

Chamber of Mines – Website update
August 5, 2011

Mining industry overview

In the 42 years of its existence, the **Chamber of Mines of Namibia** has grown to a membership of 93 members (as at May 17, 2011) and represents the interests of all the major mining and exploration companies active in the country.

Industry Performance for 2009/2010

Figures produced by the Central Bureau of Statistics demonstrate that 2009 was an exceptionally difficult year for Namibia's mining industry and its economy as a whole. Significantly, the sector as a whole contracted by an incredible 45% while its contribution to GDP dropped from 15.9% in 2008 to just 10.0% in 2009.

The latest official statistics show that Namibia's mining sector generated N\$7.7 billion (US\$912 million) of value added during 2009, contributing 10.0 percent towards the country's Gross Domestic Product (GDP) of N\$77.8 billion (US\$9.2 billion). Diamond mining delivered N\$2.8 billion (US\$333 million) while other mining and quarrying produced N\$4.9 billion (US\$584 million). The year 2009 was the second consecutive year that non-diamond mining generated more value added than diamond mining. If copper smelting and zinc refining were also included, value added from the mining sector would have been even greater.

Exports from the mining sector reached N\$10.9 billion (US\$1.3 billion) during 2009. Mineral-related exports accounted for 44 percent of Namibia's total merchandise exports.

In 2009 the mining industry spent N\$3.3 billion (US\$395 million) on fixed investment contributing 17.2 percent to Namibia's entire fixed investment of N\$19.3 billion (US\$2.3 billion). Despite the downturn, the mining sector again spent more on fixed investment than any other sector of the economy with the exception of Government, accounting for over one sixth of all fixed investment in the country. Exploration expenditure reached N\$677 million (US\$80 million), its highest level since Independence.

Employment

At the end of 2010, Chamber members (excluding exploration companies and associate members but including the Namibian Institute of Mining and Technology and Namibia Custom Smelters) directly employed 6,845 permanent and 409 temporary employees as well as an additional 5,931 contractors. These Chamber members paid out more than N\$2.0 billion (US\$290 million) in wages and salaries during the year.

Skills

The mining industry continued to invest heavily in people. Despite the need to cut costs, Chamber members awarded a total of 73 higher education and trade bursaries in 2010 for higher education in Namibia, South Africa and elsewhere as well as vocational training at the Namibian Institute of Mining and Technology. In addition some N\$97.8 million (US\$14 million) was spent on a wide range of skills development.

Major Mines

Namibia is a world-class producer of **rough diamonds, uranium oxide**, special **high-grade zinc** and **acid-grade fluorspar**, as well as a producer of **gold bullion, blister copper, lead concentrate, salt and dimension stone**. A number of world-class companies using state-of-the-art mining and processing technologies are members of the Chamber. **Rio Tinto plc** and **Vedanta plc** mining companies, produce uranium oxide at **Rössing** mine and special high-grade zinc at the **Skorpion** mine and refinery. **Paladin Energy's** Langer Heinrich Uranium mine is in full production and expansion of phase 3. Construction of **AREVA's Trekoppje** mine and other upcoming uranium development projects such as **Extract's Husab** project will turn Namibia into a major World producer of uranium oxide.

The world's number one diamond producer, **De Beers**, works with the Government of Namibia through **Namdeb** in a 50:50 joint venture, produces some of the world's finest **gem diamonds**. Namdeb's output increasingly comes from under the sea, thanks to the technical expertise of **De Beers Marine Namibia**. **Lev Leviev** operates a diamond-cutting and polishing factory, **Lev Leviev Diamond Polishing Company (LLD)**, in Namibia.

AngloGold Ashanti produces gold bullion at **Navachab Mine** near Karibib. **Rosh Pinah Zinc Corporation**, with **Exxaro Base Metals Namibia** and **Namibian Investors** as major shareholders, own the **Rosh Pinah** mine, producing zinc and lead concentrates. **Weatherly Mining Namibia** operates the copper mines and **Namibia Custom Smelters**, **wholly owned Dundee Precious Metals** produces blister copper at the Tsumeb smelter, from imported copper concentrates.

Okorusu Fluorspar, owned by European chemicals, pharmaceuticals and plastics giant **Solvay**, is one of the world's largest producers of acid-grade fluorspar.

Highlights for 2010

2010 has seen the world economy continue to recover from the deepest recession since the Great Depression of the 1930s. Commodity prices improved at international markets on the back of growing demand fuelled mainly by China and India. However, the exchange rates remained a challenge throughout the year with the strong N\$/Rand and the negative impact on revenue and profitability.

Namdeb emerged from a traumatic 2009 leaner and fitter producing 1.47 million carats of diamonds including an exceptional 126 carat stone. De Beers Marine Namibia mined 980,000 of the total, significantly above budget thanks to the successful trial of the mv Peace in Africa. Confidence in the future was underlined by the launch of Project 2050 – which aims to take Namdeb to 2050 and beyond – accompanied by announcements that

the company planned to invest some N\$5 billion over the coming years to extend the lives of several onshore mines.

Samicor spent the year developing its Aquarius dredge mining technology as a viable method of mining its licence areas north of Atlantic 1. Thankfully the improved international climate allowed Namibia's local cutting and polishing factories, which had been hard hit during the downturn, to scale up operations once again.

The price of gold reached record highs which was good news for AngloGold Ashanti Navachab mine which produced 2,683 kg of gold bullion, a robust performance compared to 2,014 kg output of 2009. The new owner of the Otjikoto gold deposit Auryx Gold Corporation, made a serious statement of intent by dual listing on the Namibian Stock Exchange (NSX) in February 2011.

The sale of Skorpion zinc mine by Anglo-American to India's Vedanta plc for US\$707 million announced in May 2010 was finalised with the transfer of operations going smoothly. The effective date of transfer was 3 December 2010.

The construction of Africa's most sophisticated cement plant by Schwenk owned Ohorongo Cement reached a successful conclusion and the cement plant was inaugurated by His Excellency Hifikepunye Pohamba on 3 February 2011. The plant will produce 700,000 tonnes of high quality cement for domestic consumption and export to neighbouring countries. Ohorongo Cement owns a 25-year mining licence ML153 and will be fully included in the Chamber of Mines Annual Review from next year. Importantly, Ohorongo signed an agreement with Okorusu Fluorspar for the supply of magnetite. It is encouraging to see such positive linkages within the country's mining industry.

After the traumas of 2008 when copper prices plunged and cast a dark cloud on copper mining in Namibia, Weatherly announced in 2010 its intention to reopen Otjihase and Matchless mines which it had put under care and maintenance at the end of 2008. Copper prices reached record highs on international markets, breaking a US\$10,000 /metric tonne benchmark, suggesting that renewed copper mining in Namibia still holds significant commercial promise.

Copper smelting flourished with the sale of the Weatherly owned Namibia Custom Smelters in Tsumeb to Dundee Precious Metals who have demonstrated their long term investment approach in Namibia. Blister copper production increased albeit from imported copper concentrates.

For Namibia's uranium industry, the year 2010 was again one of significant progress. Prices climbed during the course of the year with the spot price finishing at US\$66.75 per pound. Rössing remained the world's third largest uranium mine despite lower production as a result of poorer ore grades. Production for the year totaled 3,628 tonnes of uranium oxide. By the end of 2010 Langer Heinrich was in the process of completing its Stage 3 expansion which will see production expand to 5.2 million pounds (2,359 tonnes) a year. The combined output of both mines allowed Namibia to retain its

position as the world's fourth largest uranium producing country after Kazakhstan, Canada and Australia. Developments in our uranium industry have not gone unnoticed by the rest of the world and Namibia has enjoyed a stream of potential uranium investors over the past year from a variety of countries including Japan, South Korea, Russia, India and China.

Construction of Trekkopje mine by AREVA continued apace. Production from the midi facility was achieved and building of the final maxi plant is underway. Bannerman submitted its application for a mining licence in December 2009 but has subsequently revised its resource estimate. Work is underway to complete the definitive feasibility study for the Etango deposit in 2011.

Extract Resources meanwhile submitted its application for a mining licence in December 2010 and completed its definitive feasibility study for the Husab uranium project in March 2011. The DFS demonstrates the feasibility of a mine producing 15 million pounds (6,804 tonnes) of uranium oxide per year from two open pits which have a combined length of 5.9km. Husab is likely to be the world's third largest uranium mine when it commences production in 2014. The projected investment is estimated at US\$ 1.67 billion (N\$ 12 billion),