



The Chamber of Mines of Namibia

Mining Industry Review for 2008

By

Otto N. Shikongo

President, Chamber of Mines of Namibia (COM)

At the AGM & Gala Dinner

Windhoek Country Club & Resort. May 15, 2009

Director of Ceremonies.

Hon. Erkki Nghimtina, Minister of our line Ministry, the MME,

Hon. Cabinet Ministers present,

Hon. Bernard Esau, Deputy Minister of Mines & Energy,

Your Excellencies & Ambassadors present,

Mr. Erasmus Shivolo, Mining Commissioner,

Dr. Gabi Schneider, Director of the Geological Survey,

Mr. Mathews Amunghete, the Chief Inspector of Mines,

Other Senior Government Officials present,

Representatives of the mining & exploration industry & all captains of industry

Mr. Ipumbu Shiimi, the Assistant Governor of the Bank of Namibia,

Mr. Andries Eiseb, President of the Mine Workers Union of Namibia (MUN),

Mr. Joseph Hengari, Secretary General of MUN,

Distinguished esteemed invited guests,

Members of the Press,

Ladies & Gentlemen,

It is my honour to present to you the Chamber of Mine Review for the period 2007 to 2008.

SAFETY

I am pleased to announce that 2008 was a year with **no mining fatalities** & generally fewer Lost Time Injuries. We shall strive to improve on this record. The Chamber continued to engage our stakeholders to maintain high safety standards & in this respect, urged our partners in safety, the Mine Workers Union of Namibia, to actively participate on the Chamber Safety Committee.

HIGHLIGHTS

The year 2008 was characterised by a boom & a burst. The mining industry performed well until the fourth quarter when the full impact of the Global Financial Crisis (GFC) started to be felt. Mineral commodity prices tumbled & forced the industry to review operational plans, to conserve cash & survive the downturn. This happened too quickly towards the end of 2008. Nonetheless the industry performed well during the period under review.

Namdeb, the flagship of our mining industry, once again recorded extraordinary performance with over 2 million carats recovered in 2008. However, with the main diamond market of the US suddenly contracting as US consumers hit the brakes on spending; the world diamond market suddenly faced a situation of oversupply. Namdeb & De Beers Marine Namibia were obliged to suspend production & carry out severe cost-cutting & cash conservation measures. Fortunately, although voluntary redundancies were encouraged, Namdeb has succeeded in keeping most of its workforce on paid leave.

The slowdown in diamonds did not only affect diamond mining companies. Namibia's fledgling diamond cutting & polishing industry, which was painstakingly brought to life since the passing of the Diamond Act in 1999, also felt the brunt of

the crisis. All eleven NDTC sight holders were affected as some local sights went unsold & significant job losses occurred.

The Copper mining industry was by far the most affected with prices falling by over 65% from over US\$8 000 to below US\$3 000 per tonne. This resulted in Weatherly placing all its mines under care & maintenance in December 2008 & about 640 workers were retrenched. The smelter continued to operate with imported copper concentrates.

However, despite the dramatic nature of the GFC, it was by no means all doom & gloom for Namibia's mining industry. Gold prices remained relatively firm ending the year above US\$800 per ounce. This helped Navachab gold mine achieve healthy financial results. Fluorspar prices also rose allowing Okorusu Mine to record its first profit in many years.

But the most significant developments took place in Namibia's growing Uranium industry, where increased production at both Rössing & Langer Heinrich combined pushed output of Uranium oxide over 5 000 tonnes, catapulting Namibia into 4th place in the ranking of world producers after Canada, Kazakhstan & Australia. Namibia is set to increase its significant share of the world Uranium production with the granting of 2 mining licences by the MME to Areva & Forsysmetals for their Trekoppje & Valencia prospects respectively.

With the growth of the Uranium industry, Areva embarked on the construction of the 1st desalination plant in Namibia at the coast. The N\$1.5b desalination plant will be commissioned at end of 2009 to supply water to Trekoppje mine & potentially to other coastal mines & towns.

Value addition was boasted with the granting of a mining licence to Ohorongo Cement to mine limestone for the production of cement near Otavi. Construction of the new cement infrastructure, at a cost of N\$2.5b, commenced in 2009.

The year 2008 saw Uranium exploration companies Bannerman & Deep Yellow join Forsysmetals & Xemplar, by dual-listing on the Development Board of the NSX while Paladin Energy, owner of Langer Heinrich Uranium, dual-listed on the main board of the NSX. The COM is pleased to have teamed up with the NSX in

making Chamber membership a prerequisite for local listing of mining & exploration companies. Good progress seems to have been made by at least three Uranium exploration companies: Bannerman, Deep Yellow, & Extract Resources. Exploration by TEAL on the Otjikoto Gold project also appears to have reached a critical stage. We expect to see most of these projects making equally good progress in 2009.

The Chamber welcomes the move towards greater BEE at Rosh Pinah mine & congratulates Exxaro, PE Minerals & Jaguar Investments on **concluding** the deal after so many years of work. It is indeed heartening to see efforts of this nature & I hope it will lead to greater investment & the extension of the life of mine.

INDUSTRY PERFORMANCE FOR 2007 - 2008

Figures produced by the Central Bureau of Statistics demonstrate that 2007 was an exceptional year for Namibia's mining industry.

In 2007, mining generated N\$7.6b in value added & contributed 12.4% to the GDP, the highest since 2002 & accounted for 61% of merchandise exports.

Value added from non-diamond mining at N\$4.0b surpassed diamond mining at N\$3.6b in 2007 for the first time since independence.

According to estimates by the Ministry of Finance, over N\$1.6b was paid as corporate tax & royalties by the mining industry during 2007/8 financial year.

The mining sector spent N\$2.3b in 2007 on fixed investment, contributing 18.3% to Namibia's entire fixed investments of N\$12.7b, surpassing any other sector of the economy with the exception of Government. We suspect that a good deal of exploration expenditure has not been included in **this** figure although exploration companies spent significant sums of money on their activities during the period under review.

The industry invested a total of N\$71m in skills development during 2008. This is equivalent to 4.7% of the industry total wage & salary bill. This far exceeded the

1% training levy to be imposed under the new **Vocational Education & Training Act** of 2008 (Act No. 1 of 2008). The industry awarded a total of 92 bursaries in 2008. This is a clear sign of commitment by the mining industry to skills development.

A total of N\$1.5b was paid in wages & salaries during 2008, representing an increase of 15% over the 2007 figure of N\$1.3b. The mining industry provided permanent employment of 7 656, a slight decrease from 7 901 in 2007.

With the cessation of Copper mining in December 2008, as well as the slow down in the diamond industry, there will be a temporary reduction of employment in the mining industry. However, the less affected Uranium mining industry is expected to absorb a significant amount of the workforce & thereby alleviate the social-economic impact of job losses.

CHALLENGES, OPPORTUNITIES & WAY FORWARD

The current GFC presents challenges as well as opportunities for the mining industry.

While availability of skills was a major challenge this time last year, the pressure has eased mainly for artisans, a situation that presents opportunities for new mines. While no one can predict when the GFC may come to an end, what is certain is that **this will come to pass** & the mining industry shall rebound & continue on the path of growth, with the support of government providing a conducive investment climate & above all, peace & stability in Namibia.

This is therefore a window of opportunity to continue with investments in skills development. To this end, the mining industry contributed a total of N\$5.5m through the COM for the establishment of the NIMT Southern Campus in Keetmanshoop. The Campus was officially inaugurated by His Excellency President Pohamba on the 20th of March 2009.

In line with lower demand, mines have accordingly revised production targets. This will have a negative effect on profitability, government revenue & the

economy in general. However, pressure on power should be less & NamPower should utilize this window of opportunity to catch up with generation & transmission infrastructure projects.

The COM promotes healthy labour relations & industrial peace in the mining industry & has enjoyed close working relationship with MUN as one of our key stakeholders. In the current economic environment, we need to work even closer & ensure that jobs are saved & the industry weathers the storm. In this respect, I wish to thank the Hon. Minister of Mines for convening the recent tripartite meeting to consolidate our proposals on how Government can support the industry to pull through & save jobs.

CHAMBER INITIATIVES TO PROTECT THE IMAGE OF THE INDUSTRY

In the last three years, the COM took specific steps aimed at safeguarding the image of the industry & Namibia as a whole. Work on initiatives that were embarked upon has now been concluded. In this respect, I am pleased to announce that the COM Council today signed off the new **Namibian Mine Closure Framework**. This framework addresses issues of mine closure, rehabilitation, funding mechanisms for rehabilitation & social issues with communities after a mine has closed.

The second effort was the development of minimum standards for health & safety and the environmental management for Uranium exploration & mining activities. It was for this purpose that the Chamber established the Uranium Stewardship Committee, opened an office in Swakopmund & employed Dr. Wotan Swiegers to spearhead the process. I am equally pleased to announce that these standards were approved by Council today.

Chamber members are now obliged to abide by these new rules of the game in accordance with the Chamber **Code of Conduct & Ethics**. These documents will soon be made available on our Chamber website & will be formally submitted to Government through our line ministry. They will serve as input into future legislations & regulations in the respective fields.

IN CONCLUSION: I have been in this seat for the last 2 years and as per Chamber constitution, my tenure of office has come to an end. It has been a challenging but a fulfilling role to lead an important **industry association** such as the COM of Namibia. I thank all the COM members, Hon minister Erkki Nghimtina & Mr. Andries Eiseb, for their support & cooper over the last 2 years. Without your support, my task would have been much more difficult if not impossible.

I have handed the seat to the new President, Mr. Mike Leech, the MD of Rio Tinto Rössing Uranium limited. Together with Veston Malango as General Manager **who is so dedicated & passionate** & with the support all our stakeholders, I am confident that the Chamber shall continue to grow from strength to strength.

I thank you.

It is now my pleasure to introduce the new Chamber President, Mr. Mike Leech: Mike is Namibian citizen; **He** has a Diploma in Business Studies & a Fellow of Chartered Institute of Secretaries & Administrators. Mike has been employed by Rössing Uranium Limited since 1982. He has been in various accounting & business related positions in Rössing.

In October 1994, Mike was transferred by Rio Tinto to Anglesey Aluminium Metal Ltd in the UK as a Commercial Director. Three years later, in 1997, he returned to Rössing, this time as a Financial Director & shortly thereafter became GM.

In September 2004, Mike was promoted to his current position of MD of Rössing. Mike has been associated with the COM for a significant time now & is well acquainted with the Namibian Mining industry. I have the confidence & trust that Mike, given his competency & experience, will provide the necessary leadership to the COM.

Ladies & gentlemen; please join me & assist me in welcoming Mike Leech to the podium.