

Speech by Hon. E. Nghimtina, Minister of Mines & Energy
At the
Annual Dinner of the Chamber of Mines of Namibia

Windhoek Country Club,
April 7, 2006

Honorable Ministers and Deputy Ministers,
Distinguished members of the diplomatic corps,
Distinguished leaders and Managers of Mining Houses,
Distinguished members of the media,
Distinguished guests,
Ladies and gentlemen,

Last year, I paid tribute to the late John Rogers who served this Chamber as *General Manager*. Let me use this opportunity to congratulate Mr. Veston Malango as *General Manager* of the Chamber of Mines. I wish him all the best in leading the mining industry through the Chamber of Mines.

When I spoke to you last time, I was just appointed as new Minister of Mines and Energy. I am satisfied that we were able to interact and now know one another.

I have now settled fully into my seat as Minister and despite the intricate business of mining, I can rightfully state that I fully understand the industry and can therefore make informed decisions.

Ever since the establishment of the Ministry after independence, three Ministers before me have been instrumental in setting up a solid foundation and nurturing a favorable environment for the industry to prosper. Over the years mining has been the bedrock of the Namibian economy and despite the relative growth of other sectors continues to be a major pillar of the economy - contributing disproportionately towards state coffers through the payment of royalty and taxes, as well as through employment creation and other multiplier effects. I would like to re-assure you that I will strive to work hard to ensure that Namibia continues to maintain a stable and competitive fiscal and legislative environment within which your business can thrive and that can attract new investment into the sector.

I call on the mining industry establish a Mining Journal in order to advance the interests of the industry. The funding for the journal will be the responsibility of the industry itself. The periodicity of the issue is the industry's business as well. You are requested to indicate whether this is a good idea or not.

In an industry where significant capital expenditure is the norm rather than the exception, and where companies only break even after several years of operations fraught with high risks, it is only fitting that security of tenure for mineral rights remains sacrosanct. I therefore pledge that you can continue to count on the Ministry to serve you in a manner that rewards your exposure to risk and commensurate with the quantum of your investment.

I am informed that the industry has been going through some tough times, mostly as a result of the strengthening of the Namibian dollar against the US Dollar. This situation has constrained the ability of the industry to expand as a number of projects are rendered economically unviable by unattractive low

rates of return. But it is said that adversity creates opportunity. Some of you have responded positively to this challenge by becoming more efficient - streamlining your operations and cutting costs without resorting in the first instance to involuntary retrenchment of your workforce, a scenario that should be of last resort. I am therefore happy to note that since my speech last year, no involuntary retrenchment took place in the industry.

In mining, the resources that we mine are not renewable. There comes a time when the resource is depleted and mine closure becomes inevitable. It is therefore good practice to not only establish well funded Environmental Fund for each mine but that a Fund must be created per mine to deal with the social impact of mine closure. There should be life after mine closure, people must survive and former employees should not be allowed to suffer financially. I would like you to reflect seriously on this matter and please report back to me in five months as to what concrete steps you have taken in this regard.

Exploration for new resources is the lifeline for mining in the country and it is of utmost importance for the future development of mines and poverty reduction. Apart from a conducive legislative and fiscal regime, my Ministry, through the geological survey of Namibia continues to promote exploration by making geophysical, geochemical, and geological data and reports readily available.

I am pleased to note that progress is being made in the exploration arena.

- Significant investment is going into diamond exploration. With land-based resources depleting, most exploration is

taking place offshore, and it appears that is where the future of diamond mining is. Nevertheless, new exploration areas have been taken out during the last few years in Eastern Namibia, with the aim of finding primary kimberlite hosted diamond deposits.

- The high global demand for Uranium, which is driven by world-wide Carbon Dioxide emission controls and the search for cleaner energy, has led to increasing Uranium prices, which in turn has led to an upswing of exploration activity in Namibia. I am pleased to note that construction work at Langer Heinrich Uranium Mine is progressing well and commissioning is anticipated to start in September 2006.
- The increase in base metal prices as well as the availability of funds will have a positive effect on future exploration for base metals, though that might be tempered by a stronger Namibian dollar's negative impact on the local mining industry.

I urge you, the industry, to be fully committed to exploration by spending a bigger proportion of your budget on it. The money spent in exploration is a clear indicator of a company's commitment towards contributing to the geological knowledge of Namibia and to ensure the sustainable development of the nation. Some companies misuse Namibia's mineral potential, political stability and its worldwide good standing within the mining community to "mine" stock exchanges abroad. This would clearly tarnish Namibia's good reputation abroad and therefore cannot be condoned. I am already seeing to it that the Ministry exerts more control to ensure that exploration is conducted

professionally in order that the investment climate in Namibia is safeguarded.

Ladies and Gentlemen, it is common knowledge that almost all Namibian minerals are being shipped out of the country in the raw form. Clearly the full value and potential of Namibian minerals is not realized. I informed you last year that this is an area that I am determined to address vigorously during my tenure as your Minister and it is imperative that I pull you all onto the value-addition bandwagon. Let me inform you that I am practically committed to making this dream a reality. I am talking about beneficiation, I am telling you about value addition and even manufacturing of:

- precious stones such as diamonds.
- gemstones such as tourmalines, garnets, aquamarine and others.
- dimension stones.
- Base metals such as copper, zinc, lead and others.

I applaud the efforts and progress made so far, particularly in diamond manufacturing. Today close to ten diamond factories are operating in Namibia, one of them being the biggest in Africa.

I would like to see the setting up of a copper refinery and eventual manufacture of copper end products at Walvis Bay as priority projects.

Namibia's largest cutting and polishing factory in the industrial area of Omaruru has been completed last year. It is an automated and computerized tile cutting and polishing plant which provide

high quality polished products for both the local and international markets.

Let me now draw your attention to another equally important subject - Black Economic Empowerment - commonly known by its acronym as BEE. I told you last year that I would like to see companies being proactive on this very crucial subject matter. Why wait for the Government to come from behind with a big stick? On that score I would like to once more congratulate the Southern Namibia Mining Community initiative, a "strategic partnership" between Namdeb, Rosh Pinah Zinc and Skorpion Zinc on its agenda for preferential procurement of Namibian goods and services. I urge other mining companies from the Chamber to join these progressive efforts.

In general, I would encourage all mining companies to voluntarily come on board so we can redress imbalances created by past discriminatory policies and practices. Broad based economic empowerment would ensure an equitable economy that will aid social and political stability. In turn Social and political stability enables a conducive environment for the investor. Clearly BEE makes good business sense.

I would like to see a meaningful and equitable transfer of ownership, management and control, within the industry, to previously disadvantaged Namibians in order to integrate them into the mainstream of the economy.

In the same vein, I would also continue to push hard for the training and education and recruitment of capable Namibians; and the promotion of Namibians into leadership and managerial positions within the Mining sector. Cultural diversity should be harnessed and should rank high amongst corporate values and be

aligned with all your strategic intents. I strongly urge the mining industry to assume leadership in this area.

Allow me to bring up another unpleasant subject - landlocking. Sterilization of mineral deposits is simply unacceptable. I know that some companies keep applying for more exclusive prospecting rights while there is clear evidence that they are not even doing work on the concessions already in their possession. I am also aware that some companies fail to submit certain reports, as required by law or in compliance with certain conditions of such licenses, to the Ministry. Yet those very companies try to apply for more licenses or to renew the rights assigned to them. I will refuse to grant, through a policy of use it or lose it, any rights to those who are not playing by the rules and I shall take back, within the confines of the law, the rights of those who are not using them. I shall apply this principle to all irrespective.

Ladies and gentlemen, I have said quite enough for tonight. You might disagree with some of the things that I have said here tonight, but be assured that I am committed to them as your Minister. You know that I am strong on my principles and that I will always listen attentively to your point of view and have an open door policy and strive as much as possible to be accessible to you. I will continue to consult with you, either through the Chamber, or directly, whenever possible and particularly before implementing critical policy decisions that have a significant impact on your business.

I look forward to continue working with you all in a spirit of true partnership. Let us continue to build an industry in which all stakeholders are winners. Make your profits but also let the people of Namibia reap the benefits of their mineral heritage. Most importantly, endeavor to care about the people and the

country in which you do your business. I am honored to be given the opportunity to lead a Ministry that is the custodian of Namibia's rich endowment of mineral resources and I look back with pride and admiration in the knowledge that I led a successful and progress making industry over 2005/2006. May the Chamber of Mines continue to grow from strength to strength!!

I thank you.