



Mining Industry Review for 2021

By

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Zoom meeting

14.30 hours

The Minister of Mines and Energy, Hon. Tom Alweendo,
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 43rd Annual General Meeting of the Chamber of Mines of Namibia, and to deliver this speech that concludes my first year in office.

I would also like to warmly welcome our Guest of Honour, Honourable Tom Alweendo, who has made time in his demanding schedule to address the industry on some of the pertinent issues that I will detail below. I would also like to thank the senior MME staff who have joined us today. The industry is most grateful for the Minister's and MME's support to the Chamber, in which both parties continue to collaborate for the benefit of Namibia's mining sector.

My first year of office has without a doubt been a difficult one, where the mining sector and the nation has experienced and endured the loss of lives of our loved ones, friends, peers and colleagues to Covid-19. While it has been a period of hardships for us all, the sector once again responded swiftly by partnering with the private sector to meet the needs of a nation battered by the Covid-19 pandemic.

As highlighted in this speech, the sector began to enjoy the fruits of an improving commodity price environment in 2021. Looking forward, there is much optimism for mining in Namibia and local economic outlooks all indicate a sustained positive two years of growth for mining in a rebounding commodity price environment. Allow me now to present the President's Report for 2021, which features prominent developments and performance of the industry, the Chamber's activities and policy engagements for the year in review.

1. Safety

It is with grief that I report on yet another fatality in 2021. The incident occurred at the Okatji Marble Quarry near Karibib on 11 January 2021. The fatal accident involved a front-end loader that slid off the upper working bench, and fell down a vertical cliff, which was about seven meters high.

The Safety Committee has observed a concerning trend of high potential incidents occurring at quarries in Namibia, particularly among non-Chamber members. In collaboration with the Chief Inspector of Mines, the Committee is organising a peer review mission to several dimension stone quarries to assess the safety of practices, make recommendations for improvements and assist where appropriate. The Chief Inspector of Mines would then be in a position to issue directives to quarries for safety compliance, based on the recommendations and findings of the site visits. The Chamber hopes that this intervention will result in safer working practices, and a safe occupational environment for mineworkers at quarries and dimension stone operations.

The industry recorded a slight increase in the number of incidents in 2021, and in particular the number of Lost Day Injuries (LDI) and Disabling Injuries. The frequency rates for LDI's and Disabling Injuries mirror the increase on both indicators. However, the overall trend from 2014 is still decreasing. This is an indication that the sector has made progress in creating a safer working environment for its employees and contractors.

Through the Safety Committee, Chamber members are able to collectively address issues of safety in a proactive and dynamic manner, which has evolved to extract the most value from the peer review process, and allows them to address issues on a real-time basis. The Safety Committee is a crucial organ of the Chamber, which continuously works towards zero harm and attaining the safest working environment and conditions for mining employees and contractors.

2. World Economy & Global Commodity Markets

Projections from key international Economic organizations (IMF, OECD, and UNCTAD) all indicate a strong recovery for the global economy in 2021 and have forecasted growth rates between 5.3% and 5.9%. The rebound in growth is characterized by a return to economic activity in the Advanced Economies off a low base in 2020, following the depressed economic activity due to Covid-19 and initial lock-downs.

However, the outlooks anticipate that the distribution of global growth will be unevenly dispersed. A return to economic growth in 2021 will likely be hamstrung in countries with low vaccination rates, which forced governments to implement harsher and more stringent lockdown measures in response to new outbreaks. Conversely, countries with higher vaccination rates recorded higher growth rates as they were able to manage the 3rd and 4th waves with less restrictive measures, without severely hindering economic activity.

The supportive fiscal and monetary policies adopted by Advanced Economies in 2020, which continued throughout most of 2021, combined with infrastructure spending in the US, underpinned global demand and growth. The production of manufactured goods and consumer-end products markets could not keep up with the pace of increased growth, and supply shortages emerged from production stoppages that occurred during worldwide lockdowns in 2020.

Mineral Commodity Markets

The quickening pace of global demand coupled with mining supply deficits, continued to sustain the upward trajectory of mineral commodity prices in 2021.

Base Metals & Battery Minerals

In May 2021, the price of copper breached price levels not yet witnessed in recent history, reaching an average price of US\$10,161 per Metric Tonne (MT). Similarly, the price of lead, zinc and tin sustained elevated price levels throughout 2021.

The fast-paced green technology revolution, and adoption of electric vehicles in developed countries, is also a driving force in the exponential demand for base and battery minerals. Many of these technologies make use of tin, copper and other battery minerals in their components and batteries.

Gold

The price of gold dropped in 2021, albeit, sustained a much higher level as compared to the period from 2013 – 2018, and hovered around US\$1,800/troy oz. The lower prices recorded in 2021 was a result of the appreciating US dollar against other currencies and expected interest rate hikes. However, gold still remains a favourable safe-haven investment asset in times of uncertainty. It is thus likely to remain a preferred investment option as the trajectory of global growth and recovery is now uncertain due to the the war in Ukraine.

Diamonds

The economic recovery of developed and emerging economies also supported a higher demand for diamonds, which improved diamond sales and subsequently the price of diamonds.

Uranium

After years of sporadic increases observed since 2017, the uranium price sustained a consistent price increase since August 2021. In August and September 2021, the spot price traded up to a nine-year high of over US\$50 before softening to close the year at US\$42.

The sustained rise in the uranium price was a result of the increased purchasing of yellow cake (uranium concentrated) by various investment hedge funds in anticipation of a future, large spike in the uranium price. The fundamentals driving hedging activities are anticipated from a future supply deficit as a result of declining output by uranium mines, combined with an increase in demand for nuclear energy. Uranium is recognized by major economies such as the USA and China, along with a growing number of EU economies, as a clean, sustainable and safe source of energy. The steady shift in policies around the world to support nuclear power is driving the gradual, but growing demand for uranium.

3. Local Developments

The Namibian economy recorded a growth of 2,4% according to the preliminary National Accounts released by the Namibia Statistics Agency (NSA). According to the NSA, the mining sector was the main driver of this growth, and accounted for 50% of Namibia's overall growth rate in 2021.

The positive growth rate was a result of the very low base in 2020 during which the Namibian economy registered a deep contraction of -8.5%. Tourism picked up only moderately in 2021, and its full recovery was still hindered by travel restrictions and the aftermath of Covid-19. The tertiary sector was the other major contributor to growth in 2021, which registered a growth rate of 1.9% due to less restrictive Covid-19 measures.

4. Mining Industry Performance & Contribution to the Namibian Economy

The Chamber holds a strong view that the mining sector is well positioned to support Namibia's much needed economic recovery in the next two years in lieu of increasing mineral commodity prices and higher output for diamonds and uranium.

This view is supported by the strong growth rate for mining in 2021, which recorded 13.6% according to the Preliminary National Accounts published by NSA. The growth is attributed to an increase in the production of diamonds and uranium and a moderate increase in gold output. The uranium and diamond subsector registered growth rates of 2.5% and 25.8% respectively.

Mining also remained the primary sector anchor of the economy and the largest contributor to GDP which amounted to 9.1% in 2021.

Sales Revenue and Profitability

Although the mining sector reaped the fruits of higher commodity prices, the sector collectively registered a reduction in total revenue of -4.6% primarily due to the winding down of Weatherly's Tschudi mine in 2021.

Potential gross profit gains from higher commodity prices and a weaker local currency were offset by increasing input costs that became more expensive due to the appreciating US dollar, in combination with the rapidly increasing price of fuel which raised the cost of transporting inputs and production.

Collectively, the mining sector recorded a profit of N\$928.4million for its second consecutive year as supported by higher mineral commodity prices. However, the profitability of the sector fell by 16.8% in 2021 due to increasing input costs.

Contribution to Government

Total revenue to government paid by Chamber members decreased by 17.43% in 2021 as a result of lower sales revenues and profits realized compared to 2020.

Corporate taxes paid by the industry fell from N\$2.2027 billion in 2020 to N\$1.553 billion in 2021 due to the lower profits recorded. Chamber members collectively paid N\$1.611 billion in royalties and N\$231.7 million in export levies, which fell by 3.65% and 0.57% in 2021 respectively. The drop in royalties was a result of the royalty remission from 10% to 5% to Namdeb land-based diamond mining operations.

Employment Creation

Total direct employment increased by 4.5% in 2021 and the sector collectively employed 15,246 people. The increase in employment was a result of the various expansion activities carried out by mining companies including Rosh Pinah Zinc, Namdeb, Navachab, B2Gold and Debmarine Namibia, and increased exploration activity.

The direct employment consisted of 8,640 permanent employees, 1,103 temporary employees and 5,503 contractors. Applying a conservative mining multiplier of 7, the mining industry created 106,722 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 2021, employees from mining companies paid N\$1.086 billion in PAYE.

The majority of individuals employed by the mining sector are Namibians, which consisted of approximately 96% of the mining workforce in 2021. This means that the wage bill of N\$5.945 billion circulated within Namibia's borders and creates local spin-offs that support and benefit other sectors of the economy. Moreover, according to the annual remuneration survey carried out by PWC RemChannel, local Namibians benefitted from much higher salaries and more attractive benefits paid by the mining sector compared to other sectors.

Supporting local suppliers

The mining sector continued to uphold its commitment in supporting local suppliers, and spent approximately N\$15.297 billion on goods and services from Namibian registered businesses. This is equivalent to 47 % of total industry revenue from mining in 2021. As a proportion of total procurement spend by the sector, the local spend amounts to 59%.

Exploration Expenditure

Exploration expenditure by exploration companies, as captured in the Chamber's annual survey, increased by 57.5% in 2021, from N\$264.5 million in 2020 to N\$416.7million in 2021. The favourable commodity price environment supported increased capital flows into exploration around the globe, which was also reflected in the higher levels of exploration expenditure in Namibia. The actual figure is likely to be much higher as not all exploration companies are members of the Chamber and covered in the survey. This trend was also observed for exploration expenditure by mining companies which increased by 37.4%.

Total exploration expenditure by operating companies and exploration companies increased by 47.09%, from N\$548.2 million in 2021 to N\$806.4 million in 2022.

Gross Fixed Capital Formation (Fixed Investment)

Total capital investment reported by Chamber members again posted an increase of 15.3% of Gross Fixed Capital Formation in 2021, totalling N\$5.592 billion. Investment was driven by the construction of Debmarine's new mining vessel, the Benguela Gem, along with expansion projects at the Otjikoto gold mine, Rosh Pinah mine and Navachab. Figures from the Bank of Namibia show that the mining sector has collectively invested N\$14.1 billion over the last three years, a sure indication that the industry is also a major source and contributor of direct investment into Namibia, whereas other sectors have registered declining levels in recent years.

5. Key Industry Highlights in 2021

Namibia exported 52 000 tonnes of iron ore fines through the port of Walvis Bay making the country a net exporter of iron ore for the first time in history. The production was carried out by Lodestone Namibia at its Dordabis Iron Ore Project mining site. Lodestone has completed a feasibility study to further expand operations in the production of high-grade iron ore fines.

Trigon successfully commissioned the old Kombat mine and produced its first copper concentrate in December 2021. The operation is ramping up to produce 14,000 tonnes of copper concentrate per annum and has already made its first shipment in 2022.

The construction of Debmarine Namibia's AMV3, now officially known as the "Benguela Gem" was completed and delivered to Cape Town in 2021. After its hallmark entry into Namibian waters and official inauguration on 18 March 2022, the Benguela Gem will significantly contribute to marine diamond mining operations by increasing production by 500,000 carats per annum and has a life span of 30 years.

In October 2021, Namdeb also announced the extension of the life of mine of land-based operations from 2022 to 2042. This is primarily an outcome of the successful negotiations and engagements with government, which has granted a royalty remission from 10% to 5% during 2021 to 2025. The life of mine extension of Namdeb's land-based operations will retain existing jobs, and also create new jobs through expansion activities and contribute to Namibia's diamond production in the foreseeable future. Moreover, the land-based operations will continue to support Oranjemund, while the town diversifies its economic activities to ensure it remains sustainable beyond the life of land-based diamond operations.

6. Operational Performance

Diamonds

Diamond production by operations increased by 5% from 1,447,376 carats in 2020 to 1,517,525 in 2021.

The improvement in production was a result of increased production from Debmarine's offshore operations and Namdeb's land-based operation. Debmarine and Namdeb's production increased from a very low base in the previous year due to Covid related production stoppages, and an improved diamond market in 2021.

Production from Samicor Diamond Mining fell by 9% in 2021 arising from challenges presented by Covid-19 and vessel crew delays.

Uranium

The Rössing uranium mine registered a 15.7% increase in output due to operational improvements in the processing plant and an improving market, particularly with increased buying from the Sprott Uranium Trust (SPUT).

Output from the Swakop Uranium registered a marginal increase of 0.23% in 2021. Mining production exceeded targets by 4%. However, water supply constraints, technical challenges and equipment failures negatively impacted performance of the processing plant, and overall production from the mine.

Lead & Zinc

Lead concentrate production from the Trevali Rosh Pinah mine increased by 13.61%, while zinc concentrate fell by -8.49%.

Gold

Gold production from B2Gold's Otjikoto gold mine rose by 18% in 2021 due to significantly higher output levels in the second half of the year which also resulted in new quarterly production records. The increased output was supported by higher-grade ore that was mined at the base of the Wolfshag pit in the third quarter of 2021.

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

Salt

Production of raw salt from Walvis Bay Salt & Chemicals dropped by 10% in 2021. The Salt Company in Swakopmund recorded a 34% increase in the production of coarse salt from their operations.

Tin

AfriTin produced 784 tonnes of tin concentrate in 2021 from the re-developed Uis tin mine, and ramped up to full production capacity for its initial phase 1 development which exceeded production targets.

Iron ore

Iron ore from Lodestone's Dordabis mine increased by 86.7% in 2021 as a result of the company successfully delivering its first bulk shipment to the international market.

7. Impact of Covid-19 on Mining Operations

Mining operations were allowed to continue as normal during Covid-19 related restrictions and lockdowns in 2021. However, the industry was not spared from the devastating loss of life and severe illness during the 3rd and 4th waves of the pandemic.

Between January 2021 and July 2021, Chamber members collectively recorded 23 new Covid-19 related deaths, driven by the delta variant 3rd wave in Namibia, and 14 new deaths in the second part of the year.

As at 31 December 2021, the cumulative number of infections for Chamber members stood at 4,604 cases, a substantial increase from the 343 cases recorded on 11 December 2020. The massive spike in cases and deaths reported by Chamber members correlated with the country wide increase of Covid-19 infections during the 3rd and 4th waves.

Covid-19 Mitigation Measures

Chamber members continued to implement mitigation measures to curb the spread of the virus. This included rapid antigen tests on-site, halving the capacity of employee transport vehicles, reduction of operational shift sizes and contact tracing, and directives for non-essential staff to work from home at the height of each wave.

To deal with the devastating emotional and psychological impacts of Covid-19, Chamber members provided counselling for aggrieved employees who had lost family members, colleagues and friends to the virus. Wellness programmes were also introduced to help and equip employees to cope with the emotional, financial and psychological uncertainty brought on by Covid-19.

Vaccination Uptake

The mining industry believes that the most effective mitigatory measure against Covid-19 is to build herd immunity through vaccinations. Vaccinations are scientifically proven to be effective in slowing the rate of transmission and prevent against severe cases of Covid-19 and hospitalisation. When vaccinations became available in Namibia, Chamber members assisted local authorities to set-up vaccination sites for mining employees at mining operations and focal locations for communities.

A strong sense of vaccine hesitancy prevailed among mining employees, along with a very slow uptake of vaccinations when immunisations were first administered due to the spreading of misinformation and 'fake news'.

To support regional vaccination campaigns, mining companies implemented their own campaigns to inform employees on the factual truths of Covid-19 vaccinations and introduced incentives to encourage the uptake of vaccinations.

The information campaigns and incentives proved to be successful and a gradual increase in the uptake of vaccines was observed at the end of 2021.

Industry Response to Covid-19

During the 3rd wave of Covid-19 in Namibia, private and public health systems came under immense pressure to respond to the exponential increase in critical cases, at a rate which began to surpass the capacity of private and public hospitals. One of the major challenges during this period was a shortfall in oxygen for critically ill patients.

In response to the nation-wide oxygen shortage and increasing need of state hospitals, a number of key private sector players, under an initiative lead by the Namibia Chamber of Commerce and Industry (NCCI) known as the Business Namibia Covid-19 Response Initiative, coordinated a unified approach in a time of national need.

The private sector led coalition quantified an oxygen shortfall of 180 tonnes per month. To meet this deficit, the coalition secured the supply of 40 tonnes of bulk oxygen and coordinated the logistics of its delivery to state medical centres every week. Namdeb sponsored the first delivery of oxygen to the Katutura Hospital. The logistics and sourcing of oxygen was coordinated by a working committee that was chaired by Mark Dawe, Managing Director and Country Manager at B2Gold Namibia, who is an active and prominent role player in the mining sector.

Chamber members heeded the call for a collective and coordinated response by the private sector, and jointly donated N\$9.284 million in cash and in kind. The donations were towards the procurement of oxygen, medical equipment, hospital beds and facilities to state hospitals which were hamstrung in their capacity to respond at the height of the pandemic.

This coalition supported and facilitated the establishment of an oxygen producing plant in Namibia, through a local company called Oxicon Namibia. Another notable achievement out of the Business Namibia Covid-19 Response Initiative was the establishment and handing over of field hospitals to the Windhoek Central Hospital, Katutura TB wards extension, Oshakati field tent hospital and construction of prefabricated isolation facilities at identified hospitals around the country.

Through the leadership of the coalition B2Gold identified an opportunity to refabricate broken hospital beds to supplement the shortfall of beds in Covid isolation wards. B2Gold volunteered their engineering capacity to fix the old hospital beds and distributed them country wide to identified state hospitals.

In a time of dire national need Chamber members, in collaboration with key private sector partners through the Business Namibia Covid-19 Response Initiative, were able to proactively and efficiently meet the needs and shortfalls of the strained health system to help save lives at the height of the Covid-19 pandemic in Namibia.

8. Policy & Legislation

Despite the economic successes and an optimistic outlook for mining in Namibia, it was another turbulent year for Namibia's mining policy landscape.

It remains increasingly worrisome that the current policy pronouncements and dialogue from MME favours regulatory mechanisms that will continue to deteriorate and demolish a mining framework that was once conducive for investment into mining.

The Chamber EXCO's policy engagement on critical matters with the Ministry of Mines & Energy (MME) thus proved challenging as contentious issues affecting the industry were characterised by divergent viewpoints between MME and the Chamber, particularly on the sale of EPLs and ownership as detailed below.

Despite these challenges, however, the Chamber and MME were aligned in the overall objectives to support the growth of mining and draw increased mining investment to Namibia, particularly during a time when the sector, and Namibia, stands to benefit from a highly favourable mineral commodity price environment. While some of these items have not yet been concluded, the Chamber and MME made good progress on resolving the policy issues and EXCO continues to engage the Minister on these matters.

Investment Attractiveness

The 2021 Fraser Institute Survey of Mining Companies Report shows that Namibia has dropped significantly in her overall Investment Attractiveness as a mining jurisdiction. The results indicate that the sharp decline in the Investment Attractiveness Index (IAI) was due to a substantial deterioration of the Best Practice Minerals Index, which measures a country's mineral potential assuming a world class regulatory environment.

The report shows that the country improved marginally on the Policy Perception Index (PPI) by 0.94 points, but cites Namibia as being one of three African jurisdictions to improve on this score.

On a more positive note, Namibia improved on her global PPI ranking, gaining 18 places from 47th position in 2020 to 29th position in 2021. Namibia also ranked as the 2nd most favourable jurisdiction on PPI on the African continent, a significant improvement from its less favourable ranking of 5th position in 2020. Morocco had the highest PPI Score and reached 1st position in Africa.

It must be highlighted and cautioned that the absolute improvement of Namibia's score from 74,30 points in 2020 to 75,20 in 2021 is marginal and still much lower as compared to her outstanding scores achieved in 2018 and 2019 (80.7 points and 87.22 points respectively).

This indicates that there is still much to be desired to make Namibia an attractive destination for investment into mining.

The Chamber is deeply concerned that while government's pronouncements on NEEEF/B and NIPA were positive, there was no visible corresponding actions to demonstrate the finalisation of these outstanding policy matters that continued to perpetuate investor uncertainty.

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

A revised version of NEEEF/B was released on 16 February 2021, which mirrored the previous version released in 2020 with only some minor adjustments. However, the fundamental issues of the 2020 version remained the same and the Chamber thus felt that it was not necessary to submit new

comments to the 2021 version. The Namibia Investment Promotion and Development Board (NIPDB) coordinated and consolidated input from the private sector and submitted these to the Office of the Prime Minister for further consideration in the inclusion of NEEEF/B.

Namibia Investment Promotion Act

On 25 November 2021, it was announced that the revised NIPA would finally be tabled before Parliament. However, this version had been renamed to the Investment Promotion and Facilitation Bill, and has transgressed to its previous fundamentals which places superseding powers in the hands of the Minister of Industrialisation and Trade, and overrides existing laws that empower commercial Ministries to award licences and approve investments. This is despite the comprehensive input, and redrafting of the Bill in partnership with the private sector in 2017. The bill was again retracted from Parliament for further consultation with stakeholders.

The Chamber is engaging MME to ensure that the original input to the NIPA 2017 Bill, and other inputs from private sector are not lost or misplaced again in the final revised version of NIPA.

Repeal of EPZ/ Special Economic Zones

The repeal of the Export Processing Zone (EPZ) legislation is to be replaced with Special Economic Zones. The Ministry of Trade and Industrialisation (MITSMED) made significant progress in the crafting of the Special Economic Zones, which received significant input from private sector stakeholders, including the Chamber. The Chamber is confident that the SEZ will embody favourable conditions for large scale producers and manufacturers. The Chamber appealed that implementation of the SEZ should be incorporated under NIPA, which is now the Investment Promotion and Facilitation Bill, and that the parameters of the SEZ should become part of new Performance Agreements to facilitate the transition to SEZs.

VAT Registrations and Input VAT Refunds for Exploration Companies

One of the successful policy outcomes in 2021 was the production of the VAT Layman's Draft Bill by the Ministry of Finance to amend the VAT Act of 2000 which was shared with the Chamber for review and input on 26 May 2021. The amendment bill included proposals as submitted by the Chamber to continuously incentivise exploration companies with VAT registration and input VAT refunds even in the absence of taxable supplies, so as to create a pipeline of future mines to ensure sustainability and growth of the mining industry. The Bill was welcomed and further reviewed by the Chamber of Mines and a second submission including minor inputs and adjustments was made to the Ministry of Finance.

MoF released a revised version of the Bill towards the end of 2021, which the Chamber reviewed again and submitted final comments.

The Chamber looks forward to the implementation of the amended VAT legislation during 2022, in which exploration companies can be registered for VAT and enjoy VAT refunds, which will greatly improve Namibia's attractiveness for investment into exploration. The Chamber of Mines wishes to applaud the Ministry of Finance for the spirit, understanding and transparency displayed in the numerous engagements with the industry which included the oil and gas sector which was equally affected.

MME Moratorium on New Licence Applications

The Chamber reluctantly accepted the MME decision to impose a moratorium on the application of new mineral rights through a government gazette in December 2020, to weed out non-performing EPLs and clean up the licence map of Namibia.

The moratorium was lifted on 31 August 2021 as per MME commitment, and the industry has been enjoying an improved administrative process in the issuing and processing of licences.

The Chamber wishes to commend MME for introducing more positive elements in the licensing process; namely, the letter of preparedness to grant new or renewal of EPLs is now valid for 12 months (extended from 3 months) and the validity of the new or renewed EPL starts from the date on which it is actually issued, not the signature date on the letter of preparedness to grant. This is very positive in attracting investments into exploration.

15% Ownership Retention in EPLs

On 2 March 2021, through a public announcement, MME introduced a mandatory 15% shareholding retention by Namibians upon transfer or sale of their existing EPLs. The Chamber strongly opposed this policy announcement as it would disincentivise exploration by Namibian and foreign investors. The effective 15% free carry on such EPLs held by Namibian entities makes them unattractive for investors to carry this burden without proportionate local financial contributions to fund exploration expenditures. Investors will shy away from such transactions resulting in unintended backlash and thereby defeating the very essence of intended empowerment. Moreover, the forced retention of local shareholding is in contravention of the Constitution and the basic rights of individuals wishing to sell their asset. The Chamber EXCO engaged the Minister on several occasions regarding this matter, and presented a legal opinion confirming the unconstitutionality of this mandatory condition.

However, the Minister did not agree with Chamber's position and negated on reversing this ruling. At a later engagement during a Round Table Dialogue held with the Minister and the Chamber EXCO during 6-7 December 2021, the Chamber again presented its case, to which the Minister agreed that he would review industry's concerns after a further Chamber submission from the discussions.

The Chamber submitted its case again in writing and will continue to engage the Minister on this matter in 2022.

Government Free Carry & Mining Charter

During a press conference, in which the Minister engaged the media on the lifting of the moratorium on applications of new EPLs, the Chamber discovered that MME was considering government free carry in mines. Upon further engagement with the office of the Mining Commissioner, it transpired that these comments emanate from MME's input into the Chamber's revised version of the Mining Charter which it submitted to the Minister of Mines in March 2020. During the EXCO Roundtable meeting with MME, the Mining Commissioner confirmed that these were MME's suggestions and inputs to the draft Mining Charter intended for further engagement with the Chamber.

The Chamber agreed with MME to have a workshop early in 2022 on MME's comments to the Mining Charter, before the finalisation of NEEEF.

This is to ensure that government and industry are aligned on key issues of the Charter before it becomes enforceable by law under NEEEF.

Moratorium on Marine Phosphates

On 30 June 2021, the High Court of Namibia delivered its judgement on the validity of Namibia Marine Phosphate's (NMP) Mining Licence. The judgement ruled that NMP's Mining Licence is indeed valid, as quoted:

“Namibian Marine Phosphate (Pty) Limited’s (“NMP”) Mining Licence ML170 and the rights conferred to NMP thereunder are not affected by the findings of the court and remains valid. The High Court declined to declare ML170 invalid.”

The Chamber hails this outcome as a positive, and a very necessary step, to ensure the development of marine phosphate mining in Namibia. It also signals a clear directive to Government to officially pronounce itself on the moratorium placed on the issuing and renewal of licences for marine phosphates.

However, government is yet to pronounce itself on the moratorium on marine phosphates. The Chamber is actively engaging the Minister of Mines to resolve this issue so that further progress can be made in the exploration and development of marine phosphate following the positive outcome of the court ruling.

Road Fund Administration (RFA) Amendment Bill & Electricity Control Board (ECB) Levy

The RFA amendment Bill and ECB levy are still outstanding items negatively impacting the mining sector and increasing the cost of doing business. The RFA has not yet pronounced themselves on the RFA Amendment Bill, which proposes to abolish the fuel levy refund system. This negates the ‘user pays principle’ and will significantly increase the fuel costs of mining companies if implemented. The Chamber EXCO is committed to further engaging the Minister of Finance in 2022, and advocate for the removal of this proposal.

The ECB levy that was introduced for stand-alone generators in 2018 has been implemented from July 2019. The rationale for this levy is to finance the operating costs of ECB as the Regulator. However, operations with stand-alone generators are not deriving any material benefit from ECB services and incurring significant additional costs as a result of this levy. During the Round Table Discussion held in December 2021, the Chamber engaged the Minister of Mines on this issue as the line minister responsible for energy. The Minister agreed to investigate the matter, and requested that the Chamber make a formal submission on its position regarding the ECB levy.

Minerals Policy Review/Minerals Bill Review

On 24 March 2022, the Chamber received the draft Minerals Bill from MME for review and input. The Chamber Minerals Bill Committee is consolidating input to the Bill, to prepare a comprehensive Chamber response for submission by the end of this month.

The Chamber was shocked to discover that many of the important aspects and principle matters of the Bill that had previously been concluded and agreed upon between the Chamber and MME in the last 15 years have completely been disregarded. In the same vein, it is most discouraging that the draft Minerals Bill contains clauses that are punitive for investment into mining and growth of the industry. The Chamber will continue to engage MME to reach consensus and ensure that Namibia does not deteriorate further as an attractive investment destination in Africa.

Activist Reports with Damaging Allegations to the Mining Sector

The Chamber became aware of activist reports by NGO’s and civil society organisations, which contain damaging and false accusations of transfer-mispricing and illicit financial flows taking place in Namibia and Southern Africa. The reports and the inaccurate claims on the mining sector are being referenced in the highest levels of Government to guide policy debates and rhetoric, and used as input into internal government reports and peer review processes. One such report was published by the Southern African Resource Watch (SARW) on Namibia’s mining sector, and the Chamber engaged the authors to rectify the false allegations, and issued a public statement providing factual

evidence to refute these claims. EXCO also appealed against the use of such reports in policy dialogue without having concrete evidence to support these claims.

On the issue of transfer mispricing, the Chamber continued to advocate for the establishment of independent auditing capacity created within NamRA to actively monitor and investigate suspected and reported cases of transfer mis-pricing or illicit financial flows taking place within the mining sector. It is not within the Chamber's mandate to independently evaluate whether these practices are indeed happening, as an active body representing the interests of the mining Sector.

Cooperation with MME

The Chamber hosted two Round Table Dialogues with the Minister of Mines and key MME staff on 12 April 2021 and again during 6 & 7 December 2021. The first Round Table Dialogue addressed Namibia's deteriorating investment attractiveness index as per results of the 2020 Fraser Mining Survey and the inaccurate claims levelled against the mining sector in regional reports on the mining sector, such as the Thabo Mbeki Report on illicit financial flows and others. At the second Round Table dialogue held in December, EXCO engaged the Minister and senior MME personnel on the key strategic policy matters detailed above. At the meeting, the Minister and his team committed to working with the Chamber to resolve these issues and achieving amicable policy outcomes.

9. Other Chamber Activities in 2021

Security of Water Supply

There is a great concern on government's preparedness to deliver on their promise to ensure security of water supply to mines, particularly existing and new uranium mines in the Erongo Region. The security of water supply also extends to the wider mining industry (in central and Southern Namibia), who are expanding operations and have similar concerns regarding the security of water supply.

While the Chamber of Mines has successfully lobbied government to elevate water to HPP2, the delivery of this commitment may be elusive for years to come, with missed economic opportunities to both the national economy and investors.

To address this issue, the Chamber established the Council Water Committee. This Committee was approved by Council and mandated to commission an economic impact assessment on the uranium sector. The study demonstrates the economic loss should there not be reliable water supply available to meet the increased demand by the uranium sector, and at a competitive cost. The Chamber will present the outcomes of the study to the economic line ministers, highlighting the need and urgency for private sector participation in water infrastructure along the PPP model as per HPP2 and NDP5 documents.

Mining Sector & Green Hydrogen

The Chamber is supportive of government's drive for the development of the country's green hydrogen sector, as there are some exciting linkages and opportunities between the mining industry and green hydrogen.

However, the Chamber is cautiously optimistic that such an industry will be developed in the five-year time frame that has been earmarked by Government, as it is recognised that major investments are required for this industry, and for it to flourish, regulatory and policy frameworks still need to put in place.

Moreover, the industry is still very much in the research and development phases, especially on how to store and transport green hydrogen in a cost effective and carbon neutral manner.

The linkages that exist in the production of green hydrogen within the mining sector are manifold. Mining companies continue to make investments into renewable energy. There are indeed opportunities for the mining sector to benefit from the establishment of IPPs to support a green hydrogen industry in the South, and vice versa.

There are also exciting opportunities to support a potential steel industry, which could materialise from Namibia's increased output of iron ore from Lodestone's operation. To produce green steel through recently developed technologies, it is possible to use hydrogen instead of coking coal in the steel making process.

The mining sector is participating in research for transforming haul trucks into green hydrogen driven mining equipment. The research is spearheaded by German technology firms in collaboration with UNAM. Moreover, since green hydrogen will be converted into liquid ammonia for ease of transportation, there is potential to produce ammonium nitrate which would increase benefits to mining as this product is the primary ingredient for explosives in mining operations, in addition to its use as a fertiliser for the agriculture sector.

In recognition of the economic opportunities the development of a green hydrogen industry has for Namibia the Chamber will continue working actively with government to explore how these can be pursued.

Database of Mining Inputs and Services

The original design of the database for Mining Inputs and Services was constrained by a written directive from the Namibia Competition Commission to omit specific parameters as it would be in conflict with Competition legislation. The directive required that the quantitative specifications of goods and services could not be disclosed in the database.

The database was thus designed to capture the amount spent on goods and services, and not the quantities. The database was completed in 2021 and presented to the Minister. At this meeting, the Minister contested that the database would not be fulfilling its objective if quantities of goods and services consumed were not available, and urged that this be re-visited in lieu of the database being a national initiative to increase local businesses in the mining supply chain, create jobs and grow the economy.

The project managers from Development Bank of Namibia and the Working Committee engaged with NACC and were informed that it is possible to apply for an exemption to disclose such information if such projects are aligned to national development priorities.

The exemption is being pursued and the launch of the database has thus been delayed to ensure that this project fulfils its original objectives. The Chamber, being the originator of the project, is pleased with this outcome and hopes the final data base can be completed and launched in the course of 2022.

Mining Expo & Conference

Unfortunately, the physical Mining Expo & Conference could again not take place in 2021 as a result of restrictions and the devastating aftermath of the 3rd wave half way through the year. Despite these challenges, the Chamber hosted a highly successful virtual Mining Conference on 1st September 2021, with the theme "The Namibian Mining Industry's Resilience and Growth Post COVID-19".

The conference was hailed a world class event and feedback from participants was that the content was of exceptional quality, highly relevant, and the event professionally executed. Out of 523 participants registered, 376 attended the event and this included a strong international audience and attendance by MME.

The event's success was such that the content and quality were rated to have indeed set a benchmark for other local conferences. The Chamber is eagerly looking forward to the in-person 2022 Mining Expo & Conference scheduled for 31 August and 1 September 2022.

10. Conclusions

The 2021 Fraser Institute Survey of Mining Companies Report showed less than encouraging results for Namibia in terms of its policy attractiveness as a mining jurisdiction. This should sound a clear warning to the government that much more is needed to be done to renew investor confidence in Namibia as a stable and attractive mining jurisdiction.

It remains extremely worrying that the policy pronouncements, and more recently, legislative ambitions contained in the Draft Minerals Bill will only serve to regress a mining framework that was once rated in 2014 as the most favourable destination for investment into mining in Africa.

However, throughout the numerous engagements and discussions with MME, it has become clear that the industry, through the Chamber, and the Ministry are aligned in their objectives, which is to ultimately grow the industry for the benefit of the Namibian economy. I believe this is 50% of the problem battle won, and the rest of work remains in aligning policy initiatives and the regulatory framework to achieve this goal.

The Chamber of Mines has been faced with many such challenges in the last ten years, and its primary mandate and commitment remain to advocate for favourable policy and regulatory outcomes that will support continued growth of the sector, and ultimately the socio-economic development of the country.

I thus look forward to constructive engagements with MME and the conclusion of favourable policy outcomes for the remainder of 2022.

I thank you.



Hilifa Mbako
Chamber President
27 April, 2022