

MINUTES OF THE TWENTY SIXTH ANNUAL GENERAL MEETING  
OF THE CHAMBER OF MINES OF NAMIBIA,

Held at the Windhoek Country Club Resort

At 14:30 hours on Friday April 8, 2005

**1. Proper notice and constitution of the meeting**

The President, Mr Andre Neethling was in the chair and welcomed members and the press to the 26<sup>th</sup> Annual General Meeting of the Chamber of Mines. Notice convening the Meeting had been sent to all members on the 31<sup>st</sup> March 2005. With 21 Member representatives present, the meeting was declared quorate and properly constituted.

**2. Confirmation of the minutes of the previous Annual General Meeting**

The minutes of the Twenty Fifth Annual General Meeting, held on the 16<sup>th</sup> April, 2004, were confirmed as being a true record of the proceeding. Acceptance of the minutes was proposed by Dan Gadd-Claxton and seconded by Peter Geleta.

**3. Matters arising from the minutes**

No matters were raised.

**4. The President's Report for 2004**

The President, Mr Andre Neethling reported as follows:

Mineral commodity markets showed a welcome increase in prices, especially in the base metal sector and towards the end of 2004 in precious metals. Over the past 30 years the global mining industry has suffered sub-par returns on capital employed and the industry has had periods of " Boom and Bust". Prices have declined in real terms and placed continuous pressure on the industry to reduce costs in order to preserve margins.

Over the past two years metal prices have risen in many sectors, due mainly to the demand for metals and steel in China, which, if it continues, suggests that many metal prices may have stopped falling in real terms and may possibly rise in real terms over the next decade.

The strength of the Namibian Dollar against the American dollar over the period under review has had a negative effect on the Namibian income of most Chamber Members as sales are mainly in US Dollars. This situation may possibly change in 2005 as the Namibian Dollar weakens.

I now turn to summarize the various mining operations and developments in the Namibian mining industry.

### **DIAMONDS**

At Namdeb, a total of 1,858,383 carats were recovered during the year. Of these some 992,872 carats (53%) were produced from land operations and 865,511 (47%) from marine operations. The average stone size recovered was 0.52 carats per stone. Total tonnage treated by Diamond Area 1 was 31,221 million tons, up 21% on the 2003 figure. Demand for rough stones in the first half of the year was strong, probably due to high Christmas sales in the USA and the re-emerging market in Asia.

Preliminary indications are that global sales of diamond jewellery were up by nearly 8%, which would be the highest growth level since 1999. The high end of the market performed particularly well but lower down discounting put pressure on retail margins. Capital expenditure during the period amounted to N\$ 384,321,615 (of which N\$ 25,912,734 was expended on prospecting and exploration).

**De Beers Marine** operated with four recovery vessels and production amounted to 840 000 carats.

**Trans Hex** operated from Luderitz with a total of 112 personnel at sea on two vessels and 6 land based personnel. No details of production are available at this time.

### **URANIUM**

Rössing Uranium Limited increased production of uranium oxide from 2,411.1 tonnes in 2003 to 3,581.9 tonnes in 2004. Improved uranium transfer was due to a steady run, higher grade and overall improvement in recovery.

The uranium Spot Price averaged US\$ 18.55 lb in 2004 compared with US\$ 11.50 lb in 2003.

At the end of 2004 the spot market price was US\$ 20.50 lb. Prices increased due to the supply/demand outlook. Secondary supplies (which have made up to 50% of recent supply) were forecast to decrease and the market recognized that higher prices were necessary to justify investment in additional primary production.

Utilities in North America, Europe, Asia and China are seen as areas of increased demand, although a significant portion of the uranium increase will be eroded in terms of local currencies in Canada, Australia and Africa.

### **PALADIN RESOURCES**

Paladin Resources have been reinvestigating the old Langer Heinrich uranium deposit and have announced that they will be bringing the new mine into production in late 2005.

## PRECIOUS METALS

The Navachab Mine, now operated and owned by AngloGold Ashanti Namibia (Pty) Limited, had a successful year after the transition from Contract mining to Owner mining – the plan was well executed and the targets set achieved. The Owner mining decision led to an increase in staff of 130 employees with the total work force now standing at 246. During the period, the mine produced 2,068 kg of gold. Major investment was made in the development of additional reserves in the amount of N\$ 132,832 000 and N\$ 2,505,000 was spent on exploration.

## BASE METALS

**Ongopolo Mining and Processing Limited** had a difficult year due to the adverse N\$ - US\$ exchange rate although the improvement in the copper price contributed to improved revenue. The outlook for 2005 is more positive, based on sound market fundamentals and strong demand from China.

During 2004 Ongopolo had 6 major projects under investigation / development being:

### 1. **Asis Far West Exploration Shaft.**

As December 2004 the shaft reached a vertical depth of 733 metres below surface. The shaft System is 80% complete and should be fully equipped and operational by mid 2005.

### 2. **Tschudi Mine**

Column test work is currently in progress to simulate a future heap leaching process. The test work is expected to be completed towards mid-2005, where after feasibility study would be undertaken to establish the viability of a new processing plant.

### 3. **Tsumeb West Mine**

The mine extensions were drilled out in 2004 and further work will continue in 2005. The Tsumeb concentrator has been refurbished and will support all mining activities in the Tsumeb area.

### 4. **Matchless Mine**

The feasibility plan for the revival of the dormant Matchless Mine, located outside Windhoek, was completed in mid-2004. Mining activities started in mid-2004 at the western extension of the old mine. Production is expected to commence in the second half of 2005 and the ore will be transported to the Otjihase Mine for treatment.

### 5. **Ongopolo Processing**

Ongopolo is treating copper concentrates from the DRC and Zambia. Negotiations are underway to start joint ventures with Central African partners to mine and process copper deposits in the various countries. Production figures for 2004 are as follows:

➤ Total Blister Copper	26,306 mt
➤ Blister Copper (Captive)	16,106 mt
➤ Copper (Captive)	15,884 mt
➤ Silver	14,815 kg
➤ Gold	77.4 kg
➤ Arsenic Trioxide	1,263 mt

The Zinc - Germanium project is progressing well and the feasibility study should be concluded by mid 2005. Local entrepreneurs, Ongopolo and a German company "Visutec" are investigating the potential of processing the old tailings dams in the Tsumeb and Kombat areas

#### **6. Kombat Mine**

Kombat Mine produced 16,535 mt of copper concentrate and had a total complement of 262 persons at the year end.

#### **7. Otjihase Mine**

The Otjihase open-pit project came into production towards the end of 2004 and ore grades exceeded expectations. The life of this operation is anticipated to last less than a year. During 2004 the mine produced 28,071mt of copper concentrate and 3,658 mt of pyrite concentrate

Average metal prices for the year were: Copper US\$/t 2,866.00; Lead US\$/t 886.00; Silver US\$/oz 7.00

#### **ROSH PINAH ZINC CORPORATION PTY LTD.**

Rosh Pinah Zinc had a very successful year in that production of zinc and lead concentrates reached all time highs and that exploration drilling to detect new ore bodies and define known deposits also exceeded that of previous years. In summary this can be presented as follows:

➤ Zinc Concentrate	123,272 mt	Lead Concentrate	27,188 mt
Zn%	53.46%	Zn%	6.5%
Pb%	2.08%	Pb %	51.38%
Ag g/t	609.9	g/t Ag g/t	16.58 g/t

Diamond drilling undertaken was 24 900 metres – a new record. Major capital expenditure exceeded N\$ 28,000,000. A total of 502 persons were employed at the mine as at December 2004.

#### **SKORPION MINING COMPANY & NAMZINC**

2004 saw Skorpion Zinc in its first full year of production. Equipment failures and operational problems continued to impact on production. Ramp up continued to 85% of design with a best figure of 93% being achieved. The process remains robust and good quality zinc is being produced.

Skorpion Zinc produced 119,205 tonnes of Special High Grade (SHG) zinc in 2004 but were only able to export 106,725 tonnes due to the shortage of suitable shipping. A strategic concern is the ability to recruit and retain suitably qualified staff to operate and manage the highly sophisticated mining equipment and processing plant.

The zinc price showed an increase of 25% on the previous year to nearly US\$ 1500 but due to the weakness of the US\$ this represents only a similar level of income to Namibian producers as that obtained in January 2003.

## **INDUSTRIAL MINERALS**

### **OKORUSU FLUORSPAR**

2004 was an extremely successful year for Okorusu, with production of Acid Grade fluorspar concentrate increasing from 79,281 mt to 104,767 mt concentrates in 2004. Shipments of fluorspar also increased from 76 987 mt to 102,288 mt (an increase of 33%). Improvements in production were mainly attributable to metallurgical technology breakthroughs in the treatment and separation of impurities.

Although the price in US\$ of Fluorspar sold by Okorusu increased significantly during the year, the price increase was insufficient to offset the negative exchange rate trend with the local currency. The net effect being a reduction in revenue compared with the previous year, in spite of sales volumes increasing by one-third!

Prospecting operations were concentrated on defining the “G” Orebody to the east of the main open pit.

Okorusu continues to be a primary sponsor of the Chamber of Mines / Okorusu OHEAP (Occupational Health Education and Awareness Program) in association with Family Health International, primarily an Anti Aids program.

Demand for acid grade fluorspar in 2005 is likely to remain stable, with increases in production likely to offset supply shortfalls resulting from reduction in exports from China. Okorusu’s parent company , Solvay, will purchase all of Okorusu’s production in 2005, with 115,000 wet metric tones targeted for shipment to its plants in Italy and Germany.

### **SALT**

Salt and Chemicals produced 734,000 tons of salt in 2004. Sales to the South African chemical industry were on par with the previous year but increased sales to West Africa contributed to record sales.

Some 108 employees were registered in 2004.

## **CAPITAL INVESTMENT**

In spite of the generally unfavorable investment climate, companies continued to invest heavily I by upgrading current projects and defining new projects for development.

Namdeb reports a total capital expenditure of N\$ 384,321,615, of which N\$ 25,912,734 was expended on sampling and prospecting – both on shore and offshore. AngloGold invested N\$ 135,017,000 in mine development, mine infrastructure and buildings. Rosh Pinah had capital expenditures of N\$ 28,462,494 on replacement of and additions to mine infrastructure and equipment. Expenditures by Ongopolo on shaft sinking etc. have been given above.

Exploration continued at a relatively high level particularly off shore by the diamond companies. Onshore exploration was mainly for gold and base minerals and it is encouraging to see interest in the mineral potential of Namibia been shown by both junior major mining companies from North America and Australia. Due to the increase in the price of uranium renewed interest is being shown in known secondary uranium deposits.

## **HEALTH & SAFETY**

I am very pleased to report that 2004 was free of any fatalities on the mines and that this achievement was recognized by the Minister of Mines and Energy in a congratulatory letter to the Chamber. Obviously the Health and Safety programs being implemented on the mines are having success in helping to prevent accidents in the workplace. The number of lost time accidents declined from 68 in 2003 to 44 in 2004.

Several companies have maintained excellent safety records, including Namdeb – Oranjemund and Navachab with over 18million fatality free hours.

The winners of the Chamber Safety Awards are : “A” Division : Ongopolo Processing with an excellent zero frequency / severity rate and the “B” Division winners are Northern Areas / Elizabeth Bay with a frequency/severity rate of 38.44.

NOSA Namibia’s activities have been broadened to include many companies outside the mining industry and it is pleasing to see private and public companies proudly displaying their NOSA stars.

Companies that have retained their NOSA 5 Star rating include Ongopolo Processing & Kombat Mine, whilst Okorusu achieved 5 Star status as did De Beers Marine with their 4 operating vessels. Navachab and Otjihase mines have four star ratings. The Institute of Mining and Technology (NIMT) retained its 4 Star Platinum status.

De Beers Marine Namibia is to be congratulated for receiving the NOSCAR award and NOSA International Top 100 award.

**The OKORUSU / CHAMBER OF MINES OHEAP** program is strengthening its efforts in response to the increasing HIV / Aids epidemic. Management and staff at the Mines and at various private companies have been advised and the “Peer Education” system implemented whereby individuals are trained to advise colleagues and family on prevention of Aids and living with Aids sufferers and families.

## **EMPLOYEE RELATIONS**

Unfortunately the tripartite Association of the Chamber of Mines, the Mineworkers Union and the Ministry of Mines and Energy through the Mining Cooperation Council did not meet during 2004 due to one or more of the parties being unavailable to attend meetings. This situation is unacceptable and every effort will be made to reconstitute these meetings in the coming year.

On the positive side there were no major strikes at the mines and bargaining agreements, although protracted in some cases, were amicably settled.

## **RELEVANT LEGISLATION**

Representatives of the Chamber were involved in discussions and comment on the proposed revisions to the Minerals (Prospecting and Mining) Act (including the Health and Safety Regulations) and the revised Labour Act, both of which have been under review for an excessive period of time. Contentious issues in both proposed legislation are still under review although the Labour Act is likely to be promulgated in early 2005. The Minerals Policy Document prepared by the Ministry of Mines and Energy was issued

during the year and outlines the Government's policy towards mining and attracting foreign investment. Should the recommendations and policies be implemented in a fair and just manner, then this will be to the benefit of the mining industry in particular and the nation in general whilst embodying the principles of 'Sustainable Development'.

### **INTERNATIONAL INVOLVEMENT**

The Chamber continued to support (through its Membership of MIASA – the Mining Industry Associations of Southern Africa) initiatives to broaden the co-operation of mining companies and their Governments with regard to the exchange of information and the co-ordination of mining policies within Africa, south of the Equator.

### **FUTURE OUTLOOK**

The incomplete resolution of the Iraq war has led to apprehension in the United States about United States involvement in the area, particularly as Iran has also come into the picture with its possible development of nuclear weapons. The dramatic increase in the oil price at the end of the year will certainly have an impact on production costs wherever fuel is used. These international perceptions have a marked influence on Americas trading partners.

Fluctuations in the USA currency have a major effect upon the earnings of mining companies that sell their product in US dollars. Forecasts are that the Namibian Dollar will depreciate against the US dollar which will be good news for local companies – the problem is that this is still uncertain.

Some of the points raised in the latest Optima Magazine which are pertinent to the mining industry worldwide are worth quoting:

- Most companies have adopted a 15% return on invested capital (ROIC) hurdle rate before new projects can go ahead
- Constrained exploration budgets in the past 5-6 years have resulted in few quality "greenfield projects".
- Supply growth is being matched more closely to demand growth compared with previous cycles
- In addition to infrastructure constraints there are growing shortages of skilled labour in Mining
- Contractors, project development/management talent and mining equipment
- Construction/development costs are rising sharply for new projects (15 - 25 %) which affects small and marginal projects more particularly
- **Rising energy costs, labour costs and raw material costs are having an effect on the long term decline in operating costs and the latter will inevitably rise leading to real costs to trend upwards.**

China is seen to be the "powerhouse" for the demand curve of the metals industry for the medium term (10 year) future and the potential exists for the highest growth rates in global metal demands since the 1960's. As a result Chinese demand growth is likely to average 8% - 12 % per annum.

We therefore look forward with confidence that 2005 will be a more rewarding year for the industry, that productivity on the mines will increase and that several interesting exploration projects will be developed into new mines.

**5. Announcement of Office Bearers**

Mr Neethling announced that, at a Council meeting held prior to the AGM the following persons had been elected as office bearers:

- |                                       |               |
|---------------------------------------|---------------|
| ➤ President( 2005 / 2007 )            | Mark Dawe     |
| ➤ First Vice-President ( 2005/2007)   | Otto Shikongo |
| ➤ Second Vice-President ( 2005/ 2007) | Deon Garbers  |

**6. General**

There being no further business the Chairperson thanked everyone for attending and closed the meeting.

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**Chairperson**

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**Date**