



Mining Industry Review for 2022

By

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President, Chamber of Mines of Namibia

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14.30 hours

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 44th Annual General Meeting of the Chamber of Mines of Namibia, and to deliver this speech that concludes my tenure as Chamber President.

2022 was a positive year for the Chamber of Mines and industry which was characterised by strong economic growth, a critical minerals rush, and a major legislative success that will further encourage exploration activity in Namibia for many years to come.

Allow me now to present the President's Report for 2022, which features prominent developments and performance of the industry, the Chamber's activities and policy engagements for the year in review.

1. Mine Health and Safety

Overall, it was a disappointing year in terms of safety performance for Namibia's mining sector and Chamber members. The mining sector recorded another fatality in 2022 which occurred at a quarrying operation, that is a non-Chamber member. The view of the Chamber is that one fatality is one too many and every fatality in the Namibian mining sector is thus accounted for in the Chamber's safety reporting. It is our vision to achieve Zero Harm for the entire mining workforce.

The incident involved a front-end loader which fell off a working bench. This is the second fatality of this nature to occur at a marble quarry, which was very similar to the fatal incident of 2021 at a marble operation also owned by a non-Chamber member.

The Health & Safety Committee responded by initiating a peer review exercise with the Chief Inspector of Mines to identify gaps and loopholes in health and safety practices at quarrying operations. The Peer Review trip was successfully concluded during the first quarter of 2022. From the findings of individual operations, the Chief Inspector of Mines will issue directives of non-compliance and a deadline for corresponding measures to be implemented. Failure by operations to address these issues within the specified timeframe will be considered as a serious breach of Safety

Regulations and may attract punitive measures such as suspension or closure of mining operations as per the provisions of the Minerals Act.

The number of Lost Day Injuries (LDI's) and the number of Disabling Injuries continued its upward trend in 2022. LDI's increased from 37 in 2021 to 46 in 2022, while the number of Disabling Injuries increased from 48 in 2021 to 65 in 2022. The increase on both indicators is regarded as significant by the Health & Safety Committee, and a major cause of concern.

The Health & Safety Committee proactively addressed this issue through the sharing of incidents and accidents immediately after they occurred. In the information sharing process, other operations reviewed their own health and safety practices to identify whether they have similar loopholes and took the necessary steps to prevent the same incidents from occurring.

The Safety Peer Review meetings were stalled during Covid-19; however, these have again become fully operational in 2023. It is our hope that this will contribute to the increased learning, sharing and adoption of best practices that will see a reduction in safety related incidents.

Chamber members also actively supported national road safety efforts by contributing to road safety campaigns within their regions, especially during the busy holiday seasons.

2. Global Economic Developments and Mineral Commodity Prices

It was a mixed bag for the prices of minerals mined in Namibia, with zinc and uranium being the only commodities to post relative gains from 2021 to 2022 of 39% and 16% respectively. Gold recorded a modest increase of 0.1%, while the prices of copper, lead and tin posted declines. The varied performance was largely a result of slowing growth rates for advanced economies in the first three quarters, due to the knock-on effects of the war in Ukraine and concerns of another economic slow-down in China from recurring Covid-19 outbreaks and ensuing lockdowns.

However, comparing prices to pre-covid levels (average 2019 annual prices), mineral commodity prices remained extremely elevated in 2022. Projections and research by the International Energy Agency show that the global clean energy transitions will have a long-lasting impact on mineral demand for the next 20 years, with total mineral demand expected to double according to conservative estimates, and more than quadruple in the upper benchmark scenarios.

The current supply of critical minerals is not sufficient to meet the massive increases in the forecasted future demand. Moreover, the security of future supply is uncertain as the majority of existing supply is concentrated in only handful of countries. These long-term supply and demand dynamics are supporting a buoyant mineral commodity market, particularly for those critical minerals found in Namibia.

The uranium price remained elevated in 2022, compared to post-Fukushima levels. Uranium price increases were driven by supply side risks of possible sanctions on uranium sourced from Russia. Long-term, the outlook for uranium remains positive as key economies such as the USA, China, Japan and South Korea are re-integrating nuclear power as a means to satisfy future energy requirements.

3. Mining's Contribution to the Namibian Economy

I am pleased to report that the mining sector recorded another year of strong growth in 2022 of 21.6%, compared to 11% in 2021. The industry also significantly increased its relative importance to the Namibian economy by growing its share of GDP from 9.2% in 2021 to 12.2% in 2022.

a. Production

The improved performance was underpinned by increased diamond production, which grew by 44.2% in 2022. This increase was mainly a result of the additional output from Debmarine Namibia's new marine diamond vessel, the Benguela Gem. The combined uranium output (from Rössing and Husab mine) fell by 2.5% due to continued water supply disruptions.

Gold production from B2Gold's Otjikoto mine fell by 18.2% owing to development delays of the underground mining operations at the mine.

Production from the Navachab gold mine increased by 61% in 2022. This is the second highest production achieved in the history of the operation, and was a result of higher volumes mined and the successful commissioning of the leach expansion that improved gold recovery.

Year-on-year, zinc concentrate output dropped by 4% in 2022 and lead concentrate increased by 31%. Despite the lower production for zinc concentrate, RPZC mined a record of 74 million pounds of zinc, against a budget of 64.2 million pounds.

Andrada Mining's Uis mine increased tin concentrate production by 9% due to the completion of the phase 1 plant expansion.

Combined coarse salt production from Walvis Bay Salt & Chemicals and the Salt Company increased by 10.3% in 2022. The higher output was a result of the improved recovery rates from the Walvis Bay Salt & Chemicals operation.

b. Sales, Exports & Profitability

The export values of Namibian minerals registered significant increases in 2022 in nominal terms. The higher revenue was supported by the higher Namibian dollar prices received for the export of minerals due to a weaker overall exchange rate in 2022. This also contributed to increased foreign exchange earnings.

Despite the apparent improvement in overall sales values, the sector's financial performance in terms of profitability declined by 142% in nominal terms. It appears that the cost pressures from mounting local and imported inflation far outweighed revenue gains from a weaker exchange rate.

c. Gross Fixed Capital Formation (Fixed Investment) & Exploration

According to the Namibia Statistics Agency (NSA), fixed investment by the sector fell by 29% in 2022 as many of the expansion projects by mining operations were completed in the 2021 – 2022 period. These were the construction of Debmarine's new vessel, B2Gold's underground mine development and Navachab's expansion activities. The temporary suspension of the RP 2.0 expansion project of the Rosh Pinah Zinc mine also contributed to the decline in fixed investment.

Investment into exploration continued with its upward trajectory, breaching N\$1.3 billion in real terms (an increase of 12%). The main drivers of the increased expenditure were the progressive exploration activities at Andrada Mining's Uis tin mine, fast-tracking of the Osino Resources Twin Hills project, the advancement of uranium projects, and the rush for critical minerals in Namibia.

Figures compiled from Chamber members mirror the same trend for fixed investment and exploration expenditure.

d. Contribution to Government

Total revenue to government paid by Chamber members increased by 27% in 2022, owing to higher corporate tax rates, royalties and export levies received. These increased by 29%, 34% and 8% respectively. The higher royalties and export levies were due to the higher sales values, while corporate taxes were boosted by substantial profits by individual operations, particularly for diamond mining.

e. Employment Creation

Total direct employment increased by 6.9% in 2022 and the sector collectively employed 16,147 people. The increase was a result of the new employment positions created on Debmarine Namibia's new mining vessel and increased exploration activities, which contributed to a higher number of contractors employed.

The direct employment consisted of 8,391 permanent employees, 742 temporary employees and 7,014 contractors.

Every job created by the industry also generates important sources of revenue for Government through PAYE and VAT as a consumption tax. In 2022, employees from mining companies paid N\$2.6 billion in PAYE.

The majority of individuals employed by the mining sector are Namibians, who consisted of approximately 97% of the mining workforce in 2022. This means that the wage bill of N\$6.225 billion circulated within Namibia's borders and creates local spin-offs that support and benefit other sectors of the economy.

f. Supporting Local Suppliers

The mining sector continued to uphold its commitment in supporting local suppliers, and spent approximately N\$16.823 billion on goods and services from Namibian registered businesses. This amounts to 74% of the total procurement expenditure by the sector.

I now turn to the key industry highlights for 2022.

4. Key Industry Highlights in 2022

On 18 March 2022, Debmarine Namibia's N\$7 billion new mining vessel, the Benguela Gem, was officially inaugurated at the port of Walvis Bay. The additional diamond output from this vessel was the major contributor to the overall increase in Namibia's diamond production, and the engine of mining sector growth.

There was increasing momentum in Namibia's uranium subsector, with Paladin's official announcement to restart the Langer Heinrich mine and production is planned for the first quarter of 2024. Bannerman Energy completed its Definitive Feasibility study for its Etango-8 project, and the company is progressing ahead with the front-end engineering and design, and working towards securing project financing and off-take agreements.

B2Gold Namibia invested N\$647 million on the underground mining project and other capital expenditures. Despite production delays, the Wolfshag underground mine project was successfully completed at the end of 2022, when first stope ore was reached.

Osino Resources released its pre-feasibility study demonstrating strong project economics to develop the Twin Hills project into Namibia's next potential gold mine. The PFS describes a technically simple and economically robust open-pit gold operation with a 13-year mine life and average annual gold production of over 4,791 kg per annum.

5. Policy, Legislation & Infrastructure

The Chamber's primary role is to advocate for favourable policy and legislative frameworks that will continue supporting the growth of mining in Namibia, and attend to any issues negatively impacting the sector. In this regard, we continued to engage Government on critical matters, and made advancements in most areas of advocacy.

a. VAT Registrations & Input VAT Refunds for Exploration Companies

One of the major wins for the industry and the Chamber was the passing of the VAT Amendment Act which was gazetted on 29 December 2022 and became effective on 1st January 2023. The Act now allows for exploration companies to register for VAT unhindered and claim for input VAT refunds, which was previously administered on an ad hoc and discretionary basis by the Ministry of Finance (MoF). In addition, MoF also announced that all outstanding VAT claims made by exploration companies (including oil & gas) that were declined on the basis of not having produced taxable supplies, would now be refunded. This commendable legislative action by Parliament will elevate Namibia as a favourable mining destination allowing exploration companies to conduct their activities at a lower cost, and the Chamber looks forward to witnessing greater inflows of investment into exploration as a result.

b. Draft Minerals Bill

After many interruptions and delays during Covid-19, the Chamber finally received the Minerals Bill for comment and input on 17 March 2022. The Chamber established a Minerals Bill Committee and held a two-day internal workshop to review and analyse the contents of the Bill, and establish a common industry position on key clauses.

The Chamber compiled a comprehensive submission that was delivered to MME on 24 May 2022. The Chamber noted many positive inclusions and revisions, which were aligned to earlier positions agreed upon between the industry and MME in the review of the Minerals Act.

The most contentious aspects of the draft Bill are proposals to increase the upper royalty rate limit from 5% to 10% for base and precious metals, nuclear fuel minerals, dimension stone and industrial minerals, the introduction of a windfall tax and the inclusion of Mining Charter provisions as part of the legislation.

With regard to the royalty and tax proposals in the Bill, Namibia's mining industry has one of the highest effective tax rates in the world and research has proven that the industry is not able to pay more taxes, lest projects and mines in Namibia would become completely unviable. Secondly, the Mining Charter is intended to become applicable when NEEEF is finalised, to be enforced by MME as regulations under the new Minerals Act.

The Chamber held a very successful workshop on the Minerals Bill in February 2023, with principal MME officials and the Minister on the Chamber's submission. We hope that consultations on the draft Minerals Bill will be completed in 2023 and that agreeable positions can be established between all stakeholders, and presented to Parliament before close of the year. This Minerals Bill review process has been on-going for the last twenty years, and the Chamber is relieved to see increased momentum and commitment by MME to finalise the Bill.

c. NEEEF & NIPA

There were no new developments or updates on these two critical pieces of legislation, despite repeated pronouncements from Government to have them finalised within set timeframes.

d. 15% Ownership Retention on Licences

On 2 March 2021, through a public announcement, MME introduced a mandatory 15% shareholding ownership 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 resulting effective 15% free-carry on such EPLs held by Namibian entities makes them unattractive for investors to provide the financial capital, without proportionate local financial contributions to fund exploration expenditures. Investors will shy away from such transactions, and the 15% local ownership retention thereby defeats the very essence of the intended empowerment.

Despite many attempted consultations and engagements with the Minister in 2022, the Chamber and the Minister could not reach a common position on this matter, and the 15% ownership retention was subsequently accepted by industry.

e. RFA Amendment Bill

The Road Fund Administration (RFA) had 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 would further increase the cost of production by mining companies if implemented. The Chamber committed to following-up on this issue with the Minister of Finance in 2023, and advocate for the removal of this proposal.

Following further advocacy efforts with the Minister and the RFA early in 2023, this proposal was eventually discarded as formally communicated to the Chamber by the Minister of Finance in a letter dated 17 March 2023. This is another major achievement for the Chamber of Mines on a policy matter that has been outstanding for more than four years, and if passed, would have added major costs to the industry.

f. ECB Levy

The rationale for the ECB levy to be extended to stand-alone power producers, which was introduced in 2019, is to finance the operating costs of ECB as the Regulator. However, operations with stand-alone generators were not deriving any direct benefit from ECB services and incurring significant additional costs as a result of this levy.

The Chamber made a submission to the Minister of Mines and Energy appealing that this levy be revoked for stand-alone generators. By way of formal response, the Minister declined this request on the basis that although stand-alone generators may not receive any direct benefit from ECB services, they still need to be regulated which is an activity that requires funding.

Following the Minister's letter, the Chamber invited representatives from the ECB to deliver a detailed presentation at the Council Bosberaad in November 2022 on the rationale of this levy to stand-alone producers. The purpose of the levy was made understood to Council, and industry accepted its universal application which extends to stand-alone IPPs and to renewable electricity generation with stand-alone grids.

g. Mine Health & Safety Regulations Review

The Chamber's Health & Safety Committee made significant progress on the review of the Mine Health & Safety Regulations. The committee has worked closely with the Chief Inspector of Mines on the draft regulations and once finalised, these will replace the very outdated Health & Safety Ordinance No. 20 of 1968 and will be gazetted and enforced under the new Minerals Act.

h. Infrastructure - Security of Water Supply

The Chamber advanced the urgent need for government to ensure the security of water supply for a growing uranium sector in the Erongo Region. In this regard, a study was commissioned to demonstrate the economic impacts of an expanded uranium sector. The impact study revealed major economic benefits to be realised from the future growth of Namibia's uranium sector; however, it demonstrated that these will be completely forfeited should the current water challenges persist.

The study was presented to the Minister of Mines in May 2022. He expressed that he would address this issue with his Ministerial counter-parts at Cabinet and conclude a decision on how additional water infrastructure will be developed. As yet, there has been no official announcement from Cabinet on this matter. The Chamber continues to seek clarity on government's pronouncements and plans for establishing additional water supply infrastructure in the Erongo region to support a growing economy.

6. Other Chamber Activities in 2022

Allow me now to report on other key activities and engagements by the Chamber for the year.

a. Chamber pursues an ESG strategy for its members

We have recognised that the nature of ESG is constantly changing and it has become increasingly important to align its approach and application. In realising this need, the Chamber will be implementing an ESG strategy that seeks to achieve a common understanding of ESG principles and its objectives across industry. We believe that a central approach is necessary to ensure that ESG strategies achieve the maximum impact on the socio, economic, and environmental spheres in which mining companies operate.

An additional objective of pursuing a unified approach to ESG is to promote and rebuild the international brand of Namibian minerals, which seeks to represent sustainable and responsible mining practices.

The Chamber deliberated this matter during its annual Bosberaad on 24 November 2022, and Council approved a proposal to explore a centralised approach to ESG through the Chamber. The Chamber and industry are looking forward to crafting an ESG strategy for implementation in 2023.

b. Supporting Economic Diversification through Green Hydrogen

The Chamber is keenly aware of the numerous economic diversification opportunities now available to Namibia; the green hydrogen and oil and gas industries, and continues to engage the various stakeholders (both public and private) on how the mining sector can support their development, but

also what linkages are available with the mining industry. In this regard, the Chamber has taken leadership in the green hydrogen narrative, with its participation in the Private Sector Green Hydrogen Task Force as deputy Chair and also as Chair of the Green Hydrogen Value Chain Working Group.

7. Stakeholder Engagement

We continued to engage actively with all stakeholders, and in 2022, our focus was to strengthen relationships and partnerships with key public institutions, diplomatic partners in mining and our line Ministry (MME).

a. Cooperation with MME

Throughout 2022, the Chamber EXCO engaged regularly with the Minister to deliberate on key issues affecting the sector. EXCO closed the year off with a congruous Round Table discussion on 6 December, 2022, in which we updated the Minister on key strategic decisions emanating from the Chamber's Council Bosberaad and sought clarity on pending policy and legislative matters. At this meeting, we also emphasised that the Chamber is ready to assist MME in rebuilding the public image of mining in Namibia, and offered technical expertise on some of the outstanding regulatory matters to come into effect under the new Minerals Bill, such as the Mine Closure Framework and licencing regulations.

b. 2022 Mining EXPO & Conference

After 3 years of absence due to the pandemic, the Chamber of Mines was again able to host the Mining Expo & Conference on 31 August & 1 September 2022. This event attracted numbers not seen before, as the industry was eager for an opportunity to engage and seek new business opportunities following Covid-19. Overall attendance numbers skyrocketed, with exhibitors, visitors and conference attendees increasing by 100%, 19% and 176% respectively since the last Mining Expo held in 2019. The numbers speak for themselves, and general feedback from exhibitors was that the event went beyond their expectations in opening the doors to new business ventures.

8. Conclusions

By way of conclusion, I would like to highlight that in a world which is ever changing, so the industry is also moving with new trends and global transitions. This means a dynamic policy and legislative landscape is necessary, and as the Chamber, we will continue to position ourselves so we can respond accordingly with a vision to advance the long-term growth of Namibia's mining sector.

By adopting a more holistic approach on addressing policy matters, this has shifted the nature of engagement with key public sector stakeholders and we firmly believe this will set the scene for the attainment of win-win outcomes. Policy dialogues and public engagements have indeed sometimes been contentious, but I believe we have made great progress on a number of fronts.

This is my last address as out-going President of the Chamber of Mines, and I would like to take this opportunity to whole-heartedly express my gratitude and appreciation to the Chamber CEO, Veston Malango, and his team for supporting me to effectively steward the Chamber and its members. With the additional and proactive support from my colleagues on EXCO and the entire Council, the decision-making process has been well-balanced and our voice of advocacy further strengthened.

I am eager to witness Namibia's further rise as a potential critical minerals and uranium hub, and for mining to support Namibia's economic diversification in this current window of great opportunity. I would now like to hand over the baton to my successor, Mr. Zebra Kasete, as the in-coming Chamber President of a growing sector, who will be serving in this role for a second time.

I have no doubt that under his experienced and capable leadership, we will see many more milestones reached for the Chamber and industry.

I thank you.

Hilifa Mbako
Chamber President
26 April 2023