



Mining Industry Review for 2020

By

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President, Chamber of Mines of Namibia

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Zoom meeting

14.30 hours

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Senior staff of MME present,
Council members,
Chamber Members present,
Esteemed invited guests,
Members of the Press,
Ladies & Gentlemen.

It is with great pleasure that I welcome you to the 42nd Annual General Meeting of the Chamber of Mines of Namibia, and my last report to share on the industry as out-going President of the Chamber of Mines.

Unfortunately, our Guest of Honour, Honourable Tom Alweendo, could not be with us as he usually does, due to a clash of commitments. I am, however, pleased to note that some senior MME staff have joined us. The industry is most grateful for the Minister's continued support and commitment to create an enabling environment that aims to grow Namibia's mining sector.

It is now my honour to present the President's Report for 2020, which features the impacts and challenges presented by Covid-19 on Namibia's mining sector and Chamber members. The past year challenged every operation to adopt a new way of being, which meant making unconventional changes to ensure the utmost health and well-being of the mining workforce and their families during the Covid-19 pandemic.

1. Safety

It is with regret that the year 2020 ended with one fatality, which happened at Dundee Precious Metals Tsumeb on 19 November. The incident occurred at the Pugmill during a maintenance operation in the trough with twin paddle shafts. The deceased was pulled between rotating blades of the paddle feeder when the power was accidentally switched on. The incident was due to non-compliance of lock-out and isolation procedures.

The mining industry has not recorded a fatality free year since 2014, a worrying trend that is of great concern to us all. Through the Chamber of Mines Safety Committee, the industry has been urged to critically reflect on these fatalities and what can be done to eliminate them, and why the collective objective of Zero Harm has been a challenge to uphold.

Despite the concerning trend in fatalities, the industry performed extremely well on the number of Lost Day Injuries and Disabling Injuries in 2020. The number of Lost Day Injuries fell by 34%, and Disabling Injuries were reduced by 40%. The occurrence of serious safety incidents and injuries among Chamber members shows a consistent downward trend in the last seven years, which has improved substantively from the 88 Lost Day Injuries and 103 Disabling Injuries recorded in 2013 to 33 and 39 in 2020 respectively. The Lost Day Injuries Frequency Rate and the Disabling Injuries Frequency Rate also reflects this positive, and declining trend, since 2013.

These achievements are largely due to the concerted, and fantastic work of the Chamber of Mines Safety Committee, which has improved safety standards and methods of best practice through its peer review mechanism over the years. The Safety Committee will continue pursuing the ultimate goal of Zero Harm, to ensure a safe and secure environment for the mining industry.

2. Global Commodity Markets and the World Economy

The Covid-19 pandemic put a grinding halt to all economies around the globe for the most part of 2020. Governments' first line of response was to impose stringent travel restrictions and lockdown measures in an effort to curb spreading of the Corona virus. Initial lockdowns were imposed to ease pressure on the rising number of critical cases admitted to hospitals, and to boost health care infrastructure in preparation for ensuing waves and further transmission of the virus.

In the 2020 June World Economic update, the IMF projected that the global economy would contract by 4.9% before returning to growth in 2021, predicting the worst downturn since the global financial crisis of 2008 and the Great Depression.

Restrictions on human movement and non-essential commercial activity virtually eliminated economic activity in most countries. The entertainment, accommodation, transport, logistics and tourism sectors were the most severely impacted. The global commodity trade was negatively impacted by lengthy transport delays as a result of restrictions. Consumers were also hard-hit by the pandemic, who had to endure salary cuts and retrenchments, which reduced their incomes, and changed spending patterns.

To support ailing economies, a common policy response by governments worldwide was to adopt a supportive monetary stance by injecting liquidity into local markets, and reducing interest rates to ease debt burdens on consumers and support local spending.

Restriction on logistics and the supply of commodities impeded global trade for commodities, resulting in the prices of industrial minerals to fall in the first quarter of 2020. The prices of zinc, lead, copper and tin fell by 18%, 11%, 21% and 13% respectively, in absolute terms, from January to the beginning of April 2020.

The demand for diamonds plummeted as a result of the pandemic. Reduced salaries and wages meant that consumers changed their spending patterns away from luxury goods to essential items. The low demand resulted in sight holder sales which were concluded with excess supply, creating an overflow in the diamond value chain. Diamond sales were also negatively impacted by frequent closures of major diamond cutting and polishing factories in India, and the major trading centre in

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Belgium. This resulted in bottlenecks along the entire value chain, causing diamond mining operations to curtail production, including Debmarine Namibia.

As a safe haven asset in times of uncertainty, the price of gold soared to US\$2,067 per ounce in August 2020, reaching its highest level in recent history. During a time when emerging market currencies, stock markets and most major markets were in negative territory, the bull gold market was a favourable and stable investment option. This was also a result of increased liquidity in global markets created by supportive financial conditions and accommodative monetary policies.

Uranium was the other top performing mineral commodity in the first half of 2020, which increased to US\$34/lb in June due to Covid induced supply disruptions at the Cigar Lake mine in Canada and a three-month production cut from Kazakhstan.

In the second half of 2020, a slowing rate of Covid-19 infections, combined with rapid vaccine developments and improved health infrastructure and capacity, led to a gradual lifting of restrictions and easing of lockdown measures. Global trading thus resumed, along with normal commercial activity, and this propelled the recovery of some economies, particularly in China. In the IMF's latest April World Economic Outlook, it revised global growth upwards to - 3.3 %, resulting from a quicker recovery, a surge in oil and industrial mineral prices towards the end of 2020, supportive financial conditions and fiscal policies, and improving financial markets.

An uptick in global economic activity, combined with increased liquidity in global markets, boosted the prices of industrial metals in the last quarter of 2020. The copper price traded above US\$9,000 in December 2020; a level not seen before the last mineral commodities super cycle of 2010 – 2011. Many analysts are of the opinion that this could be the start of the next super cycle, which is being driven by the electric vehicles boom, a global drive towards clean energy supply and battery storage technologies, in combination with supply deficits for major consumer countries.

3. Local Developments

Namibia's first case of Covid-19 was confirmed on 14 March 2020 and the country entered its first lockdown on 28 March 2020, which lasted until 4 May 2020. All non-essential commercial activity was suspended, and human movement was confined within local vicinities. Curfews and limited business activities for restaurants and alcohol sales remained in place for the large part of 2020, while restrictions on international and regional travel were only lifted in October 2020 subject to Covid-19 requirements.

The 2020 Preliminary National Accounts show that Namibia's GDP contracted by 8%, the country's biggest ever contraction in recorded history. The strong negative growth rate was evident in contractions for most sectors of the economy. Prior to Covid-19, Namibia was faced with its own economic challenges, such as soaring public debt levels and rolling budget deficits, a weak growth environment, declining investment, and low levels of business confidence. These were only worsened by the pandemic with the suspension of international and local travel, and reduced commercial activity due to lockdowns and related measures.

4. Impact of Covid-19 on Mining Operations

Mitigation Measures Adopted by the Industry

During the restrictive lockdowns of March and June, mines and quarries were classified as a critical service, and were allowed to continue initially with minimal mining activities, and later resumed normal mining operations. However, mining companies were required to implement stringent Covid-

19 measures to ensure the safety and well-being of the workforce. Most of the mining sector started enforcing these as early as February 2020, before the first case of Covid-19 in Namibia, and before Government mandated restrictions and Covid-19 compliance measures.

The critical strategies adopted by industry focused on reducing the interaction of employees and number of staff on site. This involved a rearrangement and isolation of shifts, with a smaller number of employees per shift. In the event of a positive case on site, the shift structure enabled rapid contact tracing and quarantine management, which proved highly effective to curb further spreading of the virus.

Non-essential and support staff were required to work from home, and some mining companies also split such employees in groups who reported to the office at different times.

To maintain social distancing requirements on employee transport vehicles, mining operations halved the number of individuals embarking on buses and increased the number of trips. Most of these measures are still being implemented by the sector.

Mining operations also enforced the wearing of masks, regular sanitisation of all common areas and shared equipment, and implemented tracking and tracing systems of employees on shared transport, among a number of other mitigation measures.

Furthermore, the Minister of Mines and Energy issued a directive suspending the use of standard breathalysers at mines, a suspension that is still in place to this day. The gadgets were deemed to increase the risk of Covid-19 transmission. However, some operations have identified alternative and safer options which the local Ministry of Health and Social Services authorities have approved. These alternative breathalysers have also been endorsed by the local MUN Branch Executives.

Operational Impact

Some operations scaled down on production due to the suppressed global demand for mineral commodities, trade restrictions of non-essential items and logistical challenges.

Operations were negatively impacted by supply disruptions of critical inputs and equipment required for their operations. Border closures meant that mining companies were not able to source some of the specialised skills and services from external suppliers, which are often required for complex maintenance procedures. These challenging circumstances, however, presented unique opportunities for local mining personnel and businesses, who were engaged to deliver the services previously provided by the external service provider. The process resulted in skills transfer to local personnel, which capacitated them to perform the specialised procedures.

As at 11 December 2020, the cumulative number of cases for the mining industry stood at 343. Unfortunately, the industry suffered two deaths due to COVID-19 related complications. The increasing number of Covid-19 cases on mining sites created shortages of essential personnel due to the required quarantine for affected individuals, and their contacts.

Industry Support to Combat Covid-19

The industry heeded Government's call to support national efforts in the fight against Covid-19 and Chamber members collectively donated N\$77.9 million, on known record, towards various national and local efforts. Such contributions consisted of cash and in-kind donations, which were mostly

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towards ensuring preparedness of local hospitals, improving response mechanisms, and equipping communities to curb further transmission of the virus.

Many of the contributions were channelled through partnerships with local health authorities to improve the health infrastructure and capacity to care for the critically ill. Mining companies donated ventilators and healthcare equipment, protective wear and other consumables to local hospitals and clinics. Donations also included food parcels to families from the surrounding communities, who suffered economic hardships due to the pandemic.

5. Industry Highlights & Developments

North River Resources placed the Namib Lead and Zinc mine on care and maintenance due to its adverse operational environment during the pandemic, as well as financing challenges. The lower prices of zinc and lead early in 2020, and the Covid-19 restrictions that were enforced during the initial lockdown, rendered the continuation and ramp-up of operations unviable. The confined underground environment made social distancing impractical. The decision resulted in the retrenchment of 129 permanent employees.

The Namib Lead and Zinc mine underwent a restructuring process, and a change of shareholders in 2020 to re-finance the mine. It is expected that the mine will soon re-open, subject to all permitting approvals, including approval from the Namibian Competition Commission on ownership changes.

Skorpion Zinc was placed on care and maintenance in April 2020, however, not as a result of the pandemic. As per its life of mine plan, the operation was initially scheduled for closure in May 2020 due to depletion of the orebody. Safety concerns regarding multiple slope failures lead to the early closure of the mine, and approximately 1,700 employees were affected.

Skorpion Zinc is exploring other viable mining opportunities, which include safely extracting the remaining ore in the pit, or transitioning to underground mining methods to access the deeper oxide orebody. Vedanta has also progressed ahead with its refinery conversion project at the Skorpion Zinc mine. This project will convert the existing refinery to a toll smelter which will enable it to treat zinc sulphides from Vedanta's Gamsberg mine in South Africa, and local and imported zinc concentrates.

Due to the supply chain bottlenecks and low demand for diamonds, Debmarine Namibia made the decision to lay-up the Mining Vessel (mv) Grand Banks from November 2020 to the second half of 2022. Debmarine announced that impacted employees would be re-absorbed in the remaining fleet, and on the new AMV3 which is scheduled to commence operations in the second quarter of 2022.

Weatherly suspended operations at the Tschudi mine in February 2020, as the ore body was depleted. Production was sustained by processing the remaining stock-piled ore, throughout the year.

On a more positive note, B2Gold began developing the Wolfshag underground project at the Otjikoto gold mine. The first inaugural blast at the entrance of the underground mine took place on 30 October 2020. At an investment of approximately N\$850 million, this new addition to B2Gold's Otjikoto gold mine is expected to commence operations in January 2022.

6. Mining Industry Performance

Mining was one of the few sectors that supported the Namibian economy in 2020, as it was allowed to continue with normal operations during lock-downs and periods of restricted economic activity. Apart from Namib Lead and Zinc mine, there were thus no other retrenchments that occurred as a result of the pandemic. Initial growth projections for the mining industry in 2020 stood at 11.1%.

However, the preliminary National Accounts released by the Namibia Statistics Agency show that the industry recorded a negative growth rate of 14.5%. This was a further contraction from the negative growth rate of 9.5% posted in 2019.

According to the Preliminary National Accounts, mining sector growth was negatively impacted by reduced value added from diamond mining, uranium and metal ore output. Base metals output recorded a strong contraction due to a sharp drop in the production of Special High-Grade Zinc, owing to the closure of Skorpion Zinc mine.

In total, the industry directly employed 14,435 individuals in 2020, a 12% drop in the number of permanent jobs compared to 2019. The loss of jobs was largely due to the closure of the Skorpion Zinc mine as detailed in this report. The direct employment consisted of 8,361 permanent employees, 902 temporary employees and 5,172 contractors. Applying a conservative mining multiplier of seven, the mining industry created 101,045 jobs, which is a sizeable portion of Namibia's workforce. Every job created by the industry also generates an important source of revenue for Government through PAYE and VAT as a consumption tax. In 2020, employees from mining companies paid a recorded N\$1.246 billion in PAYE.

Approximately 96% of the mining workforce employed in 2020 were Namibians, and the majority of the wages and salaries bill, amounting to N\$6.058 billion, circulated within, and benefitted the local economy. Moreover, the industry maintained its high local expenditure component which amounted to N\$12,305 billion.

The improved profitability of the mining industry increased the total contribution to Government by 28 %, which amounted to N\$4.113 billion in 2020. This was largely an outcome of the favourable gold price in 2020. Corporate taxes increased by 54 %, totalling N\$2.208 billion, owing to the boosted profitability of Namibia's gold mines. Royalties and export levies dropped by 3 and 4 % respectively due to the lower output and commodity prices for most mineral commodities. Chamber members collectively paid N\$1.672 billion in royalties and N\$233 million in export levies.

Exploration expenditure by exploration companies, as captured in the Chamber's annual survey, increased by 55% in 2020, from N\$171 million in 2019 to N\$264.5 million. Again, the high price of gold, and rising prices for industrial minerals later in the year, resulted in higher levels of exploration activity. The actual figure is likely to be much higher as not all exploration companies are members of the Chamber and covered in the survey. Exploration by mining companies decreased by 12%.

After two years of declining investment by Namibian mines, Chamber members collectively posted an increase of 43% of Gross Fixed Capital Formation in 2020, totalling N\$4.83 billion. Investment was driven by the construction of Debmarine's new AMV3, open pit development and underground mine development at the Otjikoto gold mine.

7. Policy & Legislation

Establishment of the Namibia Investment Promotion and Development Board (NIPDB)

The President, H.E. Dr Hage Geingob, announced the creation of the Namibia Investment Promotion and Development Board, in his State of the Nation Address on 4 June, 2020. The NIPDB was created in the office of the Presidency, replacing the Namibia Investment Centre, and is responsible for implementing and overseeing the Namibia Investment Promotion Act (NIPA) once it becomes operational.

2020

The drafting and finalisation of NIPA and the New Equitable Economic Empowerment Framework/Bill (NEEEF/B) is also mandated under this new office. Former Director of PWC, Ms Nangula Uaandja was appointed as CEO of the Namibia Investment Promotion and Development Board, who will report directly to the Head of State. The new Board was formalised and has been operational since January 2021.

Namibia Investment Promotion Act

The revised NIPA has not yet been passed in parliament due to further amendments required to align it with the operational structures of the Namibia Investment Promotion and Development Board under the Presidency. The Chamber wishes to appeal to Government to expedite the finalisation of this Bill, as it is one of the factors contributing to continued negative investor sentiment and Namibia's poor performance in the Fraser Institute Survey of Mining Companies.

New Equitable Economic Empowerment Framework/Bill (NEEEF/B)

A revised version of NEEEF/B was released in February 2020, which provides the regulatory framework for industry charters and makes provision for those sectors that do not yet have their own charters. While many of the contentious issues have been removed from the revised version, such as the mandatory ownership requirement and applicability to all enterprises, the new Bill drew major concerns from various private sector representatives and organisations.

The incoming CEO of the Namibia Investment Promotion and Development Board was tasked to establish a committee to work on NEEEF/B and address these concerns. The Chamber was informed that a judge reviewed the constitutionality of the current NEEEF/B, and flagged certain parts of the legislation as problematic. A legal drafter has been commissioned to incorporate private sector input into the final draft of NEEEF/B.

The Chamber is gravely concerned at the prolonged delays in finalizing NEEEB, and the subsequent perpetuation of the uncertainty as illustrated by Namibia's poor performance in the Fraser rankings in recent years. The Chamber is committed to working with Government to address this matter as demonstrated in our resolve to be proactive with the transformation agenda through the Mining Charter.

Mining Charter

The Chamber of Mines held a second workshop on the revised Mining Charter with MME and the then Chairperson of the Law Reform and Development Commission, Ms. Yvonne Dausab, on 19 February 2020. The objective of this workshop was to present the main elements of the revised Mining Charter to MME, and solicit feedback from MME and Ms. Dausab on whether it was aligned with the new NEEEF. Ms. Dausab accoladed the sector on its proactive efforts, and reported that the Mining Charter was being used to guide the revision of the new NEEEF Bill.

A major outcome of the workshop was the revised Mining Charter document that was submitted to MME on 13 March, 2020 for their review and input, given that the Mining Charter would be implemented by MME once it becomes effective. The Chamber received MME's input on 23 November 2020, and further deliberations are planned with MME once the final version of NEEEF is released and all outstanding matters are concluded.

Income Tax Amendment Bill 2018 – Non-Deductibility of Royalties

After almost two years of deliberation, the non-deductibility clause was finally abolished as announced by the Minister of Finance, Hon. Iipumbu Shiimi, in his 2020/21 Budget Speech on 27 May 2020.

This was hailed a huge success for the Chamber of Mines. The proposed non-deductibility of royalties was an arduous stumbling block in any future exploration investments and development of mining projects in Namibia, and threatened the stability of Namibia's mining taxation regime. If passed, it would have strangled new investments into exploration, expansion projects and the development of new mines.

Upon the announcement, the Chamber was most pleased to note a number of investment decisions taken by mining operations. This included B2Gold's underground mine development, and prompted investigation of similar underground mine expansion opportunities for the Navachab gold mine and the Rosh Pinah Zinc mine.

Bannerman Resources announced positive results of a scoping study to fast-track the development of the Etango-8 project, and commenced with pre-feasibility assessments. Rössing also commenced with a pre-feasibility study for a 4-phase development, extending the life-of-mine by eight to ten years.

Had this proposal still been under consideration, the above investment options and decisions would not have taken place, including Debmarine's N\$7 billion investment into its new mining vessel (AMV3), and Namib Lead and Zinc's restructuring process as highlighted in the above section. Similarly, Vedanta would not have proceeded with the conversion project at the Skorpion zinc refinery.

VAT Registrations and Input VAT Refunds for Exploration Companies

It was brought to the attention of the Chamber that input VAT refunds, and new registrations, for exploration companies were being rejected by the Ministry of Finance. This was partly due to an on-going case with an Oil and Gas company, on its disallowed VAT input claims in the Tax Tribunal. The Chamber also learned that these challenges were induced by amendments to the VAT Act, which introduced a 12 months' period to prove production of taxable supplies. The reality is that exploration does not generate income or produce taxable supplies, and the Chamber realised that the VAT legislation is not conducive to promoting exploration in Namibia.

The Chamber made a submission to the Ministry of Finance to amend the VAT Act of 2000, which included three proposals to enable VAT registration and input VAT refunds for exploration companies. The Minister of Finance acknowledged receipt of this submission and engaged the Chamber through the MoF legal and Inland Revenue Departments. However, the Minister later advised that the matter could not be pursued further as it had become *sub judice* due to the pending appeal case in the Special Court.

Repeal of EPZ

In compliance with EU's conditions for removing Namibia from the list of jurisdictions blacklisted as tax havens, Government abolished EPZ tax holidays as per the Government Gazette of 31 December 2020. The Chamber notes that the transitional period granted for current holders of EPZ is five years, during which they will still enjoy tax benefits, while no new EPZ applications would be accepted as from 31 December 2020. NIPA will ultimately repeal the EPZ Act and replace it with Special Economic Zones.

Tax Relief for Land-based Diamond Operations

In 2020, Government made an official announcement that tax relief will be provided for Namdeb's land-based diamond mining operations. This is a significant achievement for the sector and a



commendable decision taken by the Government, who had the foresight to recognise that the current tax regime is not sustainable for land-based diamond mining operations and would have caused them to shut down in 2020. The tax relief will allow the continuation of land-based diamond operations well into the foreseeable future. The modalities of such tax relief are yet to be finalised.

Road Fund Administration (RFA) Amendment Bill

There was no feedback on the Chamber's 2019 submission to the RFA Amendment Bill. The Chamber was informed that the Bill was still under intense negotiations at RFA, and the Chamber will continue its engagement with RFA on this matter. The amendments seek to abolish the fuel levy refund system, and is in direct contravention of the "*user pays principle*", which dictates that only users of national roads network should pay for their maintenance.

Electricity Control Board (ECB) Levy

The Chamber continued to engage ECB on its decision to include the supply of electricity from stand-alone generators in the ECB levy. There is currently no direct benefit from ECB services for stand-alone generators. Affected parties were not consulted before the levy was gazetted, which is in contravention of the law.

MME Moratorium on New Licences

On 18 November, MME issued a public notice that new applications of mineral licences would be temporarily suspended to allow MME to conduct a thorough review of the requirements and procedures in the application and administration of mineral rights. To ensure that investment could continue in a time of rapidly rising commodity prices, the Chamber made a submission to MME appealing not to proceed with the moratorium, and rather, that that new applications of mineral rights could still be administered while the review process, to weed out non-performing EPLs, was on-going. The submission was rejected by MME, and the suspension was gazetted on 2 December 2020 for the period 1 December 2020 to 31 August 2021.

In a period where the international markets for mineral commodities are vastly improving and investment into exploration is increasing globally, the Chamber wishes to emphasize that MME's review should be concluded as soon as possible, lest Namibia will not be in a position to reap the benefits from the next expected super-cycle.

Auctioning of EPLs

The Chamber learned, through a media article, that MME was considering the auctioning of EPLs as per recommendations from the High-Level Panel on Namibia's Economy (HLPNE). However, this came as a surprise to the Chamber as the consideration was not discussed or addressed through its numerous engagements with the HLPNE. In the annual Round Table discussion with the Minister of Mines and Energy during December 2020, it was explained that MME would also utilise the moratorium period for new applications to mineral rights to properly consult and explore the possibility of auctioning EPLs.

The auctioning of EPLs is not be a viable option for Namibia's mining industry, as EPLs have no known value and thus cannot practically be auctioned. Based on this principle, the Chamber made a submission to MME early in 2021 and is awaiting further feedback on the matter.

Investment Attractiveness

The Fraser Institute's 2020 Report on the Annual Survey of Mining Companies shows that Namibia only marginally increased her score on the overall Investment Attractiveness Index and several other jurisdictions performed far better. Namibia's underperformance on the Investment Attractiveness



Index was driven by a drastic decline on the Policy Perception Index (PPI) by 12.92 points. The report cites Namibia as the only African jurisdiction that did not improve on this particular index.

Namibia thus dropped 33 places globally on its PPI score, and fell from first place in 2019 to fifth position in 2020 on the African continent. This is most concerning given that investors regard other jurisdictions as having more stable and favourable policy frameworks in comparison to Namibia. Investors expressed concerns over the availability of labour/skills, regulatory duplication and inconsistencies, and infrastructure. Challenges with VAT registrations and input VAT refunds for exploration companies were also cited as hurting Namibia's competitiveness.

These issues dampened the major positive outcome with Government's pronouncement during 2020 on the complete withdrawal of the non-deductibility tax proposal from the Income Tax Amendment Bill of 2018.

It is of grave concern that Namibia's investment attractiveness in comparison to Africa, and the rest of the world, has declined in recent years. This is despite some of the major policy achievements and wins gained to encourage investment into the mining industry. It would appear that some of the major impeding pronouncements such as NIPA and NEEEF, and the damaging tax proposals have caused lasting damage to the country's mining investment landscape. The Chamber remains committed to rectifying the negative perception regarding Namibia's mining investment attractiveness, through its continued engagement with MME, MoF and other critical Government institutions.

The lack of interest and negative sentiment is also apparent in the small number of survey participants observed in the last two years. The Chamber holds the view that the negative perceptions regarding Namibia's attractiveness for investment into mining can be rectified by encouraging its members to participate and contribute to the Fraser surveys.

Minerals Policy Review/Minerals Bill Review

The Chamber received feedback from the office of the Mining Commissioner on the Minerals Bill review. Legal assistance was solicited to produce a draft Minerals Bill, and the lawyers submitted their input which was received by the Mining Commissioner's office. A draft Bill will be shared with the Chamber once MME has interrogated the Bill and submitted their input.

The Chamber was informed by MME that the Minerals Policy review was 60 to 70 % complete, however, further progress and consultations were derailed by disruptions caused by Covid-19. The Chamber appeals that these matters should be expedited in the course of this year, and end uncertainty on this front.

Cooperation with MME

The Chamber of Mines and the Ministry of Mines and Energy, represented by the Hon. Minister Tom Alweendo, jointly attended the 2020 PDAC which took place from 2nd to 3rd March in Toronto. PDAC is a world-class event which is renowned among the global mining and exploration community to raise capital for exploration and mining investments. The Hon. Minister delivered the Opening Address at the 21st Annual African Mining Breakfast, in which he highlighted Namibia's attractiveness as a mining jurisdiction.

The breakfast meeting was followed by the 18th Annual Investing in Africa Seminar, which included four parallel seminar sessions, one of which was dedicated to showcase Namibia as an attractive investment destination. Several Canadian investors engaged in exploration and mining in Namibia,

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participated in the Namibian stream and provided testimonies on their experiences of investing and living in Namibia. The collaborative effort between MME and the Chamber was a great success, and the Minister's opening address and sessions on Namibia were well attended and received by the international investment community.

8. Other Chamber Activities in 2020

Database of Mining Inputs and Services

The Chamber of Mines is actively involved in the technical working committee that has guided the process of establishing the database of Namibia's mining inputs and services. The working committee is also represented by the Development Bank of Namibia and MME, and they are currently working towards project completion with the consultant, that will deliver a fully functional and accessible database.

Marine Phosphate PR Campaign

Unfortunately, the Chamber's planned Public Relations campaign for the entire mining sector was derailed due to budget constraints brought on by Covid-19. Through the Marine Phosphate sub-committee, it was proposed that a campaign be implemented via the Chamber to quell the vast amounts of misinformation on the proposed marine phosphate mining activities in Namibia.

This campaign was deployed just before Christmas in December 2020, through the Chamber's social media channels, and was concluded in February 2021.

Mining Expo & Conference

With the onset of Covid-19 cases in Namibia, the Chamber postponed its Mining Expo & Conference from 22nd to 23rd April to the 2nd and 3rd September 2020. However, upon further review of the outbreak in Namibia, and in consultation with members and exhibitors, the Chamber cancelled the 2020 Mining Expo & Conference altogether.

The Chamber is planning to hold the next Mining Expo and Conference on 1st and 2nd September 2021. The situation is still being monitored closely to assess the risk in having a physical event. Should the physical event not take place, the Chamber will still host a virtual Mining Conference on the above dates.

a. Highlights from operations

Diamonds

Diamond production fell by 15% in 2020 due to a drop in output from both land-based and offshore operations.

Output from Namdeb's operations dropped by 21% in 2020 resulting from the shutdown of the Orange River and Southern Coastal mines during lockdown periods. Similarly, production from Debmarine's offshore operations fell by 13% as the entire fleet was laid up for two months due to global market challenges.

Samcor Diamond Mining produced 50% less carats in 2020 owing to lockdown and border restrictions.



Uranium

The Rössing uranium mine recorded a 2% increase in the production of uranium oxide, while output from Swakop Uranium's Husab mine declined by 3%. Although both operations were negatively impacted by water supply disruptions, and demand and supply challenges caused by the Covid-19 pandemic, production losses were recovered in the second half of the year.

Lead & Zinc

For its financial year from April 2020 to March 2021, production of Special High-Grade Zinc from the Skorpion Zinc mine fell by 99%, due to the early closure of the mine as highlighted earlier in this report.

Production of lead concentrate increased by 35% and zinc concentrate fell by 9% from the Rosh Pinah zinc mine. The mine achieved its production guidance for the year despite challenges presented by the pandemic.

The Namib Lead and Zinc produced marginal tonnages of lead and zinc concentrate owing to their decision to place the mine on care and maintenance.

Gold

Gold production from B2Gold's Otjikoto gold mine fell by 6% in 2020. The reduction was a result of lower grades mined from the Wolfshag pit, in accordance with the annual mine plan and the operation achieved production targets within its guidance range.

Output from the Navachab gold mine increased by 1%, as mining production was ramped up by new additions to the existing mining fleet. However, operations were negatively impacted due to Covid-19 related delays in the assembly and delivery of their new mining equipment.

Copper

The Tschudi mine posted a 5% increase in copper cathode production in 2020.

Salt

Production of raw salt from Walvis Bay Salt & Chemicals dropped by 2% in 2020. The Salt Company in Swakopmund recorded a 23% increase in the production of coarse salt.

The demand for salt as an essential commodity was not as severely impacted compared to other mineral commodities.

Tin

AfriTin produced 473 tonnes of tin concentrate in 2020 from the re-developed Uis tin mine. Despite a number of challenges encountered due to Covid-19, the company continued with shipments of tin concentrate to its trading partner.

Iron ore

Lodestone produced 40,544 tonnes of iron ore in 2020, for local consumption in Namibia's cement industry.

9. Conclusions

The year 2020 went down in history as one of the most difficult and tumultuous in our living memory. However, Namibia's mining sector remained resilient and continued with operations despite the various supply disruptions and plummeting of global demand at the beginning of the pandemic.

The year also hallmarked a remarkable success for the Chamber, in Government's decision to abolish the non-deductibility of royalties, which would have eradicated any new development or growth in the industry as we are currently witnessing.

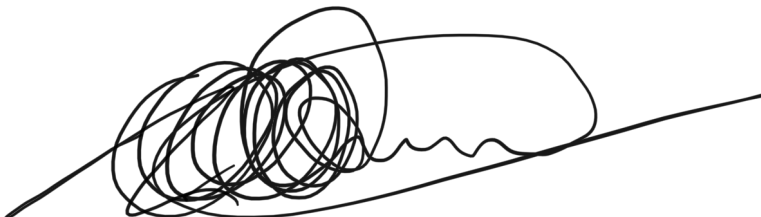
This is my last address to the industry as Chamber of President, marking the end of my two-year tenure, a role which I have greatly honoured and cherished. With the current commodity cycle upswing, I believe there are indeed exciting times ahead for Namibia's mining sector which is experiencing a new wave of rejuvenation. Through the continued effective partnerships and engagements that the Chamber has with Government, I hold the strong view that my successor will lead a booming industry and witness an incredible growth of the sector as new projects are developed and come to fruition.

However, as illustrated in the Fraser Institute's surveys of mining companies, there is still much to be desired for Namibia's attractiveness as a mining jurisdiction. It is imperative that the Chamber continues upholding its excellent advocacy work, to positively influence mining policy and the regulatory environment so that investor confidence, and trust, may be restored in Namibia's overall mining regime. This will be critical to ensure that Namibia does not forfeit on increasing investments into exploration around the globe and rising mineral commodity prices.

There is not a single challenge too great a feat for the Chamber, and accolades and appreciation must go to the Chamber CEO, Veston Malango, and his highly effective team. I have thoroughly enjoyed leading this organisation, along with support from my fellow peers serving alongside me on the Executive Committee, and witnessing the Chamber evolve from strength to strength. I would also like to extend my utmost appreciation to the Chamber Council, who have demonstrated great leadership and passion in guiding EXCO on some difficult decisions, and strategies to pursue.

I wish to welcome and congratulate the Chamber's new President, Mr. Hilifa Mbako and his newly elected Vice Presidents. I wish you all the very best as you lead this dynamic organisation and steer the industry to greater heights.

I thank you.

A handwritten signature in black ink, consisting of a series of overlapping loops and a long horizontal stroke extending to the right.

Zebra Kasete
Chamber President
21 April 2021