

The Gemstone Sector of Namibia- Sysmin Experience

Presentation at the CASM AGM & Learning Event

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by

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Overview of Presentation

1. Profile of Namibia and significance of SSM/Gemstone Sector
2. Policy & Legal Framework
3. Sysmin Funding
4. Institutional Support
5. Minerals Development Fund (MDF)
6. Experience & Challenges faced
7. Way forward
8. Ongopolo & SSM

1. Profile of Namibia & significance of SSM/Gemstone Sector

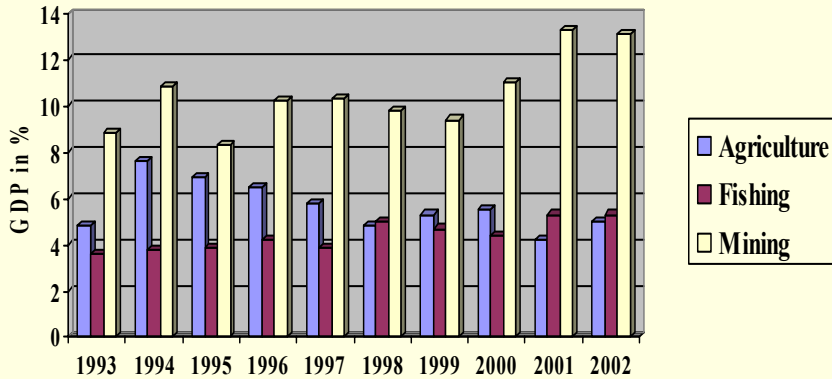
Description	Data / Remarks
Total Surface Area	824 296 km ²
Total Population (2001)	1.83 million
Windhoek Population (2001)	234 000
Population Growth Rate (2001)	2.60%
Urban (% of total population)	33%
Rural (% of the total population)	67%
Population Density (Persons per km ²)	2.2

1. Profile of Namibia & significance of SSM/Gemstone Sector (cont...)

Description	Data / Remarks
Inflation (July 2004)	6.5%, single digit figure for 1995–2001
Exchange Rate (October 2004)	N\$ 6.4 / US\$
Interest Rate (September 2004)	12.25%
Corporate Tax for diamond mining	55%
Corporate Tax for other mining	32%
Royalties for exports of rough diamonds, emeralds, rubies & sapphires	10%
Royalties on unprocessed dimension stone	5%
Royalties on semi-precious stones or any other group of minerals	1%-5%, if Minister declares so in Govt. gazette
Licence fees for Mining Claims	N\$ 50
Number of small scale miners	2000, estimate
Gemstones mined	Diamonds, tourmalines, green & orange garnets, agates, topaz, amethyst, citrine, amazonite, quartz, jasper, tiger's eye (Pietersite) & mineral specimens.

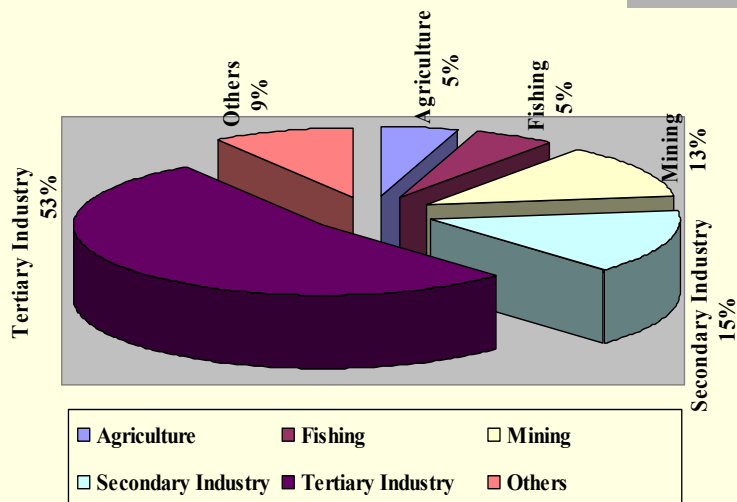
1. Significance of SSM/Gemstone Sector (cont...)

Comparison of GDP Contribution by Primary Sectors, 1993-2002

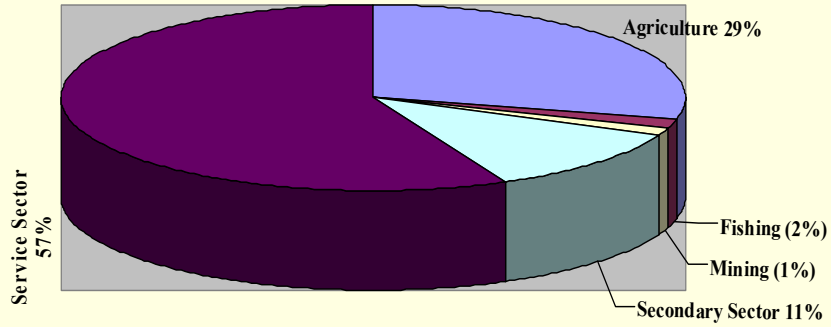


1. Significance of SSM/Gemstone Sector (cont...).

Comparison of GDP contribution by Sector in 2002

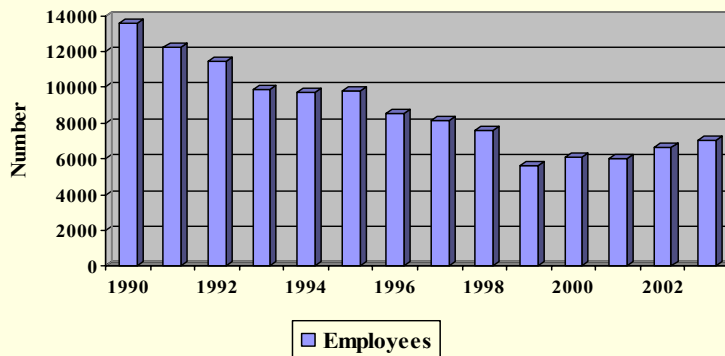


1. Significance of SSM/Gemstone Sector (cont...). Comparison of employment contribution in 2000 by Sector



1. Significance of SSM/Gemstone Sector (cont...)

Mining industry contribution to employment



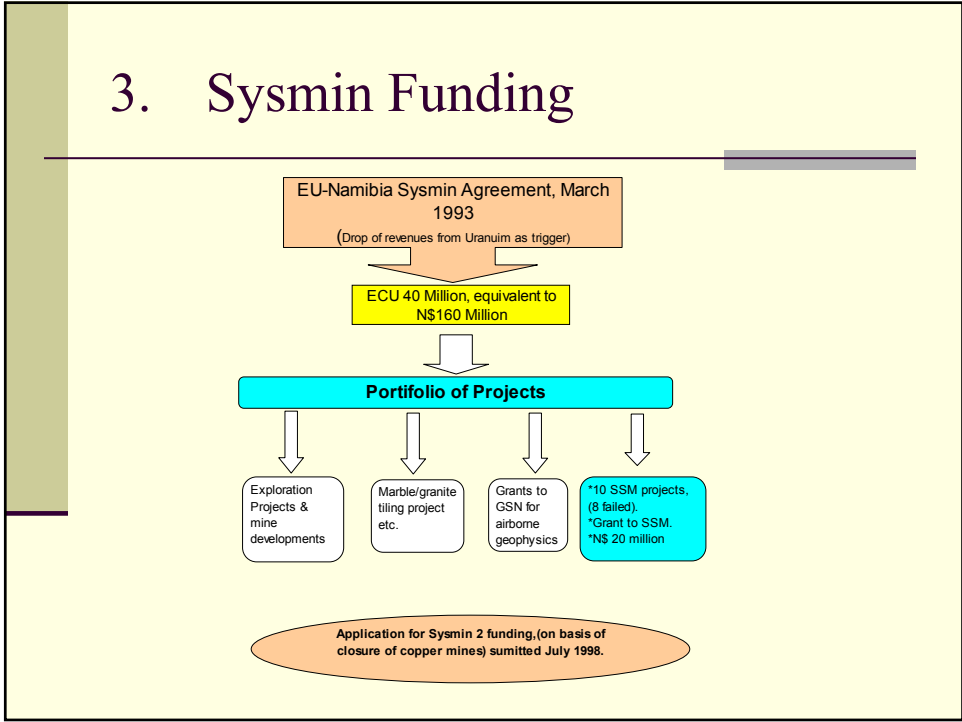
2. Policy & Legal Framework (cont...)

- Minerals Policy of Namibia, contains 5 policy statements on SSM:
 - “Government will promote the further development of small-scale mining activities”,
 - “Government will **continue** to provide loans to **viable** small scale-scale mining projects through existing and future financial structures”.

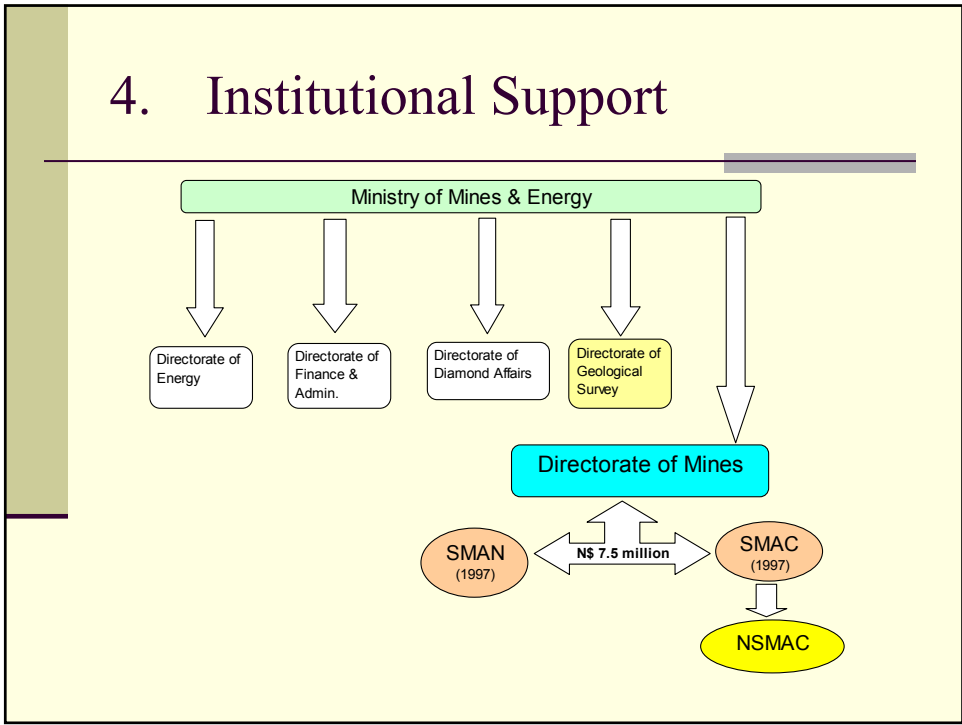
2. Policy & Legal Framework (cont...)

- Minerals (Prospecting & Mining) Act, 1992.
 - Non-Exclusive Prospecting Licence (NEPL)
 - Exclusive Prospecting Licence (EPL)
 - **Mining Claim (MC)**, reserved for Namibian citizens
 - Mining Licence (ML)
 - Mineral Deposit Retention Licence (MDRL)

3. Sysmin Funding



4. Institutional Support



5. Minerals Development Fund (MDF)

- ❑ Established by Minerals Development Fund Act, No. 19 of 1996. Accountable to Parliament.
- ❑ Established as a revolving fund, from loan repayments of sysmin funded projects.
- ❑ Active MDF Coordinating Unit (6 Compliment of Staff, 4 filled).
- ❑ Assisted by NSMAC in evaluation of SSM projects
- ❑ Assisted by Directorate of Mines & Geological Survey in technical evaluation of exploration & mining projects.

5. Minerals Development Fund (cont...)

- 7 Board Members:
 - 1) Director GSN,
 - 2) Director of Mines,
 - 3) Representative of Ministry of Finance,
 - 4) GM Chamber of Mines of Namibia,
 - 5) **President of SMAN** (representing SSM)
 - 6) Representative of MUN (Trade Union),
 - 7) One local Mining Expert/prominent person from mining industry

5. Minerals Development Fund (cont...)

■ Sources of funds to MDF (January 2004)

- Income from airborne data sales: N\$ 4 million
- Income from Sysmin loans: N\$ 47 million
- Income from MDF loans: N\$ 10.5 million
- Direct transfer of Sysmin: N\$ 41 million
- Bank interests etc

Total Income:	N\$ 121 million
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5. Minerals Development Fund (cont...)

- ❑ Total value of loans to MDF projects: N\$ 92 million (January 2004)
- ❑ Total Grants to MDF projects: N\$ 9 million
- ❑ Total Expenditure: N\$ 104 million
- ❑ Interest Rate: 8 %, 10% for the largest loan.
- ❑ Repayment period: 5 years, with 2 years grace period.
- ❑ Rate of repayments on MDF loans : 92.4%
- ❑ Rate of repayments on Sysmin loans: 79.7%

5. Minerals Development Fund (cont...)

■ Examples of MDF funded projects

- Shaft sinking project N\$ 35.7 million
- Exploration project N\$ 12 million
- Open pit expansion for a Fluorspar mine N\$ 6 million.
- Diamond Recover Vessels @ N\$ 400,000
- Spessartite Garnet Mining Project N\$ 2.2 million
- 2 SSM gemstone projects, N\$ 75,000 but both failed (tourmaline projects)

6. Experience/Challenges faced

1. MDF Coordinating Unit almost fully fledged, 2 more staff still to be appointed. In contrast to Sysmin Coordinating Unit - 2 man show.
2. 80 % of sysmin SSM projects failed largely because of absence of manpower capacity to manage a huge programme.
3. MDF Board is locally appointed by the Minister-decision making is quicker with quarterly Board meetings.
4. MDF funds are in local banks (Sysmin funds were in Brussels). Less bureaucracy, funds can be disbursed within 1 week of Board's approval.

6. Experience/Challenges faced (cont...)

4. Proof of economic viability of Namibian gemstone deposits is technological challenge. No guarantees that a pegmatite with black tourmalines will also contain green or blue tourmalines ! No scientific method available to verify.
5. MDF funded 2 gemstone projects on a trial basis, they both failed & were written off.
6. MDF as a whole is a success story, repayment rate is 95% (September 2003). Thus an excellent solution to financing of SSM projects, on condition that economic viability can be established.

7. Way forward

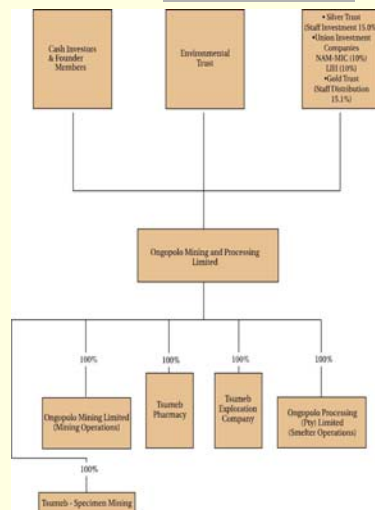
- Determine the best way to fund NSMAC so as to continue with technical support services to SSM.
- Sustainability of NSMAC through viable SSM projects,
 - Cape Cross Salt project, 1000 t/m production, N\$ 2.6 million financing from MDF.
 - Holds 15 yrs ML over Klein Aub Copper Mine, plans to reprocess tailings dumps to produce Cu.& receiving techn. Support from Ongopolo.
 - Holds EPLs & other projects in Uis etc.

7. Way forward (cont...)

- Organize Marketing of Gemstones.
 - ❖ Establish gemstone buying centres, where miners can sell at better prices with valuation support services.
 - ❖ Buyers operating from gemstone centres will do final exports & pay relevant taxes to Government.
 - ❖ No need to introduce royalties on gemstones for SSM, better export duty payable by exporters of gemstones.

- Tsumeb Specimen Mining expansion program

8. Ongopolo & SSM



8. Ongopolo & SSM (cont...)



8. Ongopolo & SSM (cont...)



7. Ongopolo & SSM (cont...)



8. Ongopolo & SSM (cont...)





I Thank You