



THE CHAMBER OF MINES OF NAMIBIA

Mining Industry Performance in 2014.

Mining Conference, May 20, 2015.
Safari Hotel, Windhoek

Veston Malango, CEO.



Outline of Presentation

- 1) Mines in Namibia
- 2) Highlights for 2014
- 3) Mining Industry Performance during 2014
- 4) Outstanding Issues & Challenges
- 5) Namibia's Global Competitiveness
- 6) Conclusions





MINES IN NAMIBIA

1. Tschudi
2. Ohorongo
3. Otjikoto
4. Otjozonde
5. Navachab
6. The Salt Company
7. Rossing
8. Husab
9. Salt & Chemicals
10. Langer Heinrich
11. Matchless
12. Otjihase
13. Swartmoder
14. Namdeb Northern Coastal Mines
15. Debmarine Namibia
16. Skorpion
17. Rosh Pinah Zinc Corporation
18. Namdeb Southern Coastal Mines
19. Namdeb Orange River Mines

Number of Mines: Operating & Under Construction

Company	Operation/Mine	
Namdeb Diamond Corporation (Pty) Ltd	Northern Coastal Mines (E-Bay)	1
	Southern Coastal Mines	2
	Orange River Mines	3
	- Sendelingsdrif	
	- Deberas	
Debmarine Namibia	Off Shore Operations	4
Rössing Uranium Limited	Rössing Mine	5
Skorpion Mining Company	Skorpion Zinc Mine	6
QKR Namibia Minerals Holdings	Navachab Gold Mine	7
Rosh Pinah Zinc Corporation	Rosh Pinah Zinc Mine	8
Langer Heinrich Uranium Ltd	Langer Heinrich Uranium Mine	9
Salt & Chemicals (Pty) Ltd	Walvis Bay Salt Pans	10
Weatherly Mining Namibia	Otjihase Copper Mine	11
	Matchless Copper Mine	12
OHORONGO Cement (Pty) Ltd	Ohorongo Quarry (ML 153)	13
Salt Company (Pty) Ltd	Swakopmund Salt Pans	14
African Huaxia Mining (Pty) Ltd	Swartmoder Copper Mine	15
AREVA Resources Namibia	Trekkopje Mine (on Care & Maintenance)	16
Okorusu Fluorspar	Okorusu Mine (On Care & Maintenance)	17
Otjozonde Mining (Pty) Ltd	Otjozonde Manganese Mine	18
	Total	18
Mines Under Construction / Ramping Up		
Swakop Uranium (Proprietary) Limited	Husab Uranium Mine	1
Weatherly Mining Namibia	Tschudi Copper Mine	2
B2Gold Namibia (Pty) Limited	Otjikoto Gold Mine	3
	Total	3

Mines in the Pipeline & Non Chamber Members

Company	Mines in Pipeline	Number
Craton Mining & Exploration (Pty) Ltd	Omitiomire Copper Project (ML 183)	1
Kombat Copper Inc.	Kombat Mine (5 MLs)	2
Lodestone Namibia (Pty) Ltd	Dordabis Iron Ore Project (ML granted in September 2014)	3
North River Resources	Namib Lead Mine (ML application pending)	4
Bannerman Mining Resources	Etango Uranium Projects (ML 161)	5
Valencia Uranium (Pty) Ltd	Norasa Uranium Project: Valencia Project (ML 149) Namibplaas Project (EPL3638)	6
Zhonghe Resources Namibia	Zhonghe Uranium Project (ML 171)	7
Reptile Uranium Namibia (Pty) Ltd	Shiyela Iron Ore Project (ML 176)	8
	Omahola & Tubas Sand Projects	9
Rosh Pinah Zinc / Skorpion Zinc	Gergarub Zinc Project	10
	Total	10
Mines not Members of CoM		
Purity Manganese (Pty) Ltd	Purity Manganese Mine	1
Namibia Marble and Granite	Namagra Quarry	2
Several other Dimension Stone Companies	Dimension Stone Quarries	2,3,...
Small Scale Mining Companies	SSM operations for slate, blue lace agates and several precious stones	Several





Namibia gets crumbs from N\$20bn mining windfall

Namibia continues to receive minimal returns from her mineral riches, with the lion's share of revenue being shipped abroad.

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Although the mining sector has reported combined revenues of N\$21 billion in 2013, the Namibian government only received N\$3 billion, or 15%, from this through royalties and taxes.

This was confirmed by the latest annual review of the Chamber of Mines in Namibia, underscoring the need for local value addition in a sector responsible for nearly 10% of GDP.

The revenue was generated by 19



ing sector is said to have generated N\$11.3 billion of additional value in 2013, with diamonds responsible for around N\$8.23 billion of this.

Namdeb's total turnover for 2013, according to the chamber statistics (including Namdeb and Debmarine Namibia) was approximately N\$9.04 billion.

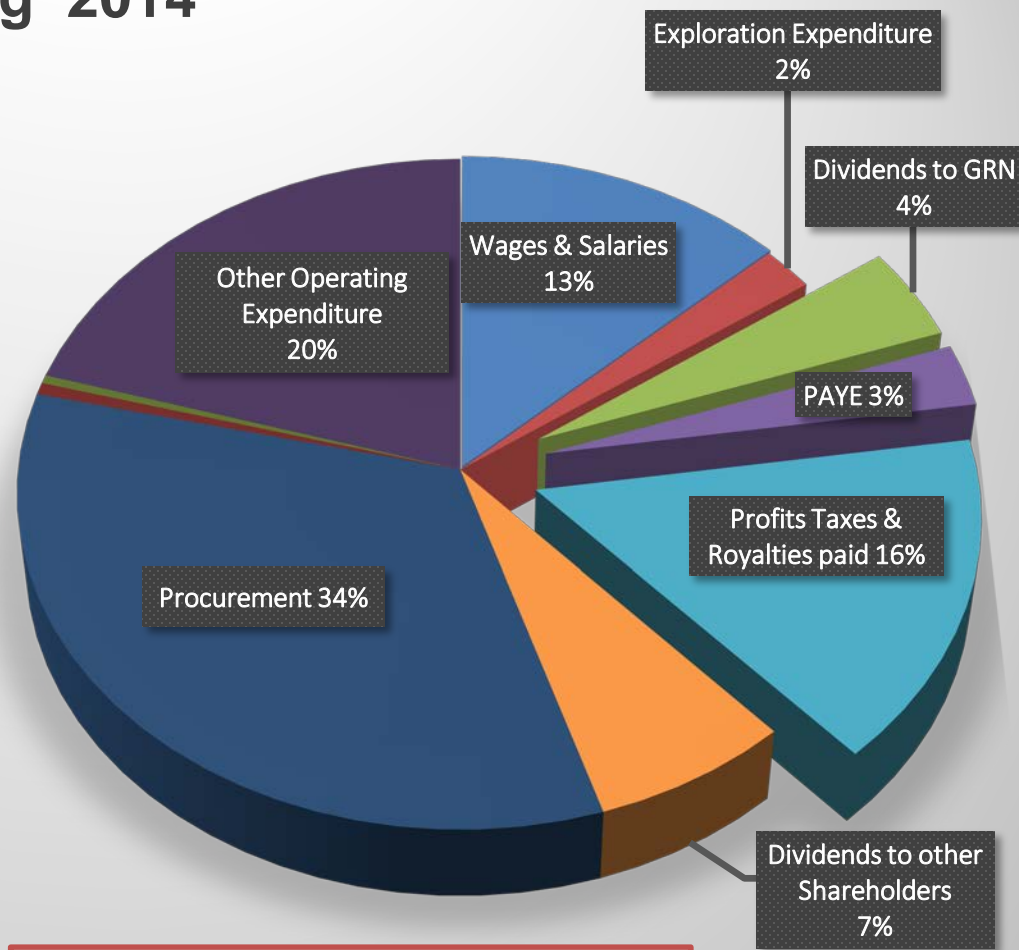
Paladin Energy's Langer Heinrich Uranium mine, said to have sustained consistent levels of production, recorded a turnover of N\$2.254 billion.

The chamber review also lists the 2013 turnover for Areva Resources Namibia, builders of the Trekkopje uranium mine that has been put on hold.

The company reported turnover of N\$52.5 million, thanks to a water supply agreement with NamWater to distribute up to ten million cubic

Mining industry generated > N\$21.6 bn in revenue during 2014

Mining Industry Contribution (N\$ bn)	
Wages & Salaries (Net)	2.824 (13%)
Exploration Expenditure	0.454 (2%)
Dividends to GRN	0.963 (4%)
PAYE	0.641 (3%)
Profits Tax & Royalties paid	3.393 (16%)
Dividends to other Shareholders	1.479 (7%)
Procurement (Namibian Spend)	7.255 (34%)
Other Operating Expenditure	4.395 (20%)
CSR	0.122 (1%)
Expenditure on Skills & Development	0.086 (<1%)
Total	21.612



Total Revenue to GRN: N\$5 billion

Source: Chamber of Mines of Namibia



Highlights in 2014

1. Mining Industry recorded zero fatalities and posted major improvements in safety stats.
2. Mining contributed 13% to GDP in 2014, however the industry contracted by 4.6% in terms of real value added (NSA preliminary statistics).
3. Bannerman awarded contracts to construct & operate Etango Heap Leach Demonstration Plant in September 2014.
4. AngloGold Ashanti announced the decision to sell Navachab mine on 30 April 2013. The sale was approved by Namibia Competition Commission on 28 May, 2014, to Guinea Fowl Investments Twenty Six, owned by the British company QKR Corporation Limited.
5. Epangelo acquired 7.5% shareholding in Navachab Mine (in partnership with QKR Namibia Minerals Holdings) on 22 October, 2014.
6. Commissioning of mining operations at Husab on 8 May, 2014.
7. Commissioning of new Sendelingsdrif diamond mine and new Red Area Complex on 7 November, 2014.



Highlights in 2014 (cont.)

8. 14 November, 2014 – Vedanta Resources Plc approved a US\$782 million (N\$9.4 billion) investment to develop an open pit zinc mine in Gamsberg, South Africa. This investment includes the conversion of the Skorpion Zinc Refinery in the South of Namibia U\$152 million(N\$1.6 billion).
9. New Otjikoto gold mine produced its first kilogram of gold on 11 December, 2014.
10. Upstream Value Addition: When mining grows, input and service industries also grow. The N\$2.9 billion sulphuric acid plant by DPMT at the Tsumeb smelter is expected to come into production mid-June 2015.
11. Uranium price dropped to a nine year low of U\$28.5/lb in June 2014.
12. Rössing retrenched 204 workers in August, 2014 and Rosh Pinah Zinc Corporation retrenched 126 workers in May, 2014.
13. Okorusu mine was placed on care and maintenance on 28th October, 2014. 407 workers were retrenched.
14. Two weeks strike at Namdeb, in August 2014, cost the company & GRN N\$140 million in lost revenue (N\$10 million a day, of which GRN lost N\$8 million and Namdeb N\$2 million.)



Summary of Mining Industry Performance in 2014

- Turnover > N\$21.61billion (Turnover in 2013, N\$20.93 billion)
- Wages and salaries > N\$3.46 billion, excludes Swakop Uranium (Wages and Salaries in 2013, N\$3.14 billion)
- Fixed investment > N\$17.26 billion (Fixed investment in 2013, N\$8.53 billion)
- Exploration spending by operating mines > N\$454.7 million (Exploration spending by operating mines in 2013, N\$212.3 million)
- Exploration spending by exploration companies & mine development companies > N\$170.7 million, excludes Swakop Uranium (Exploration spending by exploration companies and mine development companies in 2013, N\$450 million)
- Profits tax paid > N\$2.1 billion (Profits tax paid in 2013, N\$1.64 billion)
- Royalties paid >N\$1.29 billion (Royalties paid in 2013, N\$1.12 billion)

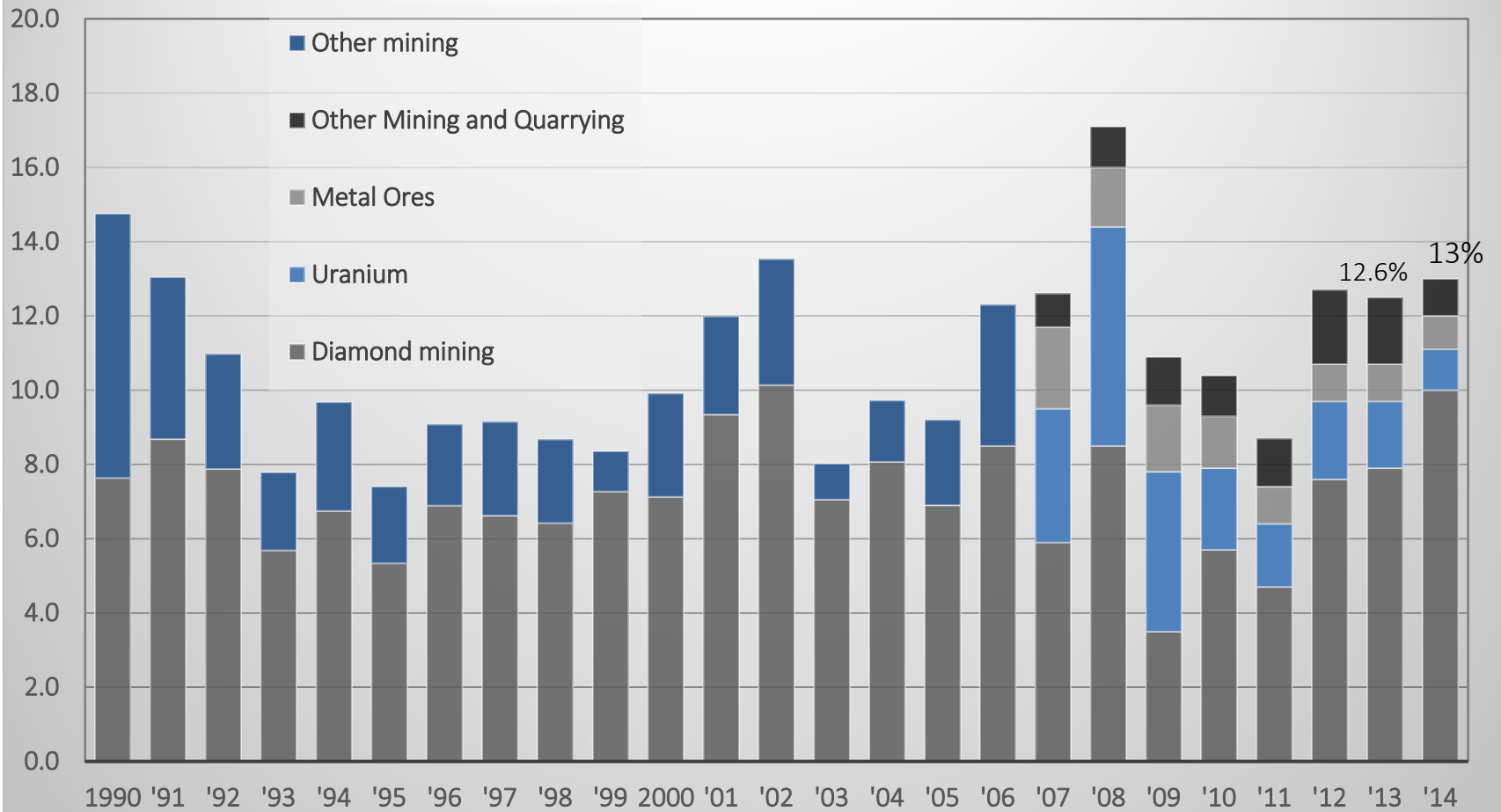


Summary of Mining Industry Performance in 2014 (cont.)

- Dividends paid to GRN = N\$963 million
- Total taxes paid > N\$3.39 billion (Total taxes paid in 2013, N\$2.76 billion)
- Total taxes & dividends paid > N\$4.35 billion (Total taxes and dividends paid in 2013, N\$3.26billion)
- Procurement (Namibian Spend) > N\$7.255 billion
- Contribution to CSR related activities > N\$123 million
- Total employment 17,770 (7,903 permanent employees, 947 temporary employees, and 8,920 contractors)



Mining contribution to GDP

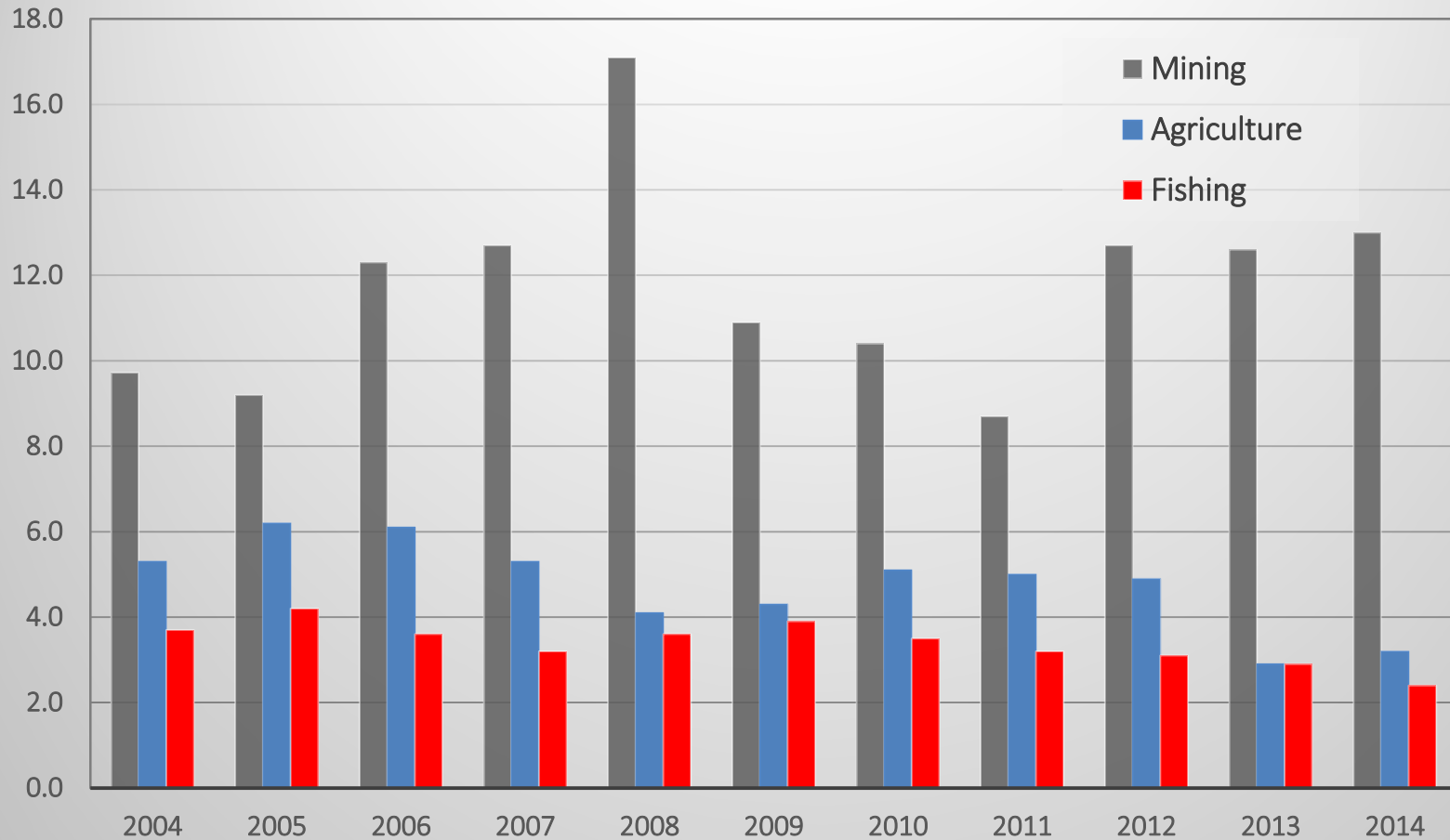


Source: Namibia Statistics Agency



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Comparison of GDP contribution by Primary Industries

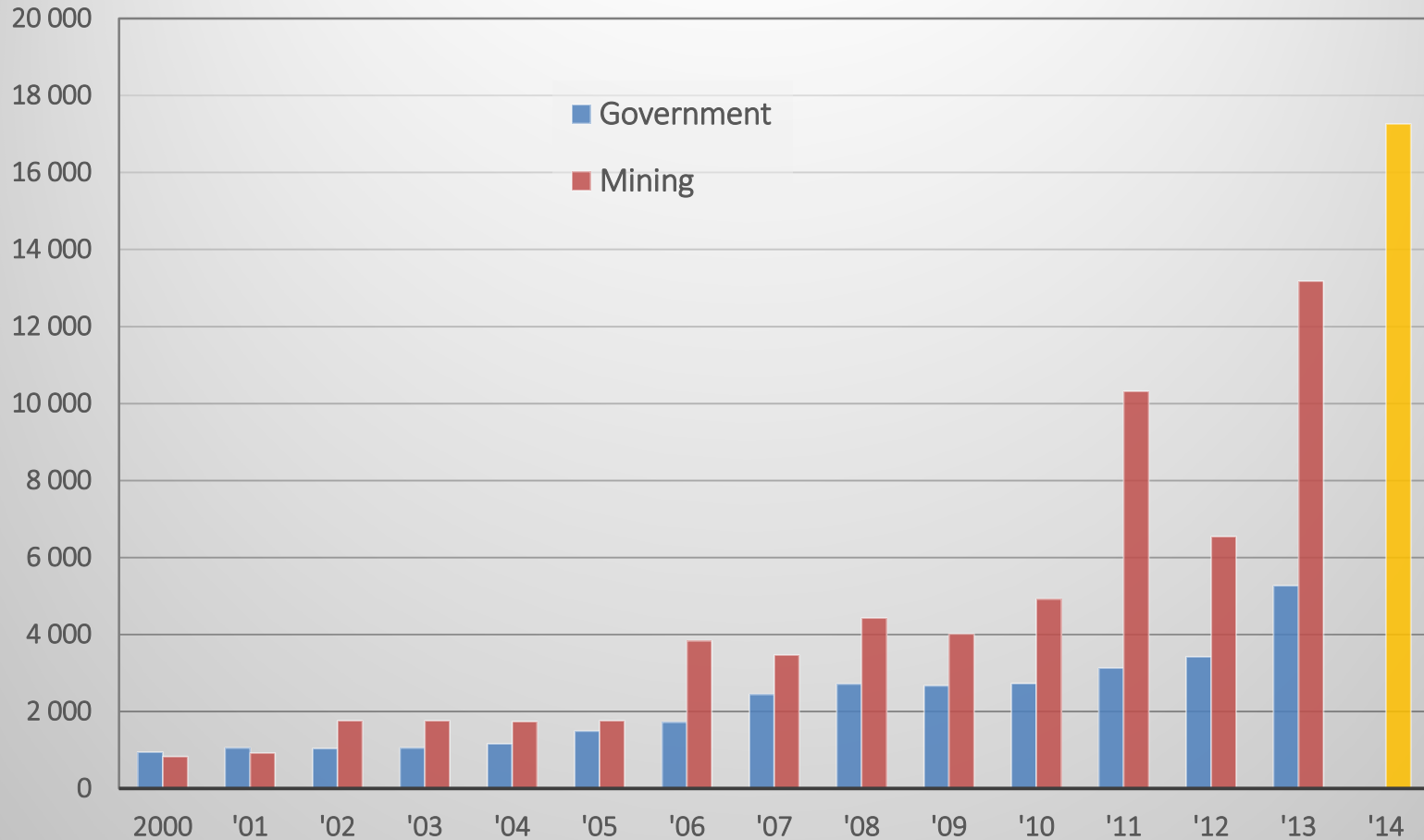


Source: Namibia Statistics Agency



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Fixed Investment (current prices N\$m)

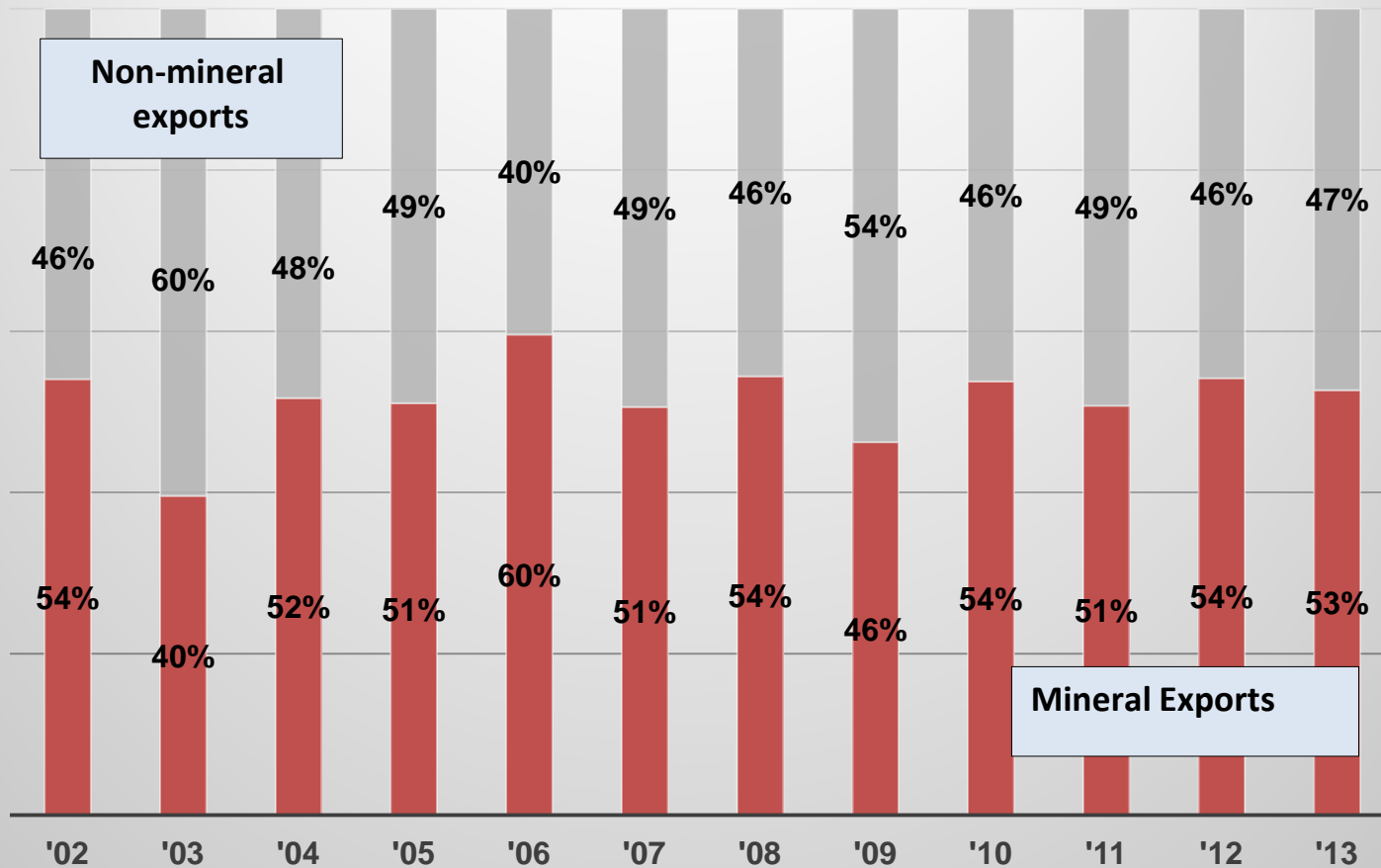


Source: Namibia Statistics Agency



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Mining Share of Exports

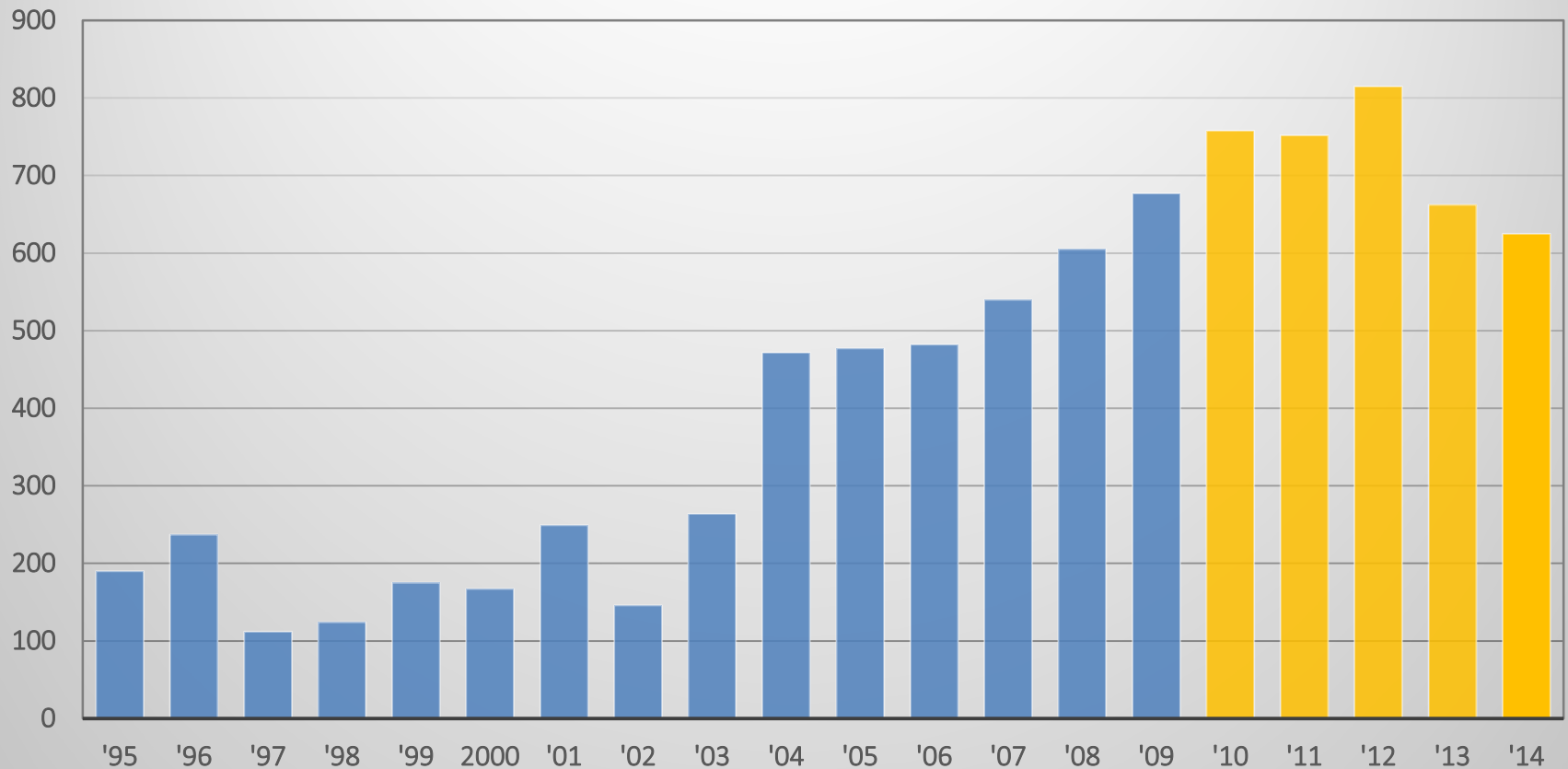


Source: Namibia Statistics Agency



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Total Exploration expenditure (N\$m)

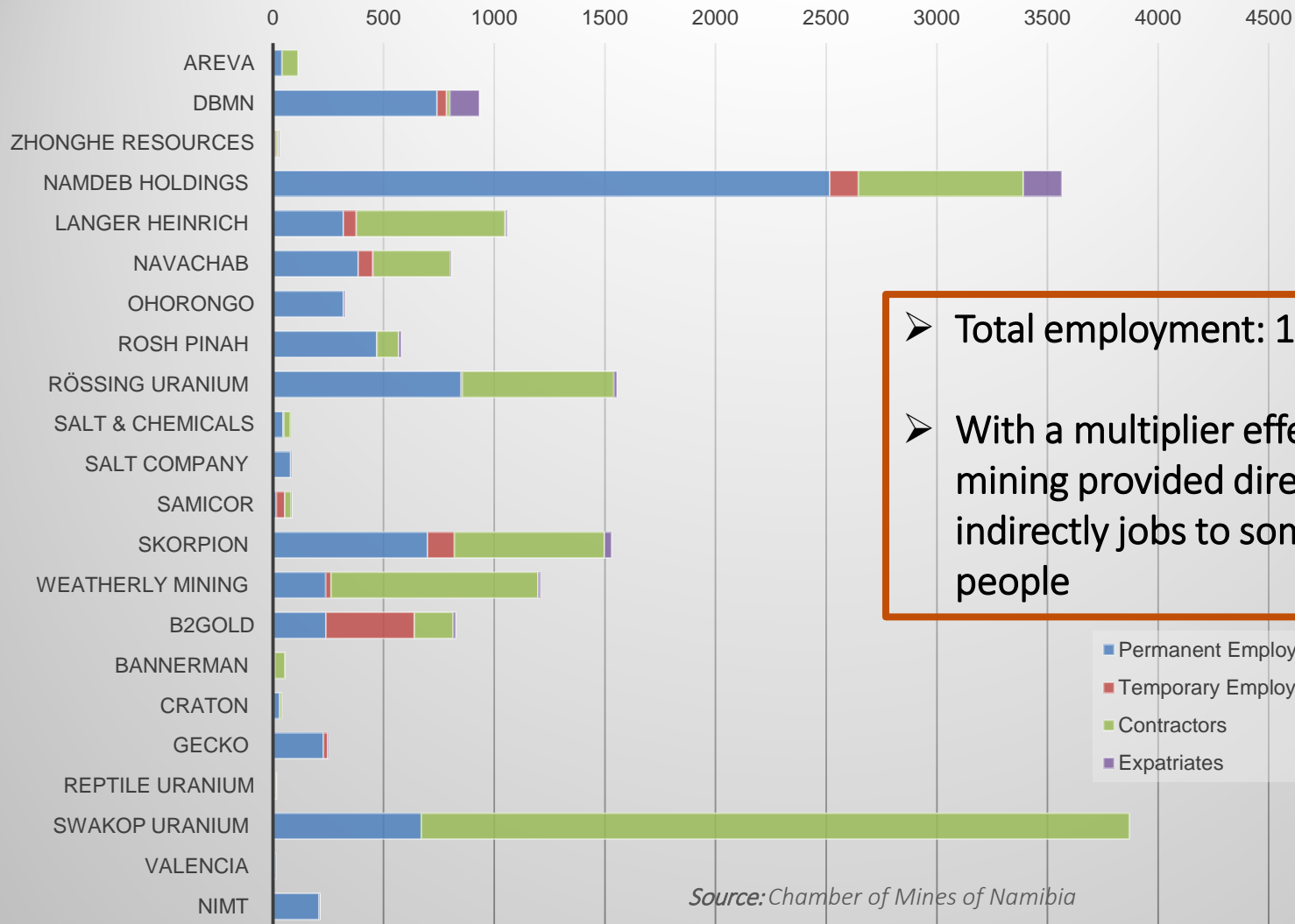


Source: Namibia Statistics Agency and Chamber of Mines of Namibia



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Employment in Mining sector at end 2014



➤ Total employment: 17,770

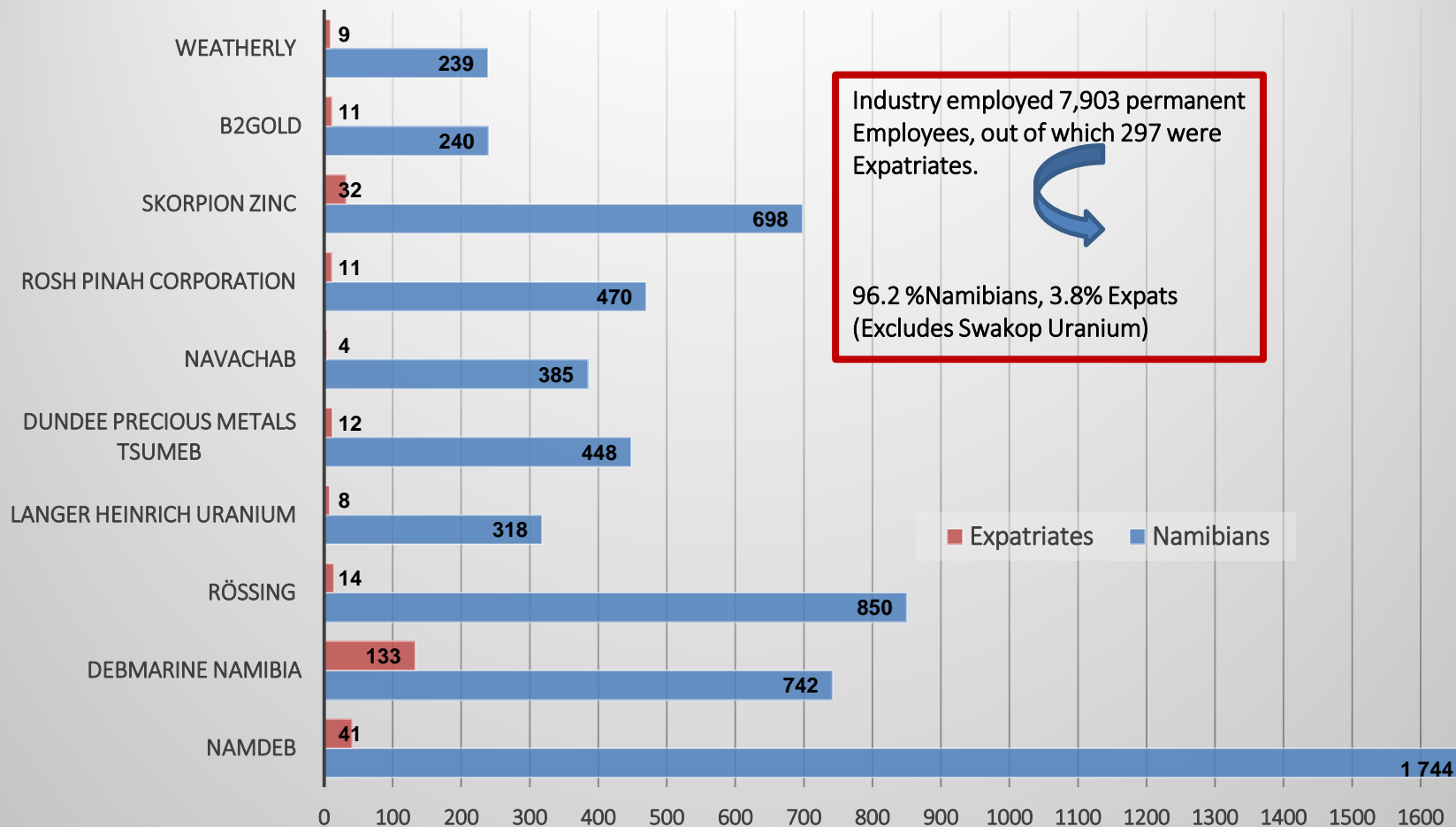
➤ With a multiplier effect of 7, mining provided directly & indirectly jobs to some 124,390 people

■ Permanent Employment
 ■ Temporary Employment
 ■ Contractors
 ■ Expatriates

Source: Chamber of Mines of Namibia



Permanent Employment Vs Expatriates



Source: Chamber of Mines of Namibia



Outstanding Matters & Challenges

- Export Levy: MoF has concluded export levy rates. Bill to be presented in Parliament in 2015
- Withholding tax: Reduced from 25% - 10%.
- Moratorium on phosphate mining: 18 months period of Moratorium lapsed in March 2015. Scoping report has been produced which has defined the ToR for the SEA.
- Joint Value Addition Committee: Progress made with the analysis of beneficiation opportunities for minerals. Phase 1 and Phase 2 reports have been produced.
- Security of Power and Water: Remains a major concern – increasing tariffs of electricity and water, way above Namibian CPI.
- Rail Transport : TransNamib is challenged to effectively transport mining inputs & exports, forcing companies to reluctantly use road transport.
- Depressed Commodity Markets: Still remains a major challenge (Exchange rate providing some relief).



Namibia's Global Competitiveness: Fraser Institute Survey of Mining & Exploration Companies

Policy Perception Index : Composite index measuring the overall policy attractiveness of all Jurisdictions in the survey.

Index is composed of survey responses to policy factors that affect investment decisions.

Policy factors include:

- Taxation regime, Legal system / Rule of law,
- Uncertainty concerning the administration of Laws & Regulations (Mining, environmental, labour laws etc.)
- Regulatory duplication /Red tape
- Political stability, security
- Infrastructure, Labour & skills availability
- Quality of geological database

Mineral Potential Index : rates regions based on their geological attractiveness

Investment Attractiveness Index : Takes both mineral potential index & policy potential index into consideration.



Namibia's Global competitiveness

- The 2014 Fraser 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.
- The Geological Survey of Namibia was voted as one of the best Geological Surveys in the World.



Comparison of Namibia's Investment Attractiveness Index with SADC Countries

Country	2014	2013	2012	2011	2010
Namibia	25/122	34/ 112	30/ 96	69/ 93	34/ 79
Botswana	26/122	24/ 112	12/ 96	11/ 93	14/ 79
South Africa	64/122	53/ 112	67/ 96	52/ 93	60/ 79
Angola	93/122	97/ 112	n/a	n/a	n/a
Zimbabwe	100/122	96/ 112	88/ 96	74/ 93	57/ 79

Source: Fraser Institute 2014 Survey of Mining Companies



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Comparison of Namibia's PPI with SADC Countries

Country	2014	2013	2012	2011	2010
Botswana	13/122	25/ 112	17/ 96	17/ 93	14/ 79
Namibia	20/122	34/ 112	30/ 96	45/ 93	30/ 79
South Africa	66/122	64/ 112	64/ 96	54/ 93	67/ 79
Angola	75/122	108/ 112	n/a	n/a	n/a
Zimbabwe	115/122	106/ 112	91/ 96	74/ 93	71/ 79

Source: Fraser Institute 2014 Survey of Mining Companies



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Conclusions

- Although the mining industry declined in 2014, mining remains the backbone of the Namibian economy.
- Mining contribution to the economy is expected to grow once new mines come into full production.
- With clarifications to most policy proposals, Namibia has attained global recognition as the most attractive investment destination in Africa. Challenge now is to uphold the prestigious position.
- With progress being made towards up-stream and down-stream value addition industries, the mining industry is now well positioned to support Namibia's industrialisation and Vision 2030.



Thank you
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Any questions?

