

Royalty remission enables Namdeb's future

N\$1,2 billion traded for 20 more years of Mining for Good, more jobs and big capital investments.

A key enabler which has paved the way for Namdeb's long term plan was the approval of the application for the remission of royalties by the Minister of Mines and Energy. The remission allowed for Namdeb to invest in its long term plan, allowing for the extension of the mining operations from 2022 to 2042; a 20 year extension, according to Maria Namupala, Namdeb Financial Reporting Manager. Namdeb Diamond Corporation mines rough diamonds in Oranjemund on behalf of Namdeb Holdings; which holds a mining licence for rough and uncut minerals of the precious stone group as governed by the Minerals (Prospecting and Mining) Act 33 of 1992. The Act, under section 114 (1)(a), states that the holder of the mining licence shall be liable to pay towards the state revenue fund a royalty in respect of any rough and uncut mineral of the precious stone group, including diamonds, won or mined in the course of any prospecting operations or mining operations in terms of such licence or on such mining claim and sold or otherwise disposed of by such holder, at a rate of 10%. Namdeb Holdings is legally required to pay a royalty tax of 10% on the sales of the rough diamonds as per section 114 of the Minerals (Prospecting and Mining) Act, Act 33 of 1992. This revenue is based on the carats that are mined on Holdings behalf by Namdeb Diamond Corporation.

Tomorrow secured

In 2021, the Ministry of Mines and Energy formally granted a mineral royalty relief to Namdeb Holdings as the mining licence holder, who in turn passed this on to Namdeb. The arrangement is over a five-year period, starting 2021 and ending at the end of 2025. During this period Namdeb Holdings will be required to pay half of the required royalty (5% instead of 10%). Remission simply means cancellation of a charge, and applying that to Namdeb means a lower (5% instead of 10%) royalty tax is paid on the sales of rough diamonds, and that this benefit is not repayable to government, Namupala elaborates.

As required by the minerals act, the payment of all royalties is accompanied by a reconciliation indicating the amount of carats, dollar per carat and total revenue on which this royalty payment is based. This is submitted to the Ministry of Mines and Energy on the date of each sale as well as a yearly summary of all royalties paid, she explains.

The total expected value to be remitted over the five-year period is N\$1.2 billion, she says. "These funds are invested in the long term plan of Namdeb to ensure the extension of the mining activities until 2042.

With life extension, the activities of Namdeb are being ramped up over the 3 years from 2021 to 2023, to ensure the sustainability of the mining activities of Namdeb until 2042. This royalty remission was critical

Government enables a better tomorrow for Namdeb



Namdeb operations at its Southern Coastal Mines will continue at least until 2042 . PHOTOS NAMDEB

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**Maria Namupala,
Namdeb Financial Reporting Manager**

to ensure that Namdeb was able to invest in the required capital and operating costs to make this ramp up possible, and by allowing this remission the Minister of Mines and Energy ensured the ongoing viability of Namdeb until 2042," according to Namupala.

Without the remission

As the Namdeb operations would have otherwise closed in 2022 the government would have had no further royalties, taxes and dividends from Namdeb after that. In 2021 the contribution by Namdeb to government was just under N\$400 million. It would also have meant that all the approximately 1500 employees and 700 contractors employed in Namdeb operations would not have

had continued employment, resulting in a further loss to the local economy of their income of around N\$1.3 billion per year, Namupala points out.

"Due to the remission, the Namdeb operations have already contributed just over N\$416 million to government in 2022, with just under N\$500 million expected in 2023. The life extension has

since seen an additional 509 jobs created since 2021, of which 185 were employees and 354 were contractors," says Namupala.

Namdeb operations have thus far spent more than N\$3.2 billion in

the local economy of Namibia in 2022 and capital expenditure of N\$1.3 billion is being spent on the ramp up activities, she adds.

"To put this in context, the Namdeb operations have resulted in more than N\$17.2 billion being spent in the local Namibian economy since 2014, and have also spent more than N\$3 billion on capital projects in that same period," she says.

The closure of the Namdeb operations would also have impacted the sustainability of the town of Oranjemund and increased the likely risk of the town becoming a ghost town due to the significant impact that Namdeb operations have on the town, she explains. The Namdeb operated hospital and school, which serve the entire community of Oranjemund and not only employees, would have been affected.

Namdeb continues

"Namdeb continues to be a significant employer in the mining industry with approximately 2 700 households relying on this operation. It is a significant contributor to the Namibian fiscus. The impact that Namdeb operations have on community of Oranjemund and Namibia at large is immeasurable," Namupala says.

Namdeb continues to build a positive legacy whilst delivering value to its shareholders and living up to the company's vision of being the Pride of Namibia's Mining until 2050 and beyond, she says. "Aligned to its purpose of Mining or Good, Namdeb will continue to play a significant role centring emphasis on sustainable mining practices, such as becoming a carbon neutral operation by 2030. That will contribute to better a future for the generations to come," she says.



**Maria Namupala,
Namdeb Financial
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