



Mining Industry Review for 2018

By

Zebra Kasete

President, Chamber of Mines of Namibia

At the AGM

7 May, 2019. Windhoek Country Club.

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

It is with great pleasure to welcome you all to the 40th Annual General Meeting of the Chamber of Mines. It is also with immense pride that I would like to commemorate the year 2019 as the Chamber of Mine's 50th year in existence. During this time, the organisation has celebrated many successes and milestones through its dedicated service to the mining industry and tenacity in upholding the industry's credible status, while ever striving to maintain a legislative and policy framework that fosters growth in the mining sector.

I wish to extend a special welcome to our Guest of Honour, Honourable Tom Alweendo for availing time specially to address the industry on this annual occasion. Your presence is highly appreciated and is a clear testimony of your support to our industry.

It is now my honour to present the President's Report for the year 2018.

1. Safety

The industry laments to report yet another fatality suffered in 2018. Safety is the top priority for all Chamber members and it is with great regret that a fatality occurred at the Husab Uranium mine on 29 October, 2018. Mr. Manfred Gauseb was fatally injured in a haul track accident. Mr Gauseb was employed as a Haul Truck Operator in the Mining department. The accident occurred at the start of the afternoon shift, when Haul Truck 5, which was travelling down the main ramp into Zone 2 Stage 1 mining area, crashed against the high wall. We mourn the loss of life and send heartfelt condolences to the affected families but reaffirm our commitment to zero harm with the Motto: "one injury is one too many and one fatality is one too many".

Despite this fatality, the overall safety performance indicators improved for the Chamber of Mines members. The industry recorded a decrease year-on-year in the Lost Day Injury Frequency Rate (LDFIR) from 1.31 in 2017 to 1.14 in 2018, while the Disabling Injury Frequency Rate (DIFR) improved from 2.32 in 2017 to 1.57 in 2018. The sector also recorded a decrease year-on-year in the total Lost Day Injuries and Disabling injuries from 48 in 2018 to 42 in 2017, and from 85 in 2017 to 58 in 2018 respectively.

The overall improvements are evident of collective industry efforts, through the dedicated and very important work of the Chamber of Mines Safety Committee and its peer review mechanism. This arm of the Chamber ensures that members share information and adopt industry best practice and strive towards a fatality free and safe working environment for all employees.

2. Global Commodity Markets and the World Economy

At the beginning of 2018, the prices for base metals and battery minerals continued with their upward trends, with some battery minerals outperforming historical benchmark prices. The run-in mineral commodities was largely driven by a rebound in global growth and in particular, in the US economy. The rally in the market for battery minerals was a result of a perceived supply deficit, on the back of rising demand spurred by decisions in the Advanced Economies to adopt policies that prioritise minimising environmental impacts and carbon emissions. As a result, these countries have incentivised development in clean energy technologies and in the production of electric vehicles which make use of battery minerals.

Despite the heightened optimism fuelled by growing global growth, geo-political tensions that sparked half way through 2018 involving the implementation of tariffs on critical imports from China to the USA, had a negative impact on most mineral commodity prices. Subsequently, China retaliated in a likewise manner imposing their own tariffs on US imports. The intensifying trade wars between the powerhouses have slowed global trade which is expected to drop even further as manufacturers in both countries reduce their output in response to the tariffs. This negatively affected the demand for mineral commodities, which resulted in declining prices for base metals and battery minerals in the second half of 2018.

According to the latest IMF economic outlook, global growth is anticipated to record **3.7% in 2018**, primarily driven by growth in the USA, which is forecasted to grow at **2.9%** and improving growth rates of some advanced economies. Intensifying trade tensions have cast great uncertainty on the outlook for global growth and forecasts for 2019 and 2020 have thus been revised downwards. In addition to these downside risks, China's growth slowed to 6.6%, the lowest level recorded in 28 years, further raising concerns of a global slowdown. An uncertain outcome for Brexit has also contributed to downward revisions.

China consumes over 50% of the world's mineral commodities, and a cooling economy could have negative implications for the demand of base metals and battery minerals in 2019. In the case of battery minerals, for which China also accounts over 50% of the global market, the removal of consumer-targeted subsidies has contributed to falling prices and in particular, for lithium carbonate. Another factor contributing to the declining prices of lithium and cobalt in 2018 was an increase in supply, as mines in other parts of the globe ramped up production for both minerals.

Similarly, the price of gold also began to falter half way through the year, falling by 6% in 2018. The declining gold price was a result of an appreciating US dollar and the Federal Reserve rate that was increased by 2.25 basis points in 2018, rendering gold a less attractive asset to invest in.

On the other hand, there was some improvement in the uranium market, which remained depressed in the first half of the year and subsequently increased by approximately 30% in the second half of 2018. The market dynamics driving this increase were supply reductions from the indefinite suspension of operations at Cameco's Mc Arthur River mine in Canada, a 20% drop in uranium output from Kazakhstan and reductions from other uranium producing countries as well as secondary purchases on the market. Although current prices still do not support the re-opening and development of new mines, the outlook for the uranium price remains positive. The fundamentals pointing to a continued increase in the uranium price is a forecasted deficit in the market, increasing demand from Asia and the Middle East and a slow shift in Government policies around the world that are recognising uranium as a sustainable and clean source of energy.

3. Local Economic Developments

According to figures released in the Preliminary National Accounts, the local economy recorded a contraction for a second consecutive year with a negative growth rate of 0.1% in 2018. While prolonged periods of negative growth rates have not yet resulted in countrywide bailouts and defaults, unemployment levels across all sectors have risen significantly. Initial contractions in the primary, secondary and tertiary sectors placed increasing pressure on household demand and consumption, feeding through into further contractions of the tertiary sectors, particularly wholesale and retail, which is one of the largest lines in the national accounts.

Given the high levels of Government debt, the fiscal space is limited to rejuvenate growth and with local consumption levels waning, the only pillar left to lift the Namibian economy out of its negative growth cycle would be through private sector and foreign investment. However, business and investor confidence levels in the country are at all-time lows. The already low sentiment is deteriorating further due to uncertainty in the implementation of the proposed empowerment legislation and policy, promulgation of the amendments to Namibia Investment Promotion Act, the unresolved proposed changes to the income tax act along with the tedious red tape and bureaucracy involved in setting up new businesses in Namibia.

4. Mining industry Contribution/performance

The mining industry was one of the few sectors to record a positive growth rate in 2018 and was the best performing sector. According to the Namibia Statistics Agency, the sector grew by 22% in 2018 in comparison to a growth rate of 13.3% in 2017. Mining contributed 14% to GDP in 2018, compared to 11.9% GDP contribution in 2017. The strong performance was a result of production increases in uranium and diamonds which grew by 64.8% and 13.7% respectively. Increases in uranium output were propelled by the ramping up of operations at Husab mine, and increased production from Rössing despite a stagnant uranium market and low prices for the first half of the year. Diamond production was driven by improved output from the Namdeb and Debmarine Namibia operations.

A positive growth rate, however, did not mean plain sailing for the whole sector in 2018. Unfortunately, the industry suffered 822 retrenchments as a result of volatile mineral commodity markets in the second half of the year, and a stagnantly low uranium price in the last nine years. The Chamber of Mines regrets the loss of jobs in the industry. However, this is in conjunction with the understanding that successes and failures of mining operations are determined by mineral commodity price cycles which are a result of market forces beyond our control. Thus, downsizing and retrenchments are a last port of call in mineral commodity price downturns. Through the Chamber of Mines, member operations shared details of the affected employees for possible redeployment to other operations and thereby mitigating the impact of retrenchments.

Furthermore, the re-opening of some old mines and the development of another new cement plant with limestone mining operations created 710 new jobs, resulting in net job losses of 112.

The industry directly employed 16,221 individuals in 2018, compared to direct employment of 16,973 individuals in 2017. In 2018, direct employment consisted of 9,042 permanent employees, 498 temporary employees and 6,681 contractors. Using a mining multiplier of seven, the mining industry created 113,547 jobs.

The largest portion of this indirect job creation is through the local supply chains in the mining industry. In 2018, the mining industry generated N\$33.545 billion in revenue, through the sale of mineral products, of which 40% was spent on goods and services from local suppliers. It is through this linkage where the mining industry has the greatest impact on local economic development, primarily in job and wealth creation.

The mining industry also makes a sizeable contribution to the Namibian fiscus, which on average generates around 7% of Government income. In 2018, the sector paid N\$1.707 billion in corporate taxes, N\$2.063 billion in royalties and N\$214.5 million in export levies.

Fixed investment by the industry declined from by 26%, from N\$5.611 billion in 2011 to N\$4.14 billion in 2018. This decline in recent years is off a very high base in the period from 2013 to 2016, which saw the simultaneous development of three new major mines. Currently, there are no new projects of the same magnitude in development, however, investments are being made into the re-opening of old mines.

Exploration expenditure recorded a modest increase of 2%, from N\$562.1 million in 2017 to N\$573.3 million in 2018. The bulk of this exploration was by mining companies to expand on existing resources, while exploration expenditure by exploration and development companies declined from N\$303.8 in 2017 million to N\$205.6 million in 2018.

5. Highlights of Mining in Namibia

A persistently depressed uranium market continued to jeopardise operations at the Langer Heinrich mine, eventually resulting in Paladin's decision to place the mine on care and maintenance in May 2018. Subsequently, 600 employees were retrenched. However, a concept study conducted towards the end of 2018 examined a possible early restart of Langer Heinrich and delivered positive results indicating multiple options to lower costs and sustain cost competitiveness. The results have prompted Paladin to initiate Prefeasibility studies, focusing on optimisation areas and will also examine Langer Heinrich's capacity to produce vanadium as a saleable co-product and thereby increase the project's long term value. This will position the mine for possible early re-start should there be a substantial improvement in the uranium price.

Falling lithium prices in the second half of 2018 negatively affected the profitability at the Desert Lion operations. Consequently, Desert Lion suspended operations at the old Rubikon and Helikon mines just outside Karibib. The company was producing lithium concentrate from stock piled ore for shipment to China through an off-take agreement with the respective buyer. Subsequently, the company is in the process of raising capital to further develop the mine with an added concentrator on site, while a Preliminary Economic Assessment of the project was completed which reported positive project economics.

The African Tantalum operation was also producing tantalum pentoxide near Warmbad, with five shipments up until July 2018. Unfortunately, water shortages at the African Tantalum mine resulted in the operation significantly reducing production and retrenchments of 94 employees. The company has embarked on an extensive drilling campaign to determine a conclusive resource definition and develop a long-term mine plan.

In November 2018, the Imerys Gecko Joint Venture (JV) suspended production at their Okanjande Graphite mine and placed the operation on care and maintenance, retrenching 128 employees. Low prices for natural graphite did not warrant continuation of operations, from which the mine was producing high quality natural graphite. Transportation of ore to the Okorusu processing plant, some 88 kilometres away, was also a major contributor to high operational costs.

Despite wide spread job losses in the mining sector, the redevelopment of two old mines and the construction of a cement plant has helped to re-absorb some of the negatively affected employees. The re-opening of the Namib Lead and Zinc mine, at an investment of US\$21.4 million, made significant progress in 2018, with first production expected in the second quarter of 2019. Upon completion, the mine will create 150 new jobs in the mining sector. The old Uis Tin mine is being redeveloped by AfriTin Mining, for which a phase one processing plant has been constructed.

The new cement plant owned by Whale Rock Cement was completed in 2018 and has commenced with the mining of limestone and cement production. The operation will create 450 new permanent jobs in the industry.

Lastly, Rio Tinto entered an agreement to sell its 69% shareholding of the Rössing uranium mine to the China National Uranium Corporation in November 2018. The transaction is pending final processes /authorizations and is expected to be completed in the first half of this year. While this transaction has received wide-spread criticism in the local media, the sale will underpin continuation of operations at the Rössing mine, especially in a low uranium price environment.

6. The year in perspective

New Equitable Economic Empowerment Framework (NEEEF)

While the Government has provided assurance to produce legislation that reflects submissions and inputs by industry, there is still uncertainty regarding when NEEEF/B will be finalised and implemented. Following Government's intention and announcement to finalise the Bill in 2018, the outcome of this Policy/legislation is still pending. Despite this uncertainty, the Chamber of Mines wishes to allay industry concerns that the contents of this legislation will be aligned to industry charters, which will include targets that are achievable for each sector. Government has also reiterated its commitment and intention to continuously engage and work with industry Associations to produce a policy and legislation that is amicable and workable, one that will induce growth rather than stifle economic productivity.

Namibia Investment Promotion Act, 2016 (NIPA).

Much like NEEEF, The Namibia Investment Promotion Act (NIPA) is pending finalisation and implementation. However, the Chamber is pleased that Government has accepted amendment proposals by the private sector players, including the Chamber of Mines. The revised legislation, once promulgated by Parliament, will encourage investment into Namibia rather than creating a barrier for investment.

Income Tax Amendment Bill 2018

In September 2018, the Ministry of Finance proposed changes to the Income Tax Act, in the draft Income Tax Amendment Bill for consideration and consultation with industry stakeholders. The unintended consequences of certain amendments will make most mines unprofitable, meaning they will most likely scale down production and may end up in care and maintenance with inevitable job losses, while stalling any new investment into the mining sector.

This is particularly concerning given that many major mining operations are due to reach their life of mines in the next two to ten years and certain clauses in the Bill will unquestionably reduce the value of new projects and eliminate any planned reinvestment by existing mines. Ultimately, this would undermine broad-based growth in Namibia, bringing the mining sector to a standstill. As mining is one of the biggest sectors in Namibia's economy, other sectors of the economy would shrink, particularly in the local mining supply chain resulting in a second round of job losses and economic contractions.

In the 2019/2020 Budget speech, delivered on 27 March 2019, the Minister of Finance has disallowed the deductibility of royalties for non-diamond mining companies, which also includes other sectors paying royalties on intellectual property. While the diamond industry is excluded from this clause, the negative long-term impacts on non-diamond mining operations, as highlighted above, will far outweigh the immediate revenue gains for Government. In addition, the Minister also increased the Export Levy for dimension stone from 2% to 15% which aims to induce local value addition to this mineral. This will result in a hefty revenue-based tax for dimension stone operations of 20%, with the inclusion of the current applicable royalty of 5%.

The above income tax proposals will be implemented in 2020 once they have been drafted and tabled. The Chamber will thus continue to engage the Ministry of Finance on the unintended negative consequences of these proposals and seek an amicable resolution.

Additional Conditions to Licences

On 18 October, 2018 through a letter addressed to the Chamber of Mines, Hon. Tom Alweendo formally communicated that Additional Conditions are no longer applicable for exploration licences and thereby exploration companies. Additional Conditions were one of the main barriers to investments in exploration, as cited in the 2016 and 2017 Reports of Fraser Institute Survey of Mining Companies, in that they posed practical challenges for their implementation. After three years of direct and intense consultation with the Ministry of Mines and Energy on this issue, the Chamber of Mines is most relieved and excited with this action under the current administration. The encouraging and positive development should bring about increased investment into new and pending exploration projects.

Investment Attractiveness

In the annual Fraser Institute Survey of Mining Companies, it is no longer accurate to compare the overall rankings of a country, as the number of participating jurisdictions has persistently declined since 2014. Rather, it is more useful to focus on the absolute scores. In the 2018 report, Namibia's overall Investment Attractiveness (IAI) index fell from 60.78 in 2017 to 56.66 in 2018. The decline in IAI was due to a significant drop in Namibia's Best Practices Mineral Potential Index which fell from 53.7 in 2017 to 40.63 in 2018. While there were no direct explanations for the drop in Namibia's Mineral Potential, perceptions on Mineral Potential of a country are inclined to deteriorate if the Mineral Potential in neighbouring or regional jurisdictions is perceived as better.

Despite some uncertainty on key policies and legislation such as NEEEF, NIPA and the Income Tax Amendment Bill, Namibia's Policy Perception Index for mining improved from 71.11 in 2017 to 80.71 in 2018. Namibia scored second highest in Africa on the Policy Perception Index, after Botswana. Although there was no direct reference in the report, this improvement is a likely outcome of the key decision to remove Additional Conditions to licences for exploration companies.

Minerals Policy Review

The Chamber actively participated in the Minerals Policy review, but observed with concern the slow pace of this process. While promised technical assistance from the African Union Commission has not yet materialized, it would be imperative for the Ministry of Mines and Energy to seek and engage a technical assistant with its own resources so as to expedite the process. MME should not be held hostage to outside assistance whose timing is open ended.

Joint Value Addition Committee (JVAC)

The Joint Value Addition Committee (JVAC), with Chamber support, has by and large fulfilled its mandate as per NDP4. Two separate studies were successfully undertaken in two phases and have identified opportunities, challenges and "low hanging fruits" in the mineral value chain. The two reports are available on the MME website. This project has been carried on in the NDP5 to enable the successful conclusion of a Minerals Beneficiation Strategy as the final deliverable. The Chamber is pleased to note that MME has made progress with resource allocation and appointment of consultants to draft the Minerals Beneficiation Strategy based on the work done so far during the NDP4. The Chamber remains supportive of this process.

Moratorium on Marine Phosphate Mining

Through the Chamber of Mines Exploration Committee, a Chamber Marine Phosphate sub-committee was established on the matter of marine phosphate mining. It is of most concern that a way forward on marine phosphate mining has not been concluded, and the mandate of the sub-committee is to provide Government with relevant information and thereby expedite the process of formulating a workable strategy to progress marine phosphate mining in Namibia, one that supports a healthy co-existence with the environment and other sectors of the economy.

Engagements on amendments to the Environmental Management Act

The Chamber actively supported the Ministry of Environment and Tourism (MET) in the amendments to the Environmental Management Act of 2007 and accompanying Regulations on Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA). The process is driven by the Chamber Exploration and Environmental Committees.

While the consultative approach has been most welcome by the industry, there were no further meetings that took place, or updates provided regarding this matter. The Chamber remains concerned with the slow progress in expediting the amendments, particularly that the establishment of a mandatory Environmental Trust Fund or Bonds hinge on the finalisation of amendments to this Act and its Regulations. The Chamber will continue to provide proposals and other input to MET via the Hon. Minister of Mines and Energy.

Regional and continental cooperation in the implementation of the African Mining Vision

The Chamber has been cooperating with other Chambers of Mines in the SADC region in the last 20 years under the umbrella of the Mining Industry Association of Southern Africa (MIASA). This private sector cooperation has been elevated to a continental level, following the establishment of the Association of Chambers of Mines and other Mining Associations in Africa (ACMMAA) in Windhoek, in October 2017.

ACMMAA was formally launched at the General Assembly in Kampala in October, 2018 where the Constitution was adopted and office bearers appointed. ACMMAA is the continental private sector advocacy body and consists of the Chambers of Mines and other mining associations in Africa. The primary focus is the implementation of the African Mining Vision in collaboration with the African Union. In this process, ACMMAA aims to positively influence policy at the continental level and thereby promote the sustainable growth of the extractive industry. ACMMAA will be accorded Observer Status at AU platforms and meetings where continental positions will be advanced. The Chamber of Mines of Namibia has been instrumental in the establishment of this continental body and we are proud to note that our Chamber is considered as a role model in Africa by the AU and other Chambers of Mines in Africa. The Chamber of Mines of Namibia continues to provide leadership in ACMMAA.

Water Security

In February 2018, mines in the South of Namibia suffered production bottlenecks owing to NamWater's inability to provide water, regardless of timeous settlement of bills by the industry. Similarly, uranium mines at the coast also suffered water shortages, despite the existence of ample water supply from Orano's desalination plant. Affected mines suffered production losses whose negative impacts permeated to the national economy. As water is not only crucial for the operation of any mine, the Chamber of Mines is concerned by some of the water supply disruptions caused by the national water utility, NamWater. The Chamber and affected members continued to engage NamWater to find long-term solutions to these challenges.

Environmental and Social Committee update

In 2016, Council of the Chamber of Mines approved the establishment of an Environmental Subcommittee providing a platform for environmental practitioners to engage on such issues at an industry level. The Committee, later renamed the Environmental and Social Committee is guided by a set of strategic guidelines which were crafted in 2017 and adopted as part of the 2017 - 2020 Strategy of the Chamber of Mines. One of the strategic actions that the committee began work on in 2018 is the compilation of an Environmental Best Practice guide, which endeavours to assist and inform practitioners on key environmental management issues and risk mitigation strategies. The Best Practices guide is envisioned for completion in 2019 and will be launched at the Mining Expo and Conference.

Collective Industry Efforts in Support of National Socio-economic Development

In 2017, the Council of the Chamber of Mines of Namibia approved the concept of investing in offsets in non-mining regions of Namibia. This is in line with strategic objectives to broaden the industry's contribution to social and economic development in regions of the country where there are no mining operations. To achieve this, it was proposed that Chamber members collectively contribute to projects that deliver long-term socio-economic benefits in non-mining areas. In this regard, two projects were identified; the first involving the electrification of the Lubuta and Sachina villages in the Mashi conservancy in the Zambezi Region and the second, providing support to the Shackdwellers Foundation for provision of affordable serviced land to the poor in Oshakati. This initiative is administered in partnership with the Namibia Chamber of Environment (NCE), and Chamber of Mines members have collectively contributed a total of N\$1,325,939 to these two initial projects, which are expected to be completed in the course of 2019.

Gender Diversity and Inclusion

In line with industry efforts to strengthen gender diversity in mining and encourage representation at the management level, the Chamber of Mines has actively mainstreamed such initiatives within its governance structure. At Council level, a decision was taken to develop management capacity and broaden representation by appointment of females as Alternate Council members, which is in accordance with the Chamber Constitution and the Chamber Strategic Plan. I am pleased to report that the face of Council is gradually changing with the appointment of several female managers as Alternate Council members.

Industry awareness

Stakeholder engagement continued at all levels through various mediums. The Chamber continued with direct engagement of policy makers that included constant updates and one-on-one presentations on industry developments and Chamber positions in policy areas. In 2018, access to information on matters affecting the industry and developments was broadened through the Chamber's increased online presence on social media platforms and its website. This has proven to be an effective medium to increase the Chamber's visibility and ensure that broader audiences are continuously updated and informed on Namibia's mining industry.

Mining Expo & Conference

The Chamber of mines successfully hosted its 7th Mining Expo & Conference on the 25th and 26th April 2018, at the Windhoek Show Grounds. The 2018 event attracted 94 exhibitors and 2,478 visitors compared to 73 exhibitors and 735 visitors in 2017. The increase in exhibitors reflected improved investor sentiment towards Namibia during a period of improving commodity markets with an exception of uranium prices. Moreover, the increase in exhibitors and visitors was also a direct result of a successful marketing strategy, which boosted the event through various online and social media platforms, radio, print and visual media.

Through the exhibitors' survey, 94% of exhibitors expressed their intention to participate in the 2019 event, while service providers reported they had concluded sales and deals.

The 2019 Mining Expo and Conference is scheduled to take place on 8th and 9th of May 2019, at the Windhoek Show Grounds. The cornerstone of this year's theme is the Chamber of Mine's 50th Anniversary.

7. Highlights from operations

Diamonds

Overall, the diamond sub-sector continued to grow in 2018, posting a production increase of 11% from 1,804,000 carats in 2017 to 2,007,847 carats in 2018.

Output from Debmarine's offshore operations constituted the bulk of diamond output, and outperformed production guidelines and budgets. Namdeb's production improved significantly in 2018 owing to the successful ramping-up of Southern Coastal operations to five mine faces. Additionally, the production from the Orange River mines achieved carat production targets.

Uranium

Rössing uranium mine continued to boost production, which increased by 17% from 2,110 tonnes of yellow cake in 2017 to 2,478 tonnes produced in 2018, despite an underperformance on milling and production guidance.

Output from the Langer Heinrich Uranium decreased by 70% in 2018, from 1,526 in 2017 to 456 tonnes of uranium oxide in 2018. The significant drop ensued a suspension of operations, when the mine was placed on care and maintenance half way through the year.

Production from Swakop Uranium's Husab mine increased from 1,345 tonnes in 2017 to 3,571 tonnes in 2018, as construction activities and commissioning of the processing plant were completed.

Zinc

Refinery production from the Skorpion Zinc mine decreased from 84,215 tonnes in 2017 to 65,993 tonnes in 2018 due to planned pre-stripping activities.

Despite production falling short of targets, zinc concentrate from the Rosh Pinah Zinc mine increased from 97,364 tonnes in 2017 to 107,568 tonnes in 2018.

Lead

Lead concentrate production from the Rosh Pinah Zinc mine increased from 13,915 tonnes in 2017 to 14,068 tonnes in 2018.

Gold

B2Gold's Otjikoto gold mine produced 4,744 kilograms of gold bullion in 2018, a 13% decrease from 5,429 kilograms in 2017. The mine's output was above the midpoint of its production guidance range, however, planned production was lower due to negligible amount of Wolfshag ore mined in 2018.

Navachab posted a significant reduction in output of 23%, from 1,843 kilograms of gold bullion in 2017 to 1,427 kilograms in 2018. Operations were largely constrained due to cash flow shortages and high operational costs, which resulted in the suspension of waste stripping on the main ore body.

Copper

The Tschudi copper mine produced 15,177 tonnes in 2018 compared to 15,466 tonnes of copper cathode in 2017.

Graphite

In 2018, the Okanjande mine produced Namibia's 3,456 tonnes of graphite flakes, an increase of 56% from 2,216 tonnes produced in 2017.

Salt

Salt & Chemicals produced 1.015 million tonnes of raw salt in 2018 compared to 735,205 tonnes in 2017. The notable increase in output was a result of harvesting from the new ponds, which were introduced as part of the expansion project.

The Salt Company produced 124,520 tonnes of coarse salt in 2018 in line with production targets.

8. Conclusions

2018 was a challenging year for Namibia's mining industry. The industry suffered one fatality but made noticeable improvements in the safety stats. Depressed uranium prices and volatility in other mineral commodities markets led to decisions to place some mines on care and maintenance, resulting in inevitable job losses. However, the reopening of some old mines created the much-needed jobs and mitigated the impact of retrenchments.

I am pleased to note that as alluded above, the mining industry was the best performing sector in the Namibian economy during 2018 and largely contributed in supporting the ailing national economy. In addition, mining attained a healthy GDP contribution in 2018, at a level seen only for the third time since independence. The sector is certainly punching above its weight compared to other primary sectors.

Mining has the potential to contribute more to the socio-economic development of Namibia if Government can address all policy and regulatory uncertainties facing the industry. While most of the outstanding policy uncertainties have been addressed, the elephant in the room remains the **non-deductibility** of royalties in assessing income tax for non-diamond mining companies. This will strangle growth of existing mines and prevent new investments into exploration and new mining projects. An improved investment climate is critical to attracting investments into exploration that may lead to discovery of mineral deposits and eventually, opening of new mines. More new mines and reinvestments by existing mines would result in job creation and widening of the tax base for the fiscus.

I wish to take this opportunity to thank all Chamber members, the EXCO team, my colleagues at the Council and the CEO and his team for their continued support during the last one year under my leadership. As we commemorate the 50th Anniversary of the Chamber of Mines during 2019, I wish to reiterate our dedicated commitment to continue serving the industry with vigour, to greater heights. I am optimistic that through the strong relationships we have built over the years with Government and our line Ministry, we shall overcome the current policy and legislative challenges and grow the national cake for the prosperity of Namibia.



Zebra Kasete
Chamber President
7 May, 2019