The Chamber of Mines of Namibia

Mining Industry Review for 2017
By
Johan Coetzee
President, Chamber of Mines of Namibia
At the AGM
24 April, 2018. Safari Hotel.

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

It gives me great pleasure to welcome you all to the 39th Annual General Meeting of the Chamber of Mines. I wish to extend special welcome to our Guest of Honour, Honourable Tom Alweendo, the new Minister of Mines and Energy. This is the first AGM at which the Minister is officiating and once again demonstrating a new beginning after the unprecedented and memorable visit to the Chamber offices on 21 March, 2018. I wish to inform you, Hon. Minister, that your visit to the Chamber barely two weeks after your appointment sent a very positive message to the mining industry locally and internationally. I anticipate that this action will contribute positively towards changing the investor confidence as may be expressed in the Fraser survey for 2018. 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 2017.

Safety

Unfortunately, the mining industry suffered two fatalities in the period under review, the first at one of our Chamber members and the second one at a non–Chamber member. Mr Stepahanus Moore, a contractor at the Skorpion Zinc mine sustained severe head injuries on 19 August, 2017 after he was struck on his forehead by a metal object. He was immediately sent to the Sidadi Clinic in Rosh Pinah and after his condition was stabilised, he was initially transferred to the Panorama Medi-clinic in Cape Town for specialist treatment before he was sent to Malmesburry Hospital. Although he had been stabilised, his condition was critical and regressed after a few weeks. On 25 September, 2017, Mr. Moore succumbed to head injuries.

On 02 November 2017, Mr Erastus Mwatukange, a mine employee of Best Cheer Investments (Pty) Ltd was fatally run over by a Front-End Loader while on duty at Quarry 401C near Karibib. Best Cheer Investments (Pty) is a non-Chamber member.

We express our heartfelt condolences to the families and friends of the deceased employees. The Chamber continues to learn from these experiences to ensure that similar accidents will be avoided in the future.

Despite these tragic events, the mining industry continues to strive towards the objective of “zero harm” through a self-governing system which is pioneered through Safety Peer Review missions by the Chamber Safety Committee.

The industry recorded a slight increase in the number of Lost Day Injuries, from 47 in 2016 to 48 in 2017. However, the sector has managed to reduce this number substantially since 2013, during which 88 Lost Day Injuries were recorded. Unfortunately, the number of disabling injuries rose by a significant increment, from 78 in 2016 to 85 in 2017.

We are grateful for the full support we receive from the Chief Inspector of Mines and his team. We remain optimistic that this cooperation will continue to bear fruit, as has happened in previous years when the industry has attained zero fatalities and lower safety statistics.

World Economy

According to the IMF, the global economy continued to strengthen in 2017 and estimates show that combined output accelerated to 3.7%, with 120 economies posting year-on-year expansion, the biggest synchronised growth since 2010. Advanced and emerging market economies also outperformed forecasts for the year in review. The U.S. economy grew by 2.3%, a significant improvement from 1.5% recorded in 2016. Strong private consumption, tightening labour conditions and improving inventories were cited as the main drivers of recovery. Economic expansion is expected to continue through to 2020 due to the tax policy reforms that will reduce taxes on corporates and individuals. Similarly, quarterly growth rates from the EU in 2017 also outperformed most forecasts, spurred by steady increases in private consumption, declining unemployment, improving public finances and stronger global growth. Renewed confidence and growth in these economies, however, remain threatened by protectionist and inward looking policies along with the finalisation of Brexit negotiations.

Emerging market economies followed suit with consistent growth recorded in India, and subtle recoveries in Russia and Brazil. Growth for the world’s second largest economy, China, stood at a steady 6.9%. Despite stable growth, risks to China’s economic stabilisation remain. The Chinese government has shifted efforts from maintaining growth levels through a period of structural adjustment to staving off a looming financial crisis, a prominent risk arising from soaring debt that has accumulated over the last three years.

In an improving global climate, prices for most commodities faired favourably in 2017 following the steady upswing in 2016. Gold prices in 2017 increased by 5% due to a weakening dollar and improved jewellery demand from India. The prices for zinc, lead and copper rose by 7%, 4% and 7% respectively in 2017. Although China’s transition from an export led economy to one driven by internal consumption and services, the Asian Power House accounted for more than 50% of global metal consumption. China is partially responsible for supply deficits, most notably in refined zinc, by enforcing stringent environmental compliance requirements and prohibiting operations of inefficient and illegal producers, increasing their zinc imports. Supply deficits have persisted for all three commodities due to mine closures across the globe in the past three years.

Environmentally conscious policies in many advanced and emerging economies, involving cleaner energy sources, along with the rise of electric vehicles are also contributing to increasing demand for base metals. Solutions for renewable energy storage driven by battery technologies have also spiked the demand for cobalt, rare earth minerals, lithium and graphite leading to an upsurge in exploration appetites and related investments for these minerals.

Market observers had hoped the announcement from Kazakhstan, the world's top uranium producer, to cut uranium production by 10%, along with Cameco's decision to close one of its major uranium producing mines in Canada, would spark the much-anticipated increase of the uranium price. However, prices in 2017 continued to hover around US$20/lb, with uranium miners across the globe feeling the pinch, not to mention our local producers.

Despite weak regional growth, Namibia's neighbours have seen renewed investor confidence spurred by positive political developments. In Angola, newly elected President, Joao Lourenco has committed to dismantling a 38-year-old empire built by the previous president, which is riddled with paternalism and corruption allegations. In South Africa, Cyril Ramaphosa's appointment as ANC's new President and his recent succession as the country's new President, following Zacob Zuma's resignation, has instilled a fresh sense of hope and optimism in the ailing economy. The initial outcome saw the rand appreciate to R11.5 per US dollar.

Local Economic Developments and Performance

The year in review proved to be less optimistic for the Namibian economy when compared to her regional and global counter parts. Preliminary statistics from the national statistics agency show that the Namibian economy contracted by 0.8% in 2017. A range of mutually coinciding macro developments has dampened Namibia's high growth levels experienced in recent years. These include a deteriorating fiscal position and consequently lower levels of government spending, unwinding of previously high foreign direct investment levels, drought and increasing interest and inflation rates.

Public debt to GDP ratios soared well above sustainable threshold levels, reaching 43% during the 2017/18 fiscal year. Moody's downgrade (issued in August 2017) of Namibia's Long-Term Senior Unsecured Bond and Issuer ratings to Ba1 from Baa3, with a negative outlook, was directly linked to the country's fiscal state of affairs. Fitch ratings agency followed suit in November 2017, downgrading Namibia's Long-Term Foreign Currency Issuer Default Rating from BB+ to BBB- with a stable outlook, citing weaker than forecast fiscal outcomes and a projected increase in public debt over the next three years as their main concerns.

Along with pending policy and legislative pronouncements affecting business ownership structures, the subsequent ratings downgrades further weakened business and investor confidence in the Namibian economy. Negative perceptions regarding the Namibian economy do not go unwarranted. However, this comes at a time when the recovery of the Namibian economy is dependent on positive private sector sentiment and subsequent investment decisions.

However, in an environment of improving commodity prices, the preliminary National Accounts show that mining was one of the few sectors to post positive growth with the highest percentage of real value added as compared to other sectors. The mining sector grew by 12.2% in 2017 and contributed 12.2% to GDP compared to a contraction of 5.8% and GDP contribution of 12% in 2016.

The main drivers of this growth during the period under review was an increase in output for diamonds, uranium and gold. Despite persistently low uranium prices throughout 2017, uranium production increased by 22% in 2017 from 2016, due to new production from the Husab uranium mine. Namibia's gold production continued to improve due to better than expected ore grades mined from B2Gold's Otjikoto gold mine. Zinc concentrate production increased by 20.86%, while lead concentrate and refined zinc decreased by 6.37% and 1.42% respectively in 2017.

The Chamber expects continued growth in the mining sector largely owing to an improvement in commodity prices in 2017 and the optimistic outlook going forward. The outlook is particularly positive for base-metals, as 2018 opened with copper and zinc prices breaching US$7,000 and US$3,000 per metric tonne respectively, not to mention gold price levels above US$1,300 per troy ounce. The improved outlook for mining is also buoyed by escalating demand for electric vehicle components and what has recently been termed "battery minerals" which consist of lithium, graphite, nickel and cobalt among others.

Renewed appetites for lithium, rare earths, cobalt, zinc, copper and gold has thus kick-started exploration activity and interest in Namibia. Most notably, over the last two years four prominent lithium projects have begun gaining momentum.

In various economic outlooks and commentaries, the mining sector has been recognised as one of the propellers driving economic recovery. Given vastly favourable macro-economic conditions, the Chamber shares the same view. However, the outlook is not without downside risks. Firstly, a stronger local exchange rate could potentially offset revenue gains from improved commodity prices. The profitability of uranium mines continues to be crippled and remains threatened by depressed uranium prices. Analysts, however, predict a rebound in the uranium price post 2020, due to improving demand fundamentals, which will eventually lead to supply deficits. Lastly, as will be elaborated in the following sections of this report, certain policies need to be clarified to reinstate the much needed confidence in the local and international business spheres.

Highlights of Mining in Namibia

As predicted at last year's mining Expo and Conference, improving commodity markets have led to a renewed interest in Namibia's exploration sector, with a notable increase in the number of active projects in the country.

In 2017, Namibia Rare Earths established a strategic partnership with Gecko, finalised in February 2018, comprising of a combined portfolio of high-tech commodities which include heavy rare earths, tantalum, niobium, copper, cobalt, lithium, graphite, zinc and nickel. These projects vary from Greenfield projects to projects in the mining licence application stage. Of significant importance is the Lofdal Rare Earths deposit, which contains one of the few meaningful and known resources of heavy rare earths, worldwide. Prices of heavy rare earths are expected to increase significantly in the short-term. However, development of this project is pending Mining Licence approval. This process should be fast tracked with the recent issuing of its Environmental Clearance certificate in December, 2017.

Furthermore, results from Gecko's Opuwo Cobalt project have also been extremely promising, confirming sediment hosted copper-cobalt mineralisation over 15 kilometres of strike.

North River Resources received their mining licence on 29 May 2017. The company stated through an official press release that they would proceed to update the project profile after which it would finalise and source investment for project development. Production at the Namib lead and zinc mine near Swakopmund is expected to commence in early 2019.

Craton Mining was finally granted access to the Omitiomire site following approval of their mining licence towards end of 2017, after years of legal disputes delayed project development. The company is currently planning the development of ‘Mini Mining,’ a scaled down version of original development plans. The rationale behind ‘Mini Mining’ is that basic operations can be conducted at minimal cost compared to the initial phase one development plan, while optimizing processing techniques and producing results to renew investor confidence in the project and country.

Weatherly has announced its intention to slowly revive the Otjihase and Matchless mines which have been in project development status since 2015, with assets maintained at operational levels in anticipation for a swift restart. The start-up plan is being developed at Otjihase mine with a strong focus on training and skills development, to secure the necessary human capital for when full operations commence. A similar approach is being considered for the Matchless mine.

Bannerman’s Heap Leach Demonstration Plant was commissioned in March 2015, reporting positive results in all five Phases of the plant’s operation, fully supporting and exceeding the optimal assumptions and projections contained in the Bankable Feasibility study of the Etango project. The optimization study, completed in 2017, shows that estimated capital costs could potentially be reduced by U$73 million and has helped to position Bannerman favourably for when market conditions improve.

The future of diamond mining in Namibia is increasingly being focused on off-shore resources. On 15 June 2017, Debmarine Namibia’s new state of the art exploration and sampling vessel, the mv SS Nujoma, was officially inaugurated at the port of Walvis Bay. The vessel’s core function is exploration and sampling of marine diamonds using unique technologies and allowing larger samples to be taken at an improved rate. The vessel’s operations will underpin the sustainability of deep-sea diamond mining for years to come.

<u>The year in perspective</u>

New Equitable Economic Empowerment Framework (NEEEF)

In 2016, the Government consulted widely with all industries and sectors on the New Equitable Economic Empowerment Framework and Bill (NEEEF Bill). Government’s engagement with the private sector also involved submissions and alternative proposals to the proposed legislation and framework from industry associations including the Chamber of Mines of Namibia.

The Chamber is relieved at Government’s announcement to finalise the Bill in 2018 as well as its intention to produce legislation that reflects submissions and inputs by industry. We hope that this will allay investor concerns and uncertainty regarding the outcome of the Bill and timing of its implementation.

Namibia Investment Promotion Act, 2016 (NIPA)

The Chamber is pleased to note that Government has acknowledged that the Namibia Investment Promotion Act of 2016 (NIPA) is flawed and has retracted the unworkable provisions following consultations and input from the private sector. This Chamber, in association with other industry Associations played a significant role in the amendment process to NIPA.

The Act raised mutual discontent and concerns from the private sector relating to clauses contained in the Act which were contrary to its objectives; namely to promote Namibia as an attractive investment destination. Subsequent to extensive review and input received by major industry role players including the Chamber of Mines, the legislation was amended to address the issues raised.

Further consultations are ongoing to produce the final version of the amended Bill for promulgation. We wish to commend Government on the positive actions taken to rectify NIPA as this has a positive impact on investor sentiment which elevates Namibia's competitiveness.

Export Levy

The Chamber is pleased to note that after five years of intense consultations with the Ministry of Finance, the Export Levy matter has finally been concluded. The Export Levy Act of 2016 became effective from 1st June, 2017. The Chamber and Deloitte & Touché successfully assisted the Ministry of Finance in the drafting of Guidelines to enable the smooth implementation and administration of the Export Levy Act, resolving a myriad of practical challenges faced by the mining sector in executing export levy payments. Implementation was not without a glitch as Customs and Excise incorrectly configured their system with a wrong tariff code for gold bullion, resulting in failure to capture the relevant payments for gold exports. The Chamber was instrumental in alerting the Ministry of Finance about the error, which was subsequently corrected with the correct tariff code and the first payment deadline was extended from 30 September to 31 October 2017. The system was correctly reconfigured and thereafter payments commenced smoothly.

Trans Namib & Rail Working Group

TransNamib is challenged to efficiently transport bulk mining inputs and outputs, and Chamber members are forced to reluctantly use the road transport network that is characterised by heavy traffic.

It is against this background that the Chamber of Mines initiated a Railway Working Group Committee (Northern Transporters Forum) to address these concerns. The Chamber has established that a total of 1.23 million tonnes of mining related freight is available between Tsumeb and Walvis Bay. This is immediate cash flow for TransNamib but unfortunately, only 30% of this freight is transported by rail, forcing Chamber members to move 70% by road with all the obvious road traffic safety consequences. The Chamber has proposed the rehabilitation of the railway line between Tsumeb and Walvis Bay as a priority and also that TransNamib should consider concessioning priority lines to the private sector as per successful examples in Kenya and Uganda. The Chamber invited TransNamib to its annual Bosberaad, from 14th – 15th September, 2017 to directly engage with the industry on these options and to explore more areas for possible collaboration. In addition, the Chamber has made various submissions on these proposals to the TransNamib Management, Board and the Ministry of Transport and Works and will endeavour to further engage government on this matter in the spirit of Harambee and Public-Private Partnership (PPP).

Ministry of Mines and Energy (MME)

I would like to take this opportunity to thank Honourable Obeth Kandjoze, the former Minister of Mines and Energy, for his dedicated service to the industry over the last three years, and with that, extend a warm welcome to Honourable Tom Alweendo as the new Minister of Mines and Energy. We look forward to joining hands and taking collaborative steps to address the challenges currently plaguing the industry.

As alluded to earlier, Hon. Alweendo has already inspired the industry with his unprecedented and historic visit to the Chamber of Mines on 21 February, 2018, less than two weeks after his appointment as the new Minister of Mines and Energy. The Chamber is pleased to note that these developments have elevated our working relationship with the Regulator to a new level.

Additional Conditions to Licences.
The introduction of Additional Conditions to licences in 2015 remains by far the biggest regulatory challenge faced by the industry since then. It is the elephant in the room and has not added any value to the original objective of poverty eradication through job creation and empowerment, especially for Exclusive Prospecting Licences (EPLs).

The Chamber has repeatedly affirmed that Additional Conditions are doable at Mining Licence application level but impractical for EPLs. To place a condition for a BEE empowerment to be concluded before an EPL can be granted is unrealistic and flies in the face of government policy to make Namibia the most attractive investment destinations for mining and exploration. Engagements on this matter have been intense, tedious and time consuming. The Chamber held a breakthrough meeting with the Minister in November 2016, at which these challenges were discussed and agreed to be finally resolved through Chamber amendments to the Additional Conditions, as requested by the then Minister. Unfortunately, the Chamber submission of 10 May, 2017 remains unfinalized by MME to date.

The results of the 2017 Fraser Institute Survey revealed that Namibia continued to deteriorate from its once prestigious position in 2014 as the most sought after destination for investment in mining in Africa. The 2017 report highlighted, in terms of its Investment Attractiveness Index, that Namibia improved from 9^{th} place in 2016 to 6^{th} place in Africa in 2017. However, this does not accurately reflect Namibia's performance on ranking due to the consistent decline of African participants since 2014. Namibia's absolute score declined from 66% in 2016 to 60% in 2017, clearly indicating a deterioration in investor sentiment towards the country's mining sector. The report explicitly mentioned licence processing and perceived corruption as deterrents to investment. The 2016 Fraser Report specifically mentioned Additional Conditions and NEEEF as drivers for Namibia's dropping to 9^{th} position in Africa. It is of utmost concern to the Chamber that Additional Conditions to licences have not lead to any tangible results in the fight against poverty as no significant jobs have been created from exploration in the wake of these conditions.

Moratorium on Marine Phosphate Mining
The Chamber welcomed the granting of an Environmental Clearance Certificate to Namibia Marine Phosphates by the Environmental Commissioner in September 2016. However, a public outcry on the procedures followed for its issuance resulted in a decision to retract the Clearance Certificate. The Chamber remains grossly concerned that an agreement and way forward on marine phosphate mining has not yet been concluded but remains supportive of an environment conducive for all sectors of the economy to co-exist. The Chamber regrets to note that this is a missed opportunity in the fight against poverty as per Harambee Prosperity Plan, as no jobs can be created if this industry cannot take off, even with the most stringent environmental conditions attached to the Clearance Certificate.

Joint Value Addition Committee (VAC)
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. Unfortunately, due to government financial constraints, the planned field trips to galvanising and copper wire and tube manufacturing plants in South Africa and Zambia respectively could not be undertaken. The Chamber urges MME to finalise this matter to enable the successful conclusion of a Minerals Beneficiation Strategy as the final deliverable**.** This matter should enjoy high priority, commensurate with priority accorded to value addition by government in all policy documents.

Regionalisation of the African Mining Vision
The Chamber of Mines hosted and co-organised the Symposium of Chambers of Mines and other Mining Associations in Africa, in partnership with the African Union Commission, from the 5th to 7th October 2017 at the Safari Hotel in Windhoek. The deliberations sought to reach a consensus at a continental level as to how best to work with the AU in the implementation of the Africa Mining Vision (AMV).

The main outcome of the Symposium was the signing of the Windhoek Declaration, which established a continental body titled the 'Association of Chambers of Mines and other Mining Associations in Africa'(ACMMAA) and the formation of an interim committee to oversee the formalisation of such a body. As the continental voice of the private sector, ACMMAA will mobilise the private sector in the extractive industry in Africa to work with AU to domesticate the Africa Mining Vision through reviews of mineral policies at national levels.

Minerals Policy Review
Towards the end of 2017, MME instituted the timely process of the Minerals Policy review, through the formation of a review committee of which the Chamber is a member. The Chamber assisted MME to solicit support from the AU and AMDC to advise in the redrafting of the policy, so as to align policy objectives with those of the Africa Mining Vision. The Chamber is committed towards the finalisation of this process.

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 EIA and SEA Regulations. The process is driven by the Chamber Exploration and Environmental Committees. The Chamber commends MET for the consultative approach but remains concerned about the slow progress.

Collective Industry Efforts
In line with the Chamber's strategic plan for collaborative Corporate Social Responsibility efforts, the industry has made great strides towards harnessing resources for collective contribution towards social and economic development across the country.

In February 2017, a disastrous thunderstorm wreaked havoc in the Berseba community located in the Karas region. The storm damaged some 100 houses, leaving many village members destitute. The mining sector responded to desperate calls for assistance, and collectively contributed support to the value of N$ 876,000 to assist with repairs to houses and infrastructure. The diamond sector donated N$ 380,000 and Skorpion Zinc contributed N$ 300,000 to restore the electricity infrastructure. The rest of the industry donated N$ 196,000 through the Chamber. The money was deposited into the Bank account of the National Disaster Fund under the Office of the Prime Minister.

During the Bosberaad in September 2017, the Chamber of Mines in partnership with the Namibian Chamber of Environment, resolved to support CSR projects as offsets in non-mining regions. The purpose of this initiative is to channel funds collectively raised from the mining industry to targeted development projects in regions of the country that are not directly supported by mining and exploration companies. In consultation with chamber members, the Namibian Chamber of Environment (NCE) has identified two projects which are highly prioritised on the national development agenda to benefit from this fund in 2018. The first project is the electrification of the Lubuta and Sachina villages in the Mashi conservancy in the Zambezi Region and the second is support to the Shackdwellers Foundation for provision of affordable land to the poor in Oshakati.

The Chamber resolved to raise N$ 1,5 million to fund these two initial projects. The projects will be completed during 2018.

Establishment of Environment Committee
The last Bosberaad of September 2017 also saw the establishment of the Chamber of Mines Environmental Committee, which will be working closely with the Namibian Chamber of Environment to monitor any environmental issues that may arise in the sector and learn from best practices and shared experiences**.**

Mining Expo & Conference
The 2017 Mining Expo and Conference generally resonated with depressed local economic conditions, with a slight reduction in the number of exhibitors compared to 2016. However, the launch of the Diamond Hub in 2017 made the event a resounding success and was the main crowd-puller. The hub provided visitors an opportunity to gain first hand insight to the value addition process of diamonds, from mining, sorting and valuation to cutting, polishing and jewellery manufacturing.

I am pleased to announce that the seventh Mining Expo and Conference kicks off tomorrow from the 25^{th} to 26^{h} April at the Windhoek Show Grounds. With rebounding commodity prices and renewed optimism in the sector, we anticipate that this event will be of a larger scale as booths were already fully booked in the second week of March.

<u>Highlights from operations</u>

Diamonds
Overall, diamond output recovered significantly from 1.57 million carats in 2016 to 1.8 million carats in 2017, an increase of 15%.

Production from Debmarine's offshore operations largely contributed to the increase in diamond output, while there was a minor increase from Namdeb operations in 2017. Namdeb's major challenge in 2017 was resource underperformance at the Southern Coastal Mine. Production from the Northern Coastal Mine was much lower than expected, however, improvements were made and final production from this operation was only 15% below target. The Orange River mines, Daberas and Sendelingsdrif, achieved production targets.

Uranium
Output from the Rössing uranium mine increased by 14% from 1,850 tonnes in 2016 to 2,110 tonnes in 2017. Grades recovery was in line with the new production plan while milling output was below target due to challenges in throughput and equipment reliability.

Output from the Langer Heinrich Uranium mine dropped from 2,236 tonnes of uranium in 2016 to 1,526, in accordance with its plan to reduce output by 20% in 2017 and 2018 in attempt to streamline operations in a persistently low uranium price environment.

Following production of its first drum of yellow cake on 30 December 2016, Swakop Uranium produced 1,345 tonnes of uranium oxide in 2017. The company expects to reach full capacity by 2019, in accordance with their planned schedule.

Zinc
Refinery production decreased from 85,427 tonnes in 2016 to 84,215 tonnes in 2017. The drop in production was a result of their extensive push back programme to mine zinc oxide from the extended ore body.
Following a two-month long strike in 2016, Zinc concentrate from the Rosh Pinah Zinc mine increased significantly from 80,560 tonnes to 97,364 tonnes of in 2017.

Lead
Lead concentrate production from the RPZC mine dropped from 14,862 tonnes in 2016 to 13,915, largely a result of lower grades mined from the ore body.

Gold
B2Gold's Otjikoto gold mine produced 5,429 kilograms of gold bullion in 2017, a 15% increase from 4,714 kilogram produced in 2016. The strong production performance was due to better than expected high-grade ore from the Wolfshag pit and improved mill throughput.

Output from the Navachab gold mine remained largely the same in 2017 when compared to 2016, producing 1,843 kilograms of gold bullion for the period in review.

Copper
Tschudi copper mine produced 15,466 tonnes of copper cathode in 2017, a reduction of 5.6% from 16,391 tonnes produced in 2016. Copper cathode production was negatively impacted in the first quarter of 2017 due to slower leaching of sulphide ore, with the problem further compounded by the above average rainfall received.

Graphite
In 2017, the Okanjande mine produced Namibia's first ever graphite flakes which amounted to 2,216 tonnes of concentrate.

Salt
Salt & Chemicals produced 735,205 metric tonnes of salt in 2017, an increase of 5% from the 698,590 produced in 2016. The company also made its first sale to the US market in 2017.

The Salt Company produced 144,350 tonnes of salt in 2017 in line with production targets.

Economic Contribution
As highlighted above, mining sector performance improved significantly in 2017, posting strong growth compared to a contraction recorded in 2016, largely fuelled by improving commodity prices.

Fixed investment by the sector increased from N$3.46 billion in 2016 to N$5.73 billion in 2017**.** The uptick is also an indication that confidence is being reignited by improving commodity markets, and that operations are positioning themselves to benefit from the favourable economic conditions

Similarly, it comes as no surprise then, that exploration expenditure has seen a positive trend since 2015, with total exploration by mining operations and exploration companies increasing from N$528 million in 2016 to N$ 562 million in 2017. What is most notable, however, is expenditure undertaken by exploration companies alone, which spiked from N$99 million in 2016 to N$303 million in 2017, representing an increase of 204%. A large proportion of these projects are likely to enter mine development in the near term.

Chamber statistics show that members paid out N$3.66 billion in corporate taxes and royalties and N$113.2 million in export levies in 2017. Furthermore, Government received N$817 million as PAYE. These figures exclude dividends accruing to Government from operations in which they are shareholders. Although the sector's contribution to the fiscus is small in comparison to main sources of state income, such as VAT receipts, it remains an important stream of Government revenue. The industry also makes large contributions to foreign revenue and accounts for approximately 50% of the country's exports. Mining contribution to taxes and overall economic growth is expected to increase in the near future from the combined impacts of smaller projects as well as the ramping up of Husab mine.

Training and Employment

Expenditure on training and skills development also increased substantially for the period in review from N$82.8 million in 2016 to N$184.9 million in 2017.

In 2017, mining and exploration companies collectively employed 9,643 people in permanent positions. Total employment by the sector, which includes permanent, temporary positions and contractors increased from 15,673 in 2016 to 16,905 in 2017.

Conclusions

Aside from the uranium sector, the immediate outlook for the mining sector is promising. In tough economic times, it also remains evident that mining is the bedrock of the Namibian economy. However, to ensure that the sector maximises from high commodity prices and continues to grow, it is imperative that loose ends in the policy framework are addressed with urgency. With actioned intent recently displayed by MME's new administration to work directly along side with industry, the Chamber is confident that pending issues, which have hamstrung investments into exploration, will be resolved. It is against this background that the we hope to see the country once again become the most attractive destination for mining in Africa the 2018 Fraser Survey of Mining Companies.

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. I wish the new Chamber leadership great success in steering the Chamber and industry to greater heights. In spite of challenges in the uranium sector, the rebound in commodity prices and positive regulatory developments present immense opportunities to grow the industry for the socio-economic development of Namibia.

Johan Coetzee
Chamber President
24 April 2018