NDP4 and Vision 2030.

I take the opportunity of reminding this audience that over the past two years, the Chamber carried out intense and extensive advocacy and negotiations at all levels of government to prevent the promulgation of newly proposed taxes that not only would have stunted growth, but most certainly have shut down many of our operations. We are grateful that we live in a country where the government's open door policy allows for public/private dialogue, albeit sometimes a little late.

The year in perspective

I now turn to the challenges faced by this Chamber over the past year.

Strategic Minerals

Although the policy on strategic minerals was announced some two years ago on 21st March 2011, there has been no legislation passed to date for its implementation. The continued uncertainty is not conducive to a healthy investment climate, particularly in exploration. It is in the interest of both Government and the private sector that GRN introduces thoroughly researched legislation guiding the modus operandi of the perceived joint ventures between the state owned mining company and the private sector. Only time will tell on the success or failure of this policy. Although the Chamber supports government participation in the mining sector, we remain concerned that should the state owned mining company own all strategic mineral deposits that are yet to be discovered, there could be a raft of unintended consequences, not least of which are land locking and private deal seeking. We encourage GRN to maximise its returns from this sector through optimising the effective taxation rate.

Tax Amendments

As I have already mentioned, the Chamber of Mines was relieved that GRN retracted some of the income tax proposals that were announced in the second half of 2011, thereby saving the industry from total collapse. By far the most damaging of these tax proposals were the additional taxes on gross sales of 15% VAT and a 5% Export Levy, as well as an increase of Corporate tax from 37.5% to 44% for non-diamond mining companies. With every threat, there's a hidden opportunity. The result of our intense negotiations has been a better understanding and cooperation between the Ministry of Finance (MoF) and the private sector and the realisation that GRN would be well advised to involve the industry in modelling any proposed changes to the tax regime prior to announcement of a policy shift.

However, there are still some outstanding tax matters that require continued consultation and a speedy conclusion. 2012 ended without a response from the Minister of Finance to the Chamber's submission on the export levy. This ambivalence on the part of GRN is not conducive to the promotion of confidence for new players in our industry. The new withholding tax which became law on 31 December 2011, continues to pose concerns not only to mining, but to all sectors of the economy. The Chamber has proposed that the rate be revised downwards from 25% to a more competitive figure and even more importantly, to revise the definition of Management fees to exclude consultancy fees. This is a vital piece of legislation requiring immediate reconsideration on the part of the Ministry of Finance.

Value Addition

Following GRN's decision to cap the export levy at 2% (revised down from its proposal of 5%), the Chamber of Mines proposed the formation of a joint Value Addition Committee (VAC) to investigate the potential for further beneficiation of Namibia's mineral products.

The intention of this Value Addition Committee would be to end the debate as to what downstream value addition activities can and should take place as the responsibility of the mining industry. With the outcomes of this research, we were hoping that the committee would make recommendations to the MoF on the differentiated rates of export levy between 0% and 2%, based on the potential for each metal or mineral. Regrettably, however, although the VAC proposal was accepted by GRN and endorsed in the NDP 4, the Minister of Finance rejected the notion that determination of the levy rates should be based on the outcome of this committee. Instead, the MoF opted to accept the Chamber's proposal to visit most large scale operations to familiarise themselves with value addition on site. To this end, the Chamber organised field visits for the seven man GRN delegation, led by the then Deputy Minister of Finance, Hon. Calle Schlettwein.

The visits and ensuing presentations on site provided the delegation with a better understanding of mineral beneficiation from ore to a refined mineral, metal or concentrate. Unfortunately, our offer to MoF seems to have back-fired, as MoF later announced that they considered this process to be sufficient to be fully informed on the potential for further value addition, without any further need for input from the VAC. The Minister of Finance has, to date, not yet responded to the Chamber submission on export levy based on our own understanding of the potential for value addition for each metal and mineral. According to NDP 4, MME is designated as the driver of the VAC, however, the official launching has not yet taken place. Although the Chamber of Mines is represented on this Committee, as long as the MoF make good their announced intention to ignore the outcomes of the VAC in the determination of the levy, we see this as a missed opportunity. In this case, the VAC will still provide value to the economy as it will identify any value addition potential within the mining sector and beyond. However, although it is the MoF's statutory right to determine the rates of export levy, we would respectfully advise the MoF to reconsider its intention to promulgate any laws on export levy, but rather to follow the due process and the advice of this committee.

Recognising our Responsibility

Stakeholder engagement and effective communication to both the public and private sectors was identified as one of the major focus areas of the Chamber's strategic plan in 2011. The introduction of Mining Expos and later Mining Conferences in 2010 is in line with this strategy to better market the mining industry to our stakeholders. The Chamber hosted a very successful mining conference in May 2012 at which topics affecting the industry were presented and discussed. I am pleased to note that this event will again be taking place tomorrow. This time, the Mining Conference will run parallel to the Mining Expo.

In addition to our Annual Review, we have introduced a quarterly newsletter and host a dynamic web-site, but in spite of all these interventions, we continue to fend off a barrage of misguided negative reports and perceptions about our industry.

Clearly, we were still not beating our drums loud enough. In a further effort to address this shortcoming, we carried out a series of presentations and discussions with all sectors of society in 2011 and 2012. In addition, we changed the format, look and feel of our 2011/2012 Annual Review. We decided to dedicate the review to highlighting stories of what Namibia's mining industry is doing for the people of Namibia, over and above the business of mining and the flow of revenue to the national treasury. As this review shows (and you are all welcome to collect copies if you don't already have one), our mining industry makes a difference to so many peoples' lives in so many different ways.

We invited Chamber members to contribute stories and details of their own initiatives that they thought were of greatest interest to our stakeholders. The review is the fruit of that invitation. Once we had collated all the information, we were indeed shocked by just how dynamic, responsible and magnanimous this industry is. These stories were begging to be told. We will probably be highlighting the hidden stories of the mining industry every other year.

This year the Chamber has embarked upon the creation of a new three year Strategic Plan that is currently being driven by active committees headed by Council members. The new plan will continue to focus on effective communication and stakeholder engagement as one of its key pillars.

I now turn to a short précis of our operations.

Highlights from operations

Diamonds

Despite harsh economic conditions faced by the diamond industry, production by Debmarmine Namibia and Namdeb increased significantly in 2012. Namdeb produced a total of 1.6 million carats of diamonds of which 1.1 million were produced by the unique undersea operations of Debmarmine Namibia. This is the highest annual production of diamonds to date by Debmarmine Namibia, exceeding the production record of 1.048 million carats in 2007. The year was also marked by the purchase of the world's largest marine diamond vessel; the Peace in Africa, adding significant value to Debmarmine's mining fleet. The vessel was renamed to "mv Mafuta" in March of this year. Namdeb completed the re-commissioning of Elizabeth Bay mine which was closed in 2010. In spite of difficulties experienced in the start-up of the Elizabeth Bay operations, Namdeb achieved favourable production from its other operations, namely Orange River mines and Sothern Coastal mines.

Both Debmarmine Namibia and Namdeb concluded a two year wage agreement with the Namibian Mine Workers Union, and no LTI's were experienced by Debmarmine in 2012.

Uranium

The expected expansion of uranium output has been delayed but not all together abandoned owing to the adverse effects of low uranium prices stemming from global financial uncertainty and the Fukushima incident. AREVA announced the postponement of the launch of the Trekkopje mine and has placed the mine under a N\$ 10 million / year care and maintenance plan.

Production by Rössing in 2012 was 10% less than budgeted for, resulting in continuous cash flow constraints. Rössing experienced operating losses for a third consecutive year, due to depressed uranium prices and high operating costs. Langer Heinrich successfully commissioned its stage three expansion and ramped up production to 2,306 tonnes which was equivalent to the plant's operating capacity. The stage 4 feasibility study was completed in May 2012 but the project was put on hold due to low uranium prices. Forsysmetals completed an updated resource estimate and is consolidating the 100% owned Valencia Uranium project with Namibplaas. The new project is now named Norasa Uranium.

As mentioned earlier in the highlights, construction of the Swakop Uranium's Husab project commenced in October 2012 and the ground breaking ceremony took place on April 18th this year. This is certainly the most exciting development the industry has seen for many years. We wish the dynamic Swakop Uranium team well with their monumental task ahead of them.

The Chamber of Mines Uranium Institute (UI)

The Uranium Institute, under the able directorship of Dr. Wotan Swiegers, deals with non-economic issues only and continues to play an important role in creating consultative fora and promoting mining practices that comply with global standards on sustainable development, environmental protection and radiological safety. Specific mine safety and health guidance documentation are continuously developed to ensure that best standards are maintained at all stages of uranium exploration, mining, ore milling and processing.

Environmental Health Standards and Legal compliance

The UI coordinates a variety of activities and programmes in areas where it is deemed desirable for members to consult with one another on matters of common concern and to co-operate on specific uranium industry joint initiatives whilst adhering to anti-trust laws and guidelines. The UI established a Legal Working Group in 2012 to advise, update and synchronize the health, safety and environmental Legal Registers of the members of the UI.

Consultation

The Information Centre was recently refurbished and offers a platform for interactive discussions. It promotes learning through various mediums such as DVD's, interactive presentations and discussion, addressing issues such as water, environment, radiation, safety and energy.

Training and Public Lectures

The Uranium Institute has entered into partnerships with various service providers to develop a suite of training courses to cater for the needs of the uranium industry in Namibia. The UI offers the popular "Introduction to Radiation and Uranium" courses for the public every three months. This is now augmented with the course "Introduction to the Namib Environment" and information lectures, as requested by visitors. The primary purpose of the UI training programme is to promote learning and to build capacity in specialized skills in the fields of health, environmental management and radiation safety.

Health

The Director of the UI acts as the Chief Medical Officer of the UI's member companies providing advice, clinical support and coordinates the development of medical facilities. The Husab mine construction will create 6,000 temporary jobs and 2,000 permanent jobs when the mine goes into full production, which requires an extension of occupational medical facilities at the Swakopmund and Arandis Medical Centres. This has all been achieved.

The upgrades at the Cottage Hospital are nearly completed. It boasts a new modern Emergency Unit, an intensive Care Unit and additional theatres.

The Namibian Lung Clinic (NLC) initiative

The UI initiated a joint venture between the Ministry of Health and Social Services (MoHSS), Polytechnic of Namibia, the University of Bern in Switzerland, OCNA/OCSA's Academy of Excellence and Medixx Occupational Health Services. The NLC will focus on clinical care, education and research related to lung diseases.

The Uranium Institute also had exploratory discussions with the University of Bern in Switzerland to assist with a research project to determine the reasons for the abnormal high prevalence of TB in the Erongo region.

Strategic Environmental Management Plan (SEMP)

The UI coordinated contributions to the SEM report. The SEM report for 2011 shows that Namibian uranium companies are broadly compliant with most of the twelve environmental quality objectives (EQOs); 85% of the indicators were either in progress or met and only 11% were not met (4% could not be assessed). This suggests that the potential impacts of the “uranium rush” are by and large being contained, although there are some notable exceptions. It is noteworthy that all mining companies have convincingly demonstrated their commitment to the SEM and have put most measures in place to meet targets.

With the support of BGR-GSN three fixed continuous radon monitoring stations were established in the Erongo Region (Arandis, Swakopmund and Walvis Bay). The central data receiving computer is stationed at the UI.

Zinc

Global zinc prices dropped in 2012 in comparison with previous years following the same downward trend as other base metals. The forecast for 2013/2014 continues to be subdued, but the long term outlook is stable.

Production of zinc concentrate and lead concentrates at Rosh Pinah Zinc Corporation were steady after a smooth transition to its new London-listed owners, Glencore, which now own 80% of the company’s shares. Production of zinc and lead concentrates were 94,303 and 17,557 respectively, an increase of 5.7% and 11.3% compared to 2011. On mine exploration, drilling extended Rosh Pinah Zinc Corporation’s resources from 15.5 million tonnes in 2011 to 15.9 million tonnes in 2012. Refinery production from Skorpion Zinc met targets, however, higher operating costs were experienced by the company due to higher input costs. Refinery production of Special High Grade zinc metal was 145,342 tonnes in 2012/13, almost the same as the previous year. For the first time, Skorpion Zinc supplied a small portion of production (<30,000 t) to South Africa, owing to the closure of the Zincor smelter in late 2011.

Gold

The Gold price remained relatively stable in 2012, reaching just over US\$1,700 per ounce half way through the year, before dropping to US\$1600 in December. Navachab Gold mine increased production to 2,287kg of gold bullion from 2,063kg in 2011, a 14% year on year increase. Aurix Gold was taken over by Toronto-listed B2Gold at the end of 2011, and listed on the Namibia stock exchange on 28 May 2012. B2Gold was granted a Mining Licence in December 2012 by the Ministry of Mines and Energy and has commenced construction operations to start the second gold mine in Namibia. The ground-breaking ceremony for the new mine took place on April 26, this year. This is another very exciting development in our industry. We wish B2Gold much success with their task ahead.

Cement

Ohorongo Cement had a successful year, producing an impressive 510,000 tonnes, up from 390,000 tonnes in 2011, the year in which they commenced production. This success was partially attributed to being given Infant Industry Protection by the government, to restrict significant quantities of cheap cement being imported from abroad. Unfortunately, GRN’s initiative to protect this infant industry has been challenged in court and while the courts deliberate, cheap cement continues to be imported from abroad.

Copper

With the re-opening of Otjihase mine, production of copper concentrate in 2012 reached 23 032 tonnes containing 5304 tonnes of copper metal. A bankable feasibility study was completed for the Tschudi copper project and a term sheet for debt finance of the project was concluded. The Tschudi mine construction is scheduled to start in the final quarter of 2013. Once in full production, the Tschudi mine will produce 17,000 tonnes of copper cathodes. This will be the first time in the history of Namibia that refined copper will be produced as the Tsumeb smelter only produces blister copper (98% copper). Weatherly Mining also announced its intention to reopen the Old Matchless mine. Dundee Precious Metals invested heavily in environmental mitigation measures at the Tsumeb smelter and is going ahead with a major investment into a new sulphuric acid plant to capture sulphur dioxide emissions and produce sulphuric acid for use by Namibia's Uranium industry.

Fluorspar

Okorusu Fluorspar's production decreased from 90,834 tonnes in 2011 to 74, 156 tonnes in 2012. The drop in production was due to the planned depletion of its medium grade ores. Only low grade ores remain in each of the open pits. Okorusu experienced delays in the commissioning of its new Dense Media Separation plant (DMS) owing to water recycling and clarification issues. The plant was constructed with the intention of up-grading low grade ores prior to further concentration. The DMS plant was completed and commissioned in March 2013. The provisional modelling of E-ore body estimated an indicated resource of 6.8 million tonnes of fluorite at an average grade of 23%, proving the viability of a new low grade open pit. Okorusu applied for a Mining Licence to cover the areas of E-ore body that currently fall outside of their existing mining licence (ML90). Okorusu and its JV partners were for a third time successful in the awarding of the contract to supply rail ballast sourced from Okorusu's crushed waste rock. This ballast will be used to rehabilitate Kransburg-Tsumeb railway line. This project was 90% complete by the end of 2012.

Salt

The board of Salt & Chemicals approved investigations to expand production capacity to increase annual output to 1,000,000 tonnes of salt. After a quick recovery from the 2011 Kuiseb floods, salt production increased from 144,755 tonnes of salt in 2011 to 725,000 tonnes of salt in 2012.

Economic Contribution

Government established the Namibia Statistics Agency (NSA) during 2012 to provide timely data. The NSA has already made a mark by determining the new unemployment figure at 27.4 %, from the erroneously calculated figure of 51.2%. Nonetheless, even the new unemployment rate is alarmingly high. Figures produced by the National Statistics Agency show that the mining industry contributed 11.5% to GDP in 2012, up from 8.2% in 2011. The contribution of mining to GDP in 2012 was the highest recorded since 2007. This indicates that the mining industry is on its way to recovery after three years of stagnant growth, caused by global economic pressures. This figure, however, understates the industry's true contribution to Namibia's GDP as it does not include revenues from zinc refining, and copper smelting.

Non diamond mining eclipsed diamond mining as the larger contributor to revenue and foreign exchange earnings. The figure for non diamond mining includes revenue from Zinc refining. Total revenue by non diamond mining was N\$ 11.437 billion and diamond mining earned N\$7.08 billion. The total revenue from Namibia's mining operations was 18.517 billion in 2012, up from N\$15.8 billion in 2011 (Chamber statistics). The mining industry typically contributes around 60% to Namibia's export revenue. The figure for 2012 has not yet been confirmed.

The mining sector spent N\$3.87 billion on fixed investment in 2012, and once again contributed more than any other sector of the economy, except for Government which spent N\$4.15 billion on fixed investment (NSA stats).

Training and Employment

The mining industry spent some N\$77.7million on training and skills development in 2012, awarding 82 new bursaries to tertiary institutions and the Namibian Institute of Mining and Technology (NIMT). The number of graduates from NIMT has increased from between 300 and 500 to approximately 700 qualified artisans last year, as the new southern campus has begun to produce its first artisans. The Namibian mining industry is wholly supportive of this institute by providing hundreds Namibian students with bursaries and job attachments each year. However, the industry and NIMT are most concerned that funding derived from the new training levy may diminish the direct support to NIMT from the mining industry, as the industry already contributes well in excess of the required threshold. Any additional mandatory training levy stands the danger of causing mining operations to rationalise their training expenditure, with the unintended consequence of reducing its own in-house support of NIMT and other tertiary institutions.

The Chamber of Mines, through its members has provided consistent support to the NIMT since its inception. It is this support that allowed for the construction of the NIMT Northern Campus in Tsumeb and the NIMT Southern Campus in Keetmanshoop.

In 2012, mining and exploration companies collectively employed 7,898 people in permanent positions, providing 592 more jobs than in 2011. Including temporary employees and full time contractors, the total direct employment figure for 2012 is 13,548. Although the year was characterised by low uranium prices and high operating costs by many mines, the industry provided direct and indirect jobs to some 95,000 people, using a multiplier effect of 7 which we regard to be correct. Although mining was never the largest employer by numbers of employees, this is a very significant contribution given Namibia's small population and its high level of unemployment.

Security of Power and Water

Security of uninterrupted supply of power and water remains a primary concern of the Chamber, particularly for the uranium sector in the Erongo Region. The industry continues to cooperate with NamPower on energy saving measures and Nampower continues to regularly interact with the industry on demand management for its short, medium and long term supply plans. We are pleased that Nampower is fully committed to providing a locally secure base load power supply to reduce its dependence on imported power. As was the case last year, we look forward to Mr. Shilamba's address at our Mining Conference tomorrow.

Through the Uranium Institute and the Chamber's Water Committee, the Chamber's members are actively cooperating with NamWater on water requirements for the medium & long term. It is encouraging to note that negotiations with AREVA have advanced to the extent that their existing Erongo Desalination Plant is likely to be fully utilised.

Conclusions

This report leaves no doubt that the Namibian mining sector is alive, vibrant and once again growing. The recent ground-breaking ceremonies at Namibia's two new mines more than offset the less positive news of retractions, retrenchments and temporary closures in the Uranium sector. Although our existing uranium mines and exploration projects are enduring tough times under the atomic cloud of Fukushima, the general consensus is that uranium's long term future is indeed bright. GRN has had the foresight to allow for the expansion of the Uranium sector, positioning our

country to reap the rewards of improved pricing as sense once again prevails in the world, and even the harshest critics begin to realise that uranium is indeed one of the cleanest and safest sources of power available to mankind.

I believe this Chamber has forged ahead in leaps and bounds with all of its challenges and we can take pride in the fact that we actively engaged in open and honest dialogue with both our line Ministry and other GRN bodies. We have developed a relationship of mutual trust and support with the Ministry of Mines and Energy and although we sometimes differ on certain aspects of principle, both parties have the same goals at heart, which is to efficiently promote, encourage, protect and foster responsible exploration and mining in Namibia to the benefit of the country and all stakeholders.

The restructuring of the composition of Council, whereby senior exploration members were invited to become Council members in 2011, has resulted in a far more interactive and dynamic leadership at the highest level. The CEO's of the exploration companies often have more time available for the work of the committees, as their counterparts on the operating mines often have their hands full, especially during tough economic times. This has been exemplified by the enormous contributions made by Bannerman Resources and other companies towards the Chamber's new three year Strategic Plan, which is soon to be announced.

As our Council has expanded, so have our permanent staff, necessitating a move to more appropriate offices. The Chamber of Mines moved to new premises at 3 Schutzen street in October last year. These premises were previously occupied by Swakop Uranium. I am pleased to announce that Council has today unanimously approved the purchase of these premises from Swakop Uranium. I would like to take this opportunity to thank the leadership of Swakop Uranium for upholding their commitment to sell this property to the Chamber.

As I hand over the baton to my successor, Werner Duvenhage, I would like to offer our members comfort that the Chamber is in extremely good hands under the remarkable leadership of our CEO, Veston Malango. He and his staff are running a highly professional and respected organisation with the utmost dedication, enthusiasm and energy. This is my second term of working with Veston and I continue to be both impressed and amazed by his professionalism and resolve. Now that I'm no longer his boss, I am looking forward to pursuing our close friendship.

I would also like to thank my first Vice President and successor, Werner, who has always been a voice of reason and a solid sounding board with well considered opinions and advice. Werner has always picked up the baton for me as I've taken on increased responsibilities abroad.

Although I have not had too much involvement with the UI as there is more than sufficient able leadership at Swakopmund, I have watched with great admiration, the blossoming and growth of the UI under the incredibly dynamic leadership of its director, Dr. Wotan Swiegers.

There is no doubt that under the able leadership of Werner, Wotan and Veston, along with the new First Vice President Kombadayedu Kapwanga (otherwise known as KK, or Papa to Veston), and the new Second Vice President Satish Kumar, this Chamber will continue to provide increased service delivery to all of our members and stakeholders.

I would also like to announce and welcome a new member of our staff, Lauren Davidson. Lauren is a young Rhodes University trained economist who has literally been thrown in the deep end with her first task being the collation of all of our statistics, most of which I've used in this report. She will be working on our new Chamber Review for 2012/2013. Lauren has picked up where Robin Sherbourne left off.

It is, as always, my great pleasure to thank all Chamber Members, especially my friends on Council for their support during another exciting year and the trust placed in me. It is our fervent hope that Namibia remains an attractive mining investment destination.



.....
Mark T. Dawe
Chamber President
May 21, 2013