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# BUSINESS INFORMATION

| | | |
|---|---|---|
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| Legal Advisors | : | Lorentz & Bone |

## *THE PRESIDENT'S CRITIQUE*

### *Sustainable Development and the Mining Industry*

At first glance the idea that the mining industry and the concept of sustainable development may have a symbiotic relationship would seem to be diametrically opposed.

However, the year under review has seen the culmination of a major exercise, initiated by the private mining sector (the Global Mining Initiative), to ascertain the contribution of the minerals industry to social and economic sustainability and to chart the way forward. This exercise, known as Mining, Minerals and Sustainable Development (MMSD) and funded by ten of the major international mining houses, started at the beginning of 2000 on a regional and sub-regional basis. The Namibian minerals industry was involved in the compilation of the southern African Report. In the process MMSD southern Africa communicated with over one thousand individuals and concerned stakeholder organisations to try and draw up a picture of the positive and negative effects of the minerals industry in southern Africa.

The results indicate that the minerals industry has made significant contributions to economic development of the southern African region, in terms of foreign exchange earnings, infrastructural development, creation of new settlements and thus new markets, a catalytic action in stimulating the development of support industries, and the provision of education facilities to address the need for skilled employees and health and welfare facilities to provide for the well-being of employees (and dependants).

However, the effects of the minerals industry, historically, have not all been positive. Stratification of labour based very much on racial lines (inclusive of remuneration packages, career development, housing, etc), as epitomised in apartheid South Africa, contributed significantly to racial tensions and created social problems. Concentration of economic power further accentuated the wealth gap and extended the division between urban and rural communities. With regard to the environment, the legacy of abandoned mining areas and mine dumps, with concomitant potential for pollution, is evident in most mineral regions.

The operating context for the minerals industry in southern Africa is indeed a daunting one. The region has abundant mineral resources but limited food production potential and water availability plus a neglected human resource base. In general severe poverty and social inequities prevail which pose immense problems for sustainable development. Mining and minerals processing provide a unique opportunity for developing the human capital of the region whilst ensuring economic stability. However, such developments have an ecological price and the wealth generated must be used not only to bolster economic and social systems but also to minimise environmental damage.

The MMSDSA Report, its conclusions and recommendations fit in well with the SADC vision for sustainable development in the region, which states that the region must :

- accelerate economic growth with greater equity and self-reliance;
- improve the health, income and living conditions of the poor majority;
- ensure equitable and sustainable use of the environment and natural resources for the benefit of present and future generations

The various regional MMSD Reports were tabled for discussion, along with debate on several overarching issues, at an international minerals industry conference held in May in Toronto, Canada. The GMI conference itself was entitled "Resourcing the Future" and was attended by leaders of the major mining houses, government and union representatives plus representatives of concerned stakeholder groups. The conference concluded with a statement, known as the Toronto Declaration, which included the following :

- successful mining and metals processing operations require the support of the communities in which they operate;
- respect for these communities and a serious engagement with them is required to ensure that mining and minerals processing are seen as beneficial for the community and the operator;

- successful companies will respect fundamental human rights, including workplace rights, and the need for a safe and healthy workplace;
- successful companies will accept their environmental stewardship responsibilities for their facility locations

The global MMSD report plus a development report entitled “Breaking New Ground” were made available to participants at the World Summit on Sustainable Development (WSSD) held in Johannesburg at the end of August. WSSD, also commonly known as Rio +10, was convened to reinforce decisions taken at the Earth Summit in Rio de Janeiro in 1992 and, more specifically, to address the rapid degeneration of the planet’s natural resources and growing disparity between developed and under-developed areas of the world. Whilst not “white-washing” the historical adverse effects of the mining and minerals industry, the above reports went a long way in demonstrating the commitment of the minerals industry towards integrated, responsible development in future.

The Namibian minerals industry is fully supportive of the sustainable development concept and will develop its own plan of action for future operations. A Namibian meeting of stakeholders in the minerals industry was held to evaluate the MMSDSA Report and to consider how best to implement its recommendations as applied to Namibia. The Chamber of Mines, through the Mining Cooperation Council, will consider the implications of the Report and formulate strategies which will then be put forward for approval at a further stakeholders’ meeting.

With respect to the components of the Toronto Declaration, the Namibian government has, since Independence, established a business environment in which the minerals industry can carry out its business. Growing awareness by exploration and mining companies of the desirability to interact with local communities and concerned stakeholder groups prior to development is a positive step forward. Environmental impact assessment studies, required by law under the Minerals (Mining and Prospecting) Act of 1992, necessitate consultation with stakeholders whose comments and concerns are often extremely valuable. An example of this consultative process can be found in the development of the Sperrgebiet Land Use Plan, where the area is being divided into various categories of activity and conservation, from controlled minerals exploration to complete “no go” areas of specific ecological importance.
Whilst the minerals industry is not a prime generator of employment opportunities, there are a number of ancillary “non-core” business activities that can be performed by outside agencies. The allocation of such services to local business strengthens a sense of “ownership” in the immediate community whilst distributing wealth and developing an entrepreneurial culture.

The mining industry has always given a high degree of priority to the health and, particularly, safety of its employees. Despite the historical perception that mining is a high-risk business, the minerals industry has invested considerable time, effort and finance to minimising adverse workplace conditions for its employees. The Namibian mining industry’s safety record stands up well in comparison to international standards, although even one accident is one too many. Significantly, the mining industry has been at the forefront of actions towards the prevention of HIV / AIDS through innovative programmes involving all levels of employees.

The industry has long recognised that a vibrant, involved workforce is essential to successful operations. In a rapidly developing technological world the requisite skills to maintain a competitive advantage are essential. Accordingly, the minerals industry has promoted education and skills development as priority areas through various types of assistance programmes. Efforts towards redressing the imbalance in human development are of benefit to not only the individual but to the company itself in terms of committed, skilled employees.

In summary, the Namibian minerals industry has been involved in an exciting world-wide initiative which has set a basic framework on which to build for the future. In parallel the Namibian mining industry, through the Mining Cooperation Council, has been developing its own scenario of where it sees itself in the future and actions necessary to achieve this vision. In order to survive and maintain its contribution to Namibia’s future well-being, the mining industry has to continuously adapt the way it carries out business.

Interaction and consultation with all stakeholders is of prime importance so as to improve understanding of the objectives and expectations of all parties concerned. Companies are committed to corporate governance, accountability and transparency in their dealings with other groups. However, operating companies, whilst sharing, wherever possible, benefits with the community at large, require those communities to also accept their respective responsibilities.

The Namibian minerals industry is, therefore, committed to responsible management of mineral resources, taking due cogniscance of the effects its activities may have on the environment and minimising these wherever possible. The industry, whilst not a major employer, will continue to be actively involved in skills development, safety and training and investigate additional avenues for ancillary employment opportunities.

In conclusion, although it is difficult to link the concept of sustainable development to an industry that finitely depletes natural resources, it can be seen that the minerals industry is fulfilling the concept by supporting the distribution of the wealth it creates for the betterment of the nation.

CHAMBER MINING MEMBER EMPLOYMENT AND PRODUCTION STATISTICS

| Company | Employees as At 31.12.2002 | Product | 2001 | 2000 |
|---|---|---|---|---|
| Namdeb Diamond Corporation (Pty) Ltd | 2890 | Diamonds (carats) | 1275899 | 1384704 |
| Namibian Minerals Corporation | 300 | Diamonds (carats) | 235616 | 85592 |
| Trans Hex Group Limited | 58 | Diamonds (carats) | Joint Venture / Contracts | |
| Diamond Fields (Namibia) (Pty) Ltd | 3 | Diamonds (carats) (through Joint Venture operations) | 25401 | 16470 |
| Diaz Point Exploration (Pty) Ltd | 64 | Diamonds (carats) | 12683 | 8479 |
| Rossing Uranium Ltd | 771 | Uranium oxide (metric tons) | 2751 | 2640 |
| Ongopolo Mining & Processing Limited | | | | |
| Ongopolo Processing | 224 | Blister copper | 17850 | 27015 |
| | | Copper | 17567 | 26647 |
| | | Silver | 12,02 | 18,15 |
| | | Gold (kilograms) | 165 | 157 |
| | | Refined arsenic trioxide | 880 | 914 |
| Kombat Mine | 265 | Copper concentrate | 23836 | 18180 |
| | | Contained copper | 6602 | 5480 |
| Otjihase Mine | 314 | Copper concentrate | 39125 | 26152 |
| | | Contained copper | 11208 | 6912 |
| | | Pyrite concentrate | 3633 | 56994 |
| | | Sulphur | 1874 | 28606 |
| Tsumeb Operations | 50 | Copper concentrate | 1036 | - |
| | | Contained copper | 202 | |
| Anglogold Namibia (Pty) Ltd | 311 | Gold (kilograms) | 2650 | 2694 |

| | | | | |
|---|---|---|---|---|
| Rosh Pinah Zinc Corporation (Pty) Ltd | 511 | Zinc concentrate | 77587 | 70610 |
| | | Zinc in concentrates | 41012 | 31803 |
| | | Lead in concentrates | 1381 | |
| | | Silver in concentrates | 6,90 | |
| | | Lead concentrate | 24140 | 26182 |
| | | Lead in concentrates | 11809 | 13025 |
| | | Zinc in concentrates | 1673 | |
| | | Silver in concentrates | 16,67 | 31,97 |
| Namzinc (Pty) Ltd (Skorpion) | 507 | SHG Zinc | 35 | n/a |
| Okorusu Fluorspar (Pty) Ltd | 186 | Fluorspar concentrate | 81084 | 81245 |
| | | Dry payable content | 73380 | 73933 |
| Walvis Bay Salt Refiners (Pty) Ltd | 98 | Coarse salt | 552000 | 500441 |
| Salt Company (Pty) Ltd | 70 | Coarse salt | 54729 | 58000 |
| | | Refined salt | 9640 | 11250 |
| | | Rock salt | 5631 | 6400 |

(production figures in tonnes unless otherwise stated)

# 2002 ANNUAL REPORT

## 1. LOCAL PRODUCTION

### *1.1 Diamonds*

Total diamonds produced during 2002, at 1549599 carats, showed an increase of 3,6% as compared to the 1495245 carats recovered during 2001.
The increase in marine diamond production was as a result of Namco being able (for part of the year) to deploy two mining vessels, although production from the company ceased towards the end of November due to severe financial problems. Some 807036 carats (representing 52,1% of total production) were, however, produced from marine operations as compared to an output of 744034 carats during 2001.

Production from Namdeb Diamond Corporation amounted to some 1,276 million carats, thus recording a slight decrease of 7,86 % as compared to that produced in the previous year.
Whilst the average stone size recovered was 0,58 carats, a yellow octahedron stone weighing 152,1 carats was recovered during December.
Onshore mining operations produced some 696914 carats for the year, with Orange River mining areas accounting for 58548 carats.
Inshore mining (beach and shallow waters) produced some 65932 carats.
Offshore (deep waters) production by De Beers Marine Operations amounted to some 513053 carats as compared to the output of 542915 carats during 2001. During the year DBMN mined some 2,5 sq.km.
Namdeb has continued its empowerment efforts with the consolidation of relations with previously disadvantaged small contractor groups.

Total tonnage treated in Diamond Area 1, at 28,076 million tones, showed an increase of some 28 % on that moved in 2001, although Mining Area 1 was unable (by just under 1 %) to meet its target. This was due to a postponement in establishing a continuous operation at No. 2 plant, used for tailings treatment. After commissioning the plant it was found that the amount of fine material exceeded estimates. Approval for alterations to ensure successful operations was given at year end. Further plant changes may also be necessary once test results, from liberation work conducted on the dump material, have been fully analysed.

Commissioning of the wet in field screening plants in the No. 3 plant area was hindered by problems with the feed grizzlies. These problems were finally overcome by the complete modification of the feed arrangements with the result that the plants were achieving their targets by year-end. The problems encountered with the No 4 Plant front end not being handle to ore presented to it were successfully overcome such that, with the extension of life of the Plant having been guaranteed until 2006, the Plant will remain a major producer of quality carats.

The Dredge unit performed well throughout the year. Various modifications were made, the most significant of which entailed the installation of visualization equipment. However, further work is necessary to ensure that maximum knowledge is obtained from the interpretation of the information from this unit. Investigations into the modifications to the trammels and the installation of in-line pressure jigs resulted in a capital project being approved for implementation in mid 2003. The project itself will improve throughput and quality of concentrate produced. The viability of installing a second dredge unit in the southern part of Mining Area 1 is still under consideration.

Along the Orange River, the highlight of the year occurred on 30th May, when the Daberas Mine was officially opened by the President of the Republic of Namibia. Tonnage treated during the year through the Daberas treatment plant as well as the in-field screening and mobile treatment plant amounted to some 4,39 million tones. Additional modifications were carried out on these plants with the objective of reaching full capacity by mid 2003.
In line with the projected increases, slimes disposal capacity was increased with the establishment of the first phase of an impoundment and ring dyke slimes dam. As part of this phase, EnviroScience was

contracted to, and completed, an EIA on the slimes dam. The second phase of the slimes dam will be completed during 2003.

Namdeb reports that some N$ 285,5 million was incurred in capital expenditures, inclusive of N$ 30,8 million on sampling and prospecting (land and marine) and N$ 4,5 million on refurbishments. amounted to some N$ 259,2 million during the year under review, inclusive of some N$ 79 million incurred in exploration and sampling operations.

In the environmental field Namdeb reports that all operations within Diamond Area 1 retained their ISO 14001 certification. In addition, DBMN achieved ISO 14001 certification whilst all its vessels obtained ISM certification for the first time.

NamGem Diamond Manufacturing Company continued to improve internally but faced issues that impacted negatively on performance, including fluctuating exchange rates, suppliers' performance, increased costs of training and the funding of a four-month pipeline during the year under review. The Board has taken cogniscance of these issues and has decided to implement an independent review in 2003 with a view towards restructuring.

Polished turnover increased by some 20% and of this N$ 1,2 million was derived from local sales to members of the Jewellery Association of Namibia and Namdeb's Kolmanskop attraction. The balance of production continued to be sold on the global market to the world's leading polished traders. This has been achieved by the company focusing on producing a quality product, in line with exacting client demands, and has resulted in total sales of all goods produced. Throughout 2002 the DTC has consistently supplied goods in the 3-8 grn range. This represents a significant increase in rough size and has enabled the company to produce its first 1,0 ct polished stones.

Namgem has continued to develop its skills base in line with overseas factories but this has meant increased training costs. Namibianisation of the business has continued to be a priority with only 2,5% of the workforce being expatriates. Some 19 new staff recently successfully completed training and will be engaged as permanent employees in February 2003. The MUN and management have worked hard to resolve sensitive issues to the mutual satisfaction of both parties and concluded a two-year agreement.

2002 saw the establishment of the De Beers Marine Namibia (DBMN) office in Windhoek. After a long and logistically complex period, the Operations and Mineral Resources Units are in operations, whilst most of the associated support services of Human Resources and Finance are in place. The next phase of the transfer deals with the design and relocation of Information Technology, Business Processes, the Supply Chain and Security.

Despite improved production of 235616 carats in 2002, as compared to 85592 carats in 2001, and new investment from the controlling shareholder, the Leviev Group, Namibian Minerals Corporation (Namco) continued to experience operational and financial difficulties during the year under review.

During the second quarter of the year the company entered into discussions with its principal shareholder, LL Mining Corporation BV, the company's senior lenders, known as the Consortium of Banks (CoB), and the Government of Namibia, for additional financing to fund a recovery programme.
Despite substantial concessional support from Government, LL Mining Corporation BV was unable to reach a compromise agreement with the CoB.
This failure to reach an agreement had severe repercussions in so far as LL Mining Corporation BV ceased to advance funds to the company at the beginning of December 2002.
As a direct consequence of this action, some subsidiaries of the company in Namibia, South Africa and the United Kingdom were placed into provisional liquidation.

Currently the liquidators are hoping to put together proposals to take-over and operate the company. Failure to achieve such an undertaking would mean an eventual piece-meal sale of Namco's assets, whilst its mineral licences would revert to the State (for re-allocation to other interested parties) and its geological information would become public.

Diamond Fields International reported that the Joint Venture agreement for mining, with Trans Hex, was unilaterally terminated by the Trans Hex Group on 30th June. Subsequent legal action between the two companies was concluded towards the end of the year. Diamond Fields International re-commenced mining operations in terms of a short-term contract with Gemfarm Investments in December 2002.
Gemfarm operates the *mv Anya*, which is equipped with dual 24-inch airlift mining systems.

The Board of the sole shareholder, Diamond Fields International Limited, was replaced at the company's AGM in late November 2002, by virtue of a dissident proxy vote. The new Board is in the process of reviewing the corporate business plan, which includes the possible acquisition of its own mining vessel for deployment in its Namibian (Marshall Forks) concessions. The Board has also indicated that Trans Hex and DFI have agreed to explore a possible new working relationship in regard of their respective interests in marine diamond mining.

During the year under review the company expended some N$ 750000 on exploration, mainly on data capture, processing and enhancement and re-interpretation as a precursor to future exploration of its Luderitz Bay concessions.

During the first half of the year under review, Trans Hex Marine (Namibia (Pty) Ltd, (THMN), continued off-shore mining operations in terms of its Joint Venture agreement with Diamond Fields International. As noted under DFI, this agreement was terminated at the end of June 2002. Subsequent to this action, (in mid-August) THMN entered into a charter agreement with De Beers Marine to conduct contract sampling work for Namdeb. THMN deployed the *mv Ivan Princep* for this purpose, which was later replaced by the *mv Namakwa.* This mining vessel was originally commissioned in November 2001, as an airlift operated mining vessel, at a total cost of N$ 56 million.

Operations at Diaz Point Exploration produced a total of 12683 carats during 2002, an increase of some 49,6 % on the 8479 carats produced in 2001. Some N$ 1,45 million was expended on exploration, including the purchase of a new prospecting unit and in-field screening plant to work wet gravel. Considerable exploration work is being carried out to further identify and prove additional mineable reserves.
As reported in the last Annual Report, the company has been restructured to include the empowerment group Omina and Mutora Resources.

### *1.2 Uranium*

Production during 2002 at Rossing Uranium, Namibia's only operator, amounted to 2751 metric tonnes of uranium oxide, an increase of 111tonnes (4,2 %) on that produced in 2001. It is expected that production will be about 5 % higher during 2003 to facilitate tying-in of the sands conveyor. As has been the case for a number of years, Rossing continues to operate below design capacity given the continuing moderate levels of demand and flat pricing structure in the uranium market.

Operations were focused on constructing a new haulage and pit area ramp on the north wall of the existing pit. A major fault in the south pit wall was deemed a significant risk and the ramp on that wall was subject to a possible wall failure. Significant geo-technical analysis was carried out during the year to assess the impact on any future mining and the planned expansion of the mine. The results of these studies will be available in early 2003.

Test work and evaluation of the ore sorting pilot plant continued throughout 2002. Commissioning of a new plant cannot be decided until a complete business case has been developed. Plans to place the pilot plant into full production were developed in 2002.

Construction of an overland conveyor, for the purpose of replacing the tailings pumping system, commenced early in 2002. The conveyor will carry dewatered sands from the plant to the top of the tailings disposal area where the sand will be re-pulped with thickener slimes and then pumped to the designated paddy for disposal. The sands conveyor is expected to significantly improve the reliability of the process plant.

Capital expenditure by Rossing in the year under review amounted to som N$ 54,3 million, mainly on the construction of the sands / tailings conveyor system and replacement of the Rossing bus fleet, consisting of 14 units.

### *1.3 Copper*

During 2002 Ongopolo Mining and Processing consolidated existing operations whilst making rapid advances on a number of new projects, some of which were initiated last year.

The Kombat mine increased output from 18180 tonnes of concentrate in 2001 by some 31% to 23836 tonnes during 2002. Concentrate grade dropped slightly from 30,1% to 27,7% resulting in production of some 6602 tonnes of contained metal as compared to 5480 tonnes in 2001.
The most exciting development, associated with the Kombat Mine is, of course, the development of the Asis Far West Appraisal Shaft which will open up new ore bodies to significantly extend the life of Kombat. Detailed research work and computer modelling has indicated possible reserves in excess of 30 million tones which, through this extensive exploration programme could be tapped in another two years time.
In addition the village of Kombat itself is likely to be proclaimed as an urban settlement during the latter half of 2003, thus ensuring stability within the community and potential for added community development.

Otjihase Mine assumed the major role for supply of concentrates during the year under review, whilst additional ancillary works were carried out at Kombat. Production of concentrates increased from 26152 tonnes in 2001 by some 49,6% to 39125 tonnes during 2002. With a corresponding slight increase in concentrate grade contained metal increased from 6912 tonnes in 2001 to 11208 tonnes in the year under review.
Although some 4064t of dry pyrite concentrate and 2061t of sulphur has been exported to South Africa, quantities could be substantially improved once construction of the road bridge between Namibia and Zambia is completed. This would also place the smelter in a more advantageous position to accept concentrates for processing and present additional “return trip” opportunities to other Namibian export companies.

Operations at the smelter complex were satisfactory, resulting in some 17850 tonnes of blister copper, containing 17567 tonnes of metal plus 12 tonnes of silver and 165 kilograms of gold, being produced by year-end.

Renovations at the Tsumeb concentrator, amounting to some N$ 600000, were completed during October and the mill energized on 30$^{th}$ October. The plant will treat ore from Tschudi, Tsumeb West and Tsumeb Upper Levels. The latter operation produced an average of 1300 tpm during 2002 and, with the introduction of hydraulic fill, production is scheduled to rise to 2500 tpm in 2003. At the Tsumeb West Mine development planning work has been completed and production is scheduled to start during the second quarter of 2003.

In addition to the above, several other exciting development projects are in the process of being developed, the most important of which is the joint venture germanium project with ZincOx Resources. A concept

study has been completed and currently testwork is being undertaken as regards recovery processes and levels of recovery. It is hoped that a full feasibility study on the project will be completed by the end of 2003.
Ongopolo is also carrying out an investigation into the viability of re-treating tailings dams materials, provisionally estimated to contain some 0,4 % copper, 0,9 % lead and around 14 g/t silver.

Planning work for the Tschudi Mine has been completed resulting in pit design parameters of 250 m length, 90 m width and a depth of 30m. A cut-off grade of 0,6% copper represents 185000 tonnes of ore at an average grade of 0,99% copper and 8 grams per tonne silver. Initial work has involved clearance of the area and preparation of a bulk sample for heap leach testwork.

### *1.4 Lead*

Production of lead concentrates, by the Rosh Pinah Zinc Corporation, decreased by some 7,8% to 24140 tonnes as compared to 2001's production of 26182 tonnes. Lead concentrate grade was maintained at around the 49% level, whilst contained zinc averaged 6,93% and silver 690,6 g/t.

There was no lead production at Ongopolo operations during 2002, although indications are that testwork may re-start towards the end of 2003.

Rosh Pinah's lead concentrates continue to be sold through trader tenders for overseas shipments through the Port of Walvis Bay. However, with the expansion of the Port of Luderitz, the company is investigating the use of this facility.

### *1.5 Zinc*

Rosh Pinah's production of zinc concentrates showed an increase of some 9,9%, at 77587 tonnes, as compared to 70610 tonnes produced in 2001. Concentrate grade was maintained at comparitive levels (just under 53%) throughout the year. Zinc metal contained in concentrates amounted to 41012 tonnes as compared to the 31803 tonnes shipped during the previous year. Zinc concentrates shipped also contained appreciable amounts of lead, at 1,78%, and silverrunning at 88,84 g/t.

As reported in last year's Annual Report, the company was forced to curtail its investment programmme, due to low metal prices. The market situation, unfortunately, did not significantly improve during 2002, thus precluding the re-start of this programme.

However, Rosh Pinah Zinc Corporation met its production targets and, aided by a climate of good industrial relations and participation by all, managed to hold costs to well below budget.

Capital expenditure amounting to some N$ 34,73 million was incurred by the company, the major portion (N$ 15,9 million) being expended on essential development work. In addition, N$ 5,6 million was spent on primary equipment, whilst N$ 9,1 million was expended on secondary equipment. the company  Issuing Section has been successfully introduced and an agreement to this effect signed with the Mineworkers' Union. Employees' health and wellbeing feature very strongly in the company's list of priorities as evindenced by the fact that some N$ 1,33 million was spent on housing (extensions and up-grading) together with nearly N$ 600000 on Safety and Health programmes.

An extremely sound relationship with Skorpion Mine Management has been established, through a joint venture company known as RoshSkor, in order to develop the Rosh Pinah settlement into a self-sufficient entity.

Namzinc reports that construction of the project is nearing completion and commissioning of various sections has commenced. Some 35 tonnes of SHG zinc was produced through the pilot training plant during the year, whilst operational production will start in April.

During the year under review some N$ 2134, 5 million was expended on capital works thus reinforcing Skorpion's claim to represent the largest single investment in Namibia. In addition to this expenditure, some N$ 1,3 million was spent on exploration programmes.

Construction work peaked at mid-year when there were some 4600 contractor employees on site. (Between May 2001 and December 2002 some N$ 76 million was paid out to local construction employees.) Subsequently this number has reduced as the work nears completion. Despite the generally good relationship built up between Skorpion Project Management and the contractors and their employees , unfortunately Namibian construction workers instigated a two-day strike, which turned violent, on 14 and 15 August. The strike was followed by an eleven-day construction site closure to allow for a "cooling off" period. However, although the direct time lost to construction was thus 13 days, the real-time lost, in terms of site re-organisation and lost momentum, was considerably longer.

In terms of their various agreements contractors undertook to repatriate their employees to origin of employment. However, numerous construction employees did not conform to this practice and stayed on at Rosh Pinah in the hope of gaining other, permanent employment. This influx of unemployed persons has created many social problems within the small community, as there are few employment opportunities at either Skorpion or Rosh Pinah itself. Possibly the situation will be assisted by the proclmation of the Rosh Pinah settlement, which will hopefully be effected in mid-2003.

The announcement that funding has been accessed to surface the main road from Rosh Pinah to Aus, starting in the third quarter of 2003, is extremely welcome, especially with regard to improved transport conditions and the general safety of all road users.

### *1.6 Gold*

Total gold production remained fairly constant, at 2815 kg as compared to 2851 kg in 2001.

Ongopolo Processing produced some 165 kg, contained in the blister copper product, as compared to 157 kg in the year 2001.

Anglogold, at its Navachab Mine, in maintaining its production rate, realised its second best gold production year, at 2650 kg, as compared to the 2694 kg produced in 2001. In addition, the mine recorded the best-ever price (in Namibian dollar terms) received for gold.

In September the Board gave approval for the implementation of the Eastern Pushback Project. As reported in last year's Annual Report, the sustained rise in the gold price, combined with the relatively sharp depreciation of the Rand, and thus the Namibian Dollar, re-initiated investigations into the viability of the phased pit expansion project. In addition, extra drilling and improved geological information increased the reserves.
The Eastern Pushback Project will now extend the life of the mine to at least 2013 and will more than triple the amount of gold produced from 204000 ounces to 660000 ounces. Accordingly, Navachab submitted an application for the renewal of its Mining Licence which was readily approved by the Ministry of Mines until 2013. In the course of this project the open pit will be considerably extended by some 85m in length and deepened by approximately 40m to a base of 230m. Unfortunately, the pushback will mean that a very hard footwall ore zone will have to be mined, which will present its own problems in terms of milling throughput. The company is currently investigating ways to cost-effectively obtain better fragmentation in pit operations to alleviate the envisaged problem.

In the light of such encouraging developments, the company has launched a pre-feasibility into a further "mine expansion project". The conceptual pre-feasibility will look at the viability of a major enlargement of the pit with the milling rate probably doubling, whilst the mine's life could be extended to around 2020. Under such a plan the grade would be reduced and a new processing plant required. However, the water requirements would be substantially increased and there would also be a number of other factors to consider. It is not likely, however, that such a pre-feasibility will be completed before 2004.

***1.7 Silver***

Some 12,018 mt of silver, contained in blister copper, were produced at Ongopolo Processing during the year, a decrease of 33,8 %, (a result of the composition of materials treated), as compared to 18,154 mt produced in 2001.

Silver in lead concentrates, produced by Rosh Pinah Zinc Corporation, amounted to some 16,67 metric tonnes in 2002 as compared to 31,97 mt in 2001.An additional 6,9 metric tones of silver was contained in the zinc concentrates produced during the year.

***1.8 Fluorspar***

Production of Acid Grade CaF2 concentrate was maintained at 2001 levels, at 81084 tonnes for the year ( 81245 tonnes in 2001). This was, however, a shortfall of approximately 4000 tonnes on the scheduled production target of 85000 tonnes and can be attributed to lower than expected mineral recoveries in the flotation process, resulting from excessive phosphate in ores derived from the B orebody. In additional there was a significant loss of production from the B orebody as a result of the mine's inability to gain access to part of that area of its Mining Licence, owing to an ongoing dispute with the landowner.

Okorusu, however, achieved its shipment target of 90000 tonnes by exporting some 90216 tonnes of Acid Grade fluorspar, as compared to 74870 tonnes shipped in 2001. Sales to Solvay Fluor in 2003 are scheduled to increase to 95000 wet tones Acid Grade fluorspar and further increase to 100000 tonnes (planned mine capacity) in 2004. Sales will be split between the HF plants in Germany and Solvay Fluor's large fluorine plant, Ausimont, in Italy.

The extensive orebody definition exploration programme (some N$ 4 2 million was expended during the year) on the A and C orebodies was completed during the year. Revised "economic shells" will be produced for both pits during the first half of 2003. Exploration during 2003 will focus on the B orebody extensions to complete a similar exercise. Once complete, a life-of-mine study will be conducted. Currently it is believed that sufficient ore remains for an estimated life of some 15 years at a production rate of 100000 tpa. Although open pit methods will continue for a number of years, it is anticipated that eventually mining will go underground.

As noted above, mining of the B orebody has been restricted to the small area owned by Okorusu itself. Access to the adjacent area, which falls within the company's Mining Licence, cannot be effected until a compensation agreement with the landowner is concluded. This, in effect, means that alternative strategies have had to be implemented to counteract the loss of ore from B orebody, especially in revised ore-blending schedules for the concentrator. Negotiations with the landowner to replace the original 1947 agreement, concluded with Imex, have been ongoing since the early nineties with various unsuccessful attempts to solve the matter through mediation. The company has now approached the Ancillary Rights Commissionto assist in resolving the issue.

Okorusu's investment programme has continued throughout the year with some N$ 11,6 million being spent on both new equipment as well as replacement and renewals.

In 2001 the company identified a possible deposit at Omburo, near Omaruru. During 2002 the company concluded an initial exploration programme, environmental baseline study and environmental management plan. As a result of initial exploration an exploration drilling contract to be executed in 2003 has been awarded. The drilling is scheduled to start in the first quarter of the year, after which it is planned to carry out a feasibility study that should be completed by the end of the year.

Okorusu, with its parent company Solvay Fluor, continues to fulfill its role as primary sponsor of the Chamber Occupational Health Education and Awareness Programme, primarily in the field of HIV / AIDS

prevention programmes. Additionally the company has targeted schools in Otjiwarongo for financial assistance with various projects such as new classrooms, toilets, etc.
The "Okorus Health Clinic", established in 2001, continues to provide high quality, first-line care to both company employees and the local farming community and also provides a counselling service to personnel who may be affected with the HIV disease.

### *1.9 Salt*

Coarse salt production for 2002 by the two Chamber member companies, Salt Company and Salt & Chemicals, amounted to 622000 tonnes, an increase of some 11,4 % on the 558441 tonnes produced in the year 2001.

As a result of the completed expansion programme (see last year's Annual Report), production of coarse salt by Walvis Bay Salt Refiners increased by 10,3 % from 500441 tonnes in 2001 to some 552000 tonnes in the year under review.

As a result of various initiatives the total shareholding of the company now resides with Chlor-Alkali Holdings (Pty) Ltd.

Capital expenditure by the company, on replacement plant and equipment, amounted to some N$ 2,3 million for the year.

An increase in actual sales, to 580000 tonnes for the year, was also realized. Whilst sales to the South African chlor-alkali industry remain in line with the previous year, exports to West Africa and, particularly, the Middle East increased by some 28 % over the previous year. It is anticipated that this market will further increase during 2003.

Production of the four products, being table, fine, coarse and rock salt, at Salt Company's operations was generally maintained at the previous year's level. As reported in last year's Annual Report, sales to South African customers are ongoing, especially as regards the rock and table products. The company has been engaged in a capital refurbishment programme incurring expenditure of some N$ 12 million, including the purchase of two Bell truck units.

Although not a Chamber member, Cape Cross Salt, which was established in 2001, produced and sold some 7323 tonnes of coarse salt and 836 tonnes of rock salt during 2002. Progress with this operation, which has been partially financed by the Minerals Development Fund of Namibia, will largely depend on the success of a marketing campaign currently being carried out in Angola, the DRC, Zambia and West Africa.

# 2. MINERAL MARKETS

## *2.1 Diamonds*

By the end of 2001, following a better than expected Christmas season, inventory of polished diamonds held by the retail trade had been significantly reduced and stocks of rough in the cutting centers were also low.
During the first half of 2002 the retail sector, however, reversed the trend of the previous year by replenishing polished inventory in anticipation of growth in consumer demand.

However, despite a promising first half, consumer confidence, particularly in the USA, began to erode in the second half of the year due to fears of deflation, rising unemployment, sharply declining stock markets and the prospect of a war in the Middle East. Nevertheless, global retail sales of diamond jewellery for the year as a whole held up reasonably well and preliminary results indicate a three percent increase on those of 2001. Encouragely, reports from the trade suggest that over the all important Thanksgiving and Christmas season in the USA, jewellery sales outperformed general retail sales and that diamond jewellery outperformed the jewellery category, no doubt in part due to a marked increase in quality advertising spend by the diamond trade, development of multiple brands, and innovative marketing programmes. Elsewhere good growth was reported from the Middle East, India, China and the UK, but a continuing decline in the Japanese market, whilst continental Europe was disappointingly flat.

Throughout the year demand for rough diamonds was strong as the cutting centers responded to the increased demand for polished diamonds from the retail trade, in addition to which the cutting centres, encouraged by low interest rates, were prepared to finance higher levels of stock. These two factors, combined with the further advantage available to clients of the DTC, the marketing arm of De Beers, of being offered consistent assortments of rough diamonds at competitive prices, enabled DTC sales to reach US $ 5,15 billion, an increase of 15,7% on the previous year.

Sales through DTC and CSO (in millions US $) for the last six years are as follows :

| Year | Total | % Change |
|---|---|---|
| 1996 | 4834 | |
| 1997 | 4640 | ( 4,01 ) |
| 1998 | 3345 | ( 27,91 ) |
| 1999 | 5240 | 56,65 |
| 2000 | 5670 | 8,21 |
| 2001 | 4454 | ( 21,45 ) |
| 2002 | 5154 | 15,72 |

After more than two years of cooperation between governments, industry and civil society, the Kimberley Process Certification Scheme ( KPCS ) for rough diamonds was formally adopted on 5th November at Interlaken, Switzerland by over fifty nations involved in diamond production, processing, and consumption.
KPCS is designed to allow the free flow of certificated diamond between participating countries as mandated by the United Nations General Assembly. The World Diamond Council affirmed the industry's undertaking to simultaneously implement self regulation, or System of Warranties, as contained in the Scheme.
The governments of Botswana, Namibia, Russia, South Africa, and Tanzania, being producers of rough for De beers, are to be congratulated for their committed efforts during the latter part of 2002 to produce the necessary government legislation and certification to comply with and implement KPCS. There is no doubt that KPCS will be a success but it will require continued commitment and vigilance from all participating members.

2003 is likely to prove a challenging year for the diamond industry in view of continuing geopolitical concerns and thus greater economic uncertainty. DTC sales will be influenced by the timing and scale of global economic growth as reflected by a recovery in consumer confidence. This, in turn, will have a direct bearing on the level of stocks that the trade pipeline will be comfortable in holding.

### *2.2 Uranium*

Prices remained relatively flat throughout the year. Average reported spot and long-term prices, in US $ / lb, at the end of each quarter are as follows :

| Quarter | Spot | Long Term |
|---|---|---|
| 1 | 9.90 | 10.40 |
| 2 | 9.90 | 10.40 |
| 3 | 9.75 | 10.75 |
| 4 | 10.20 | 10.75 |

The volume of spot material for 2002 was 18,95 million pounds, a decrease of some 3,3 % on the 19,6 million pounds recorded in the year 2001.

The volume of long-term sales for 2002 was 36,1 million pounds, a decrease of some 4,7 % on the 37,9 million pounds recorded in the year 2001.

During the latter half of 2002 significant quantities of $UF_6$ entered the market as some utilities liquidated stock holdings. $UF_6$ constituted 42 % of the uranium sales during 2002 as compared to 19 % the prior year.

The late surge of spot demand helped to push the price above the psychological double digit barrier in December.

Secondary supplies of uranium still cloud the future of the market. Uncertainties concerning the quantity and quality of these stocks make predictions as to their impact on the market very difficult. During the year some clarity as to how the material will enter the market, and the resulting effect on prices, was achieved. However, it is fair to say that a degree of uncertainty still remains with a slightly positive effect on spot prices.

Revelations of reactor and safety inspection falsifications rocked the Japanese nuclear power industry with TEPCO (Tokyo Electrical Power Company) being the principal offender. By early 2003 all seventeen of TEPCO's reactors will have been shut down for re-inspection. Reports early this year indicate that reactors will start coming back on line by May 2003 at a rate of only two reactors per month.

Finland announced plans to build a new nuclear power plant during 2003, the first such announcement in more than a decade in a European country.
Meanwhile storage of spent nuclear fuel nudged forward when the US administration approved the Yucca Mountain storage project. However, considerable opposition remains as the project now moves forward to the formal licensing process.

### *2.3 Copper*

Copper started the year at an unchanged three-month price of just below US $ 1500 per tonne and performed erratically throughout 2002. To a certain extent this performance mirrored worldwide sentiment as volatility seemed to be the over-riding characteristic of global equity markets.

In the first quarter the price rallied to a high of US $ 1675 per metric tonne as fund buying took center stage, largely in the absence of trade related business. The second quarter was dominated by an increase in LME copper stocks to nearly one million tones as producers and traders alike placed material into LME warehouses to compensate for a lack of physical demand from consumers in Europe and the USA. Consequently the price fluctuated during the quarter between US $ 1520 and $ 1700 per tonne as the apparent lack of physical demand was offset by investment funds looking to stay long copper at (relatively long-term) cheap prices. The third quarter saw a sell off in copper as the accounting scandals in the USA took toll on the global equity markets, the price at the end of the quarter drifting down to US $ 1460 per tonne. Prices recovered somewhat in the fourth quarter as funds re-commenced buying on the back of the release of some good US economic data, allied to the announcement of some producer cuts. The year closed at a relatively steady price of US $ 1680 per tonne.

As noted above, global demand for copper was relatively stagnant, although with varying levels of regional consumption. Dismal consumption trends in both the USA and Europe were, to a certain extent, offset by better than forecast growth patterns in the Far East, particularly in China, Korea and Taiwan. However, the overall position resulted in a net supply surplus of 102000 tonnes during the year.

Looking forward to 2003, the copper market is forecast to move into balance, and even a small deficit situation, primarily as a result of production cuts, mainly from Chilean producers. BHP Billiton announced, in late 2002, that the production cuts implemented towards the end of 2001 would remain in force. In addition the corporation announced another production cut of some 80000 tonnes at the Escondida mine in Chile, where BHP is the majority shareholder.

Codelco has declared that it will hold some 200000 tonnes from production in 2003 to assist in the supply / demand recovery. The cynical view, however, is that the company is waiting for Chinese physical premiums peak, whereafter it will resume deliveries. There has been some early encouragement based on the news that the USA and Chile have finally come to an agreement to cut the existing 1 % duty on Chilean copper, which will be completely phased out by the end of 2004. In addition, there is also scope for further cutbacks from Asarco, the US subsidiary of Grupo Mexico.

As a result of the above announcements, it is thus expected that the LME price will recover in 2003, with analysts predicting that the three month copper price will average between US $ 1700 and $ 1800 per tonne. However, such predictions are subject to the base premise of substantial recovery of the US economy, the market driving force, and thus subsequent increase in demand for base metals.

### *2.4 Lead*

Although the lead market outperformed other LME metals in 2001, the reverse occurred in the year under review. Whilst others metals enjoyed limited rallies in the first half of the year, the lead price suffered severe pressure and crashed by some 25 %, between January and July, to record its lowest price since April 2000. All in all, the average price recorded a fall of some US $ 100 per tonne between the first and third quarters, from US $ 513 in January to US $ 418 in October. Weak demand has been, again, cited as the main factor but this is scarcely unique for the metal. Lead has, however, been hit particularly hard by surging LME stocks and, whilst a concurrent surplus partly explains the doubling of stocks over the first seven months, there is definite cause to believe that unreported material, built up between 1999 and 2001, has resurfaced.

As was expected, lead consumption did not drop as heavily in 2001 as other LME metals. Declines of around 3 % in the West and 1,0 to 1,5 % worldwide were less than half those for the whole sector. However, although poor performance from non-battery applications was not unexpected, the extent of the plunge in industrial battery use took the market by surprise. Unfortunately this trend has continued with lack of investment into new economies being quoted as the major factor. The foregoing reason has also been advanced as the primary factor responsible for similar year-on-year reductions in western and global demand. Despite vehicle sales and OE batteries holding up better than expected in 2002, it was hardly a bumper year.

Whilst the dominant replacement automotive battery market should, as usual, remain steady, it is widely forecast that, in the face of a still sluggish world economy, a rebound in consumption of no more than 2,5 % should be expected in 2003.

Against the above, western primary refined production plunged another 10 % in 2002, as compared to 7 % in 2001. Lead mining, in general, is in a long-term crisi and a number of temporary and permanent closures have reduced world output down to 1993 / 94 levels. Smelters are, thus, under severe pressure from tight concentrate supply and adverse treatment terms, as well as poor prices.

Demand growth has, for many years, been met mainly by the secondary industry, consisting largely of a closed loop with tight controls to ensure battery recycling, and an expanding scrap pool. Primary smelters are, accordingly, turning increasingly towards secondary feed, whilst remaining sensitive to lead prices and cost of scrap. Western output dropped by 2 % in 2001 and similarly in 2002 and only a limited recovery is likely in 2003. Although Chinese production continued to increase strongly in 2002 and exports surged, there have since then finally been signs of curtailment in the face of related shortage of concentrates and low prices. It is highly likely that China's raw material imports and metal exports will markedly fall in 2003.

Following the large surplus in 2002 analysts are now of the opinion , in view of the above, that the lead market has now achieved balance or possibly looking at a slight shortfall. Even if demand remains sluggish during the year, allowing that hidden stocks have now been accounted for, the severe supply constraints should result in an appreciable deficit in 2003. Accordingly analysts are predicting a modest increase in the average 2003 cash price to between US $ 485 and $ 520 per tonne.

### *2.5 Zinc*

The tentative economic recovery in major world markets during 2002, resulted in continued weak consumption growth for zinc metal. Rising output, together with the recognition that market conditions may not improve for some time, exerted further downward price pressure on the metal.

Having opened the year at US $ 765 per tonne (34,7 c/lb), the price oscillated within a relatively restricted range of between US $ 725 to US $ 848 per tonne (32,9 to 38,2 c/lb) throughout the year, and closed the year at US $ 749 per tonne (34 c/lb).
The average price for the year, of US $ 778 per tonne (35,3 c/lb) showed a decrease of 12% as compared to that of 2001, and was, in fact, the lowest since 1986.

As predicted in last year's Annual Report, zinc metal production worldwide increased by approximately 4% during 2002. With metal consumption rising by less than 2%, the metal market recorded a surplus of approximately 300000 tonnes. Reported zinc metal inventories rose substantially during the first half of 2002, but remained stable at just over one million tones throughout the second half. This level of stocks (equivalent to 9 weeks consumption) is considerably higher than the norm of approximately 6 weeks consumption.

The market has, for a long time, been crying out for fresh producer cuts but to little avail. Instead summer closures at four western smelters ended and Tara is poised to restart operations. It is also worth mentioning that analysts are of the opinion that smelters have not yet been seriously constrained, due to previous surpluses in 1999 – 2001. Refined production looks set to increase by at least 2,5-3%.

However, one country where tightening raw material supply has had an impact is China. As the world's largest zinc metal producer, consumer and (in 2001) exporter, China continues to have a profound effect on the zinc market. A fall in Chinese mine output during 2002 impacted adversely on metal output and, as a result, exports fell by approximately 25% as strong domestic consumption reduced the internal surplus. Accordingly, some analysts are forecasting that the country may once again become a net importer of zinc as a result of falling domestic mine output, increased smelter / refinery capacity and rapid growth in consumption.
Galvanizing continues to be the largest contributor to zinc consumption. The International Zinc Association is, therefore, placing considerable attention on advancing this industry and the use of galvanized steel in the rapidly expanding Chinese market.

In order for any significant improvement in the zinc price to take place, there need to be substantial changes to both sides of the supply / demand balance. Demand has to record sustained growth improvements which, cuurently seem highly unlikely. On-mine cuts need to remain in place, whilst a substantial reduction in smelter / refinery output is necessary. Short of radical producer action the zinc metal market looks set to record its third consecutive year of surplus in 2003, effectively capping any rally in prices. In short, zinc's fundamentals remain particularly poor and any price recovery is likely to be hesitant. Apart from "spill-over" effects from other metals, any hope of recovery is based on present extreme depths and, cautiously, better prospects in 2004 / 2005.
The average of analysts' price forecasts for 2003 is approximately US $ 840 per tonne (38 c/lb), rising to possibly US $ 2000 in 2004.

### *2.6 Gold*

After starting 2002 at around the US $ 285 / oz, gold hit a two-year high in early February when it briefly topped US $ 305 per oz but then fell back to around the US $ 290 mark. Gold prices during the first and second quarters were characterized by brief rallies but exhibited a slightly positive upward trend overall. During the second quarter the average price showed an increase of 8%, rising to just over US $ 330 per oz in early June. Once again the rally was not sustained as prices tumbled in the following weeks, at worst losing half their gains and, in EUR terms, approaching the levels of the start of 2002. The third quarter mean price remained virtually flat, even though there was fresh stimulus in September. Fourth quarter prices, reflecting the more antagonistic positions of the USA and UK regarding Iraq, moved raidly higher to close the year around the US $ 325 per oz level.

As with most metal commodities there has been sluggish demand for gold during the year as a result of slower than expected worldwide economic growth. Physical demand has been adversely affected by the decline in the dominant jewellery market. Gold jewellery is uniquely price sensitive and the reversals in fortunes of the jewellery markets during 2001 persisted throughout the year under review. Many analysts believe that the gold jewellery market needs strong realignment to combat the advent of other luxury goods, including the burgeoning platinum jewellery market. Evidence for the above is reinforced by the fact that coin sales and bar hoarding shoed little increase during the year.

Central bank disposals have been less in the news than during previous years but they are still large and are likely to remain so. The last year in which the official sector was a net buyer of gold was in 1988 and since then central bank holdings have (according to IMF sources) been reduced by some 3500 tonnes or 10%. However, sales have increased sharply since the mid-1990s to an estimated 350 t.p.a. Disposals are effected under the Washington Agreement at a capping level of 400 tpa but this agreement expires in September 2004. Apart from the views on disposals vis-à-vis possible decreases in prices, analysts are worried that countries, particularly in Europe, with budgetary problems may seek to sell outside the agreement.

On the supply side, mine production dropped again by roughly 2% as compared to 2001. Growth in gold mine production slowed considerably from an average of 5% p.a. in the 1980s to only 2,0-2,5% in the 1990s, whilst the cumulative increase between 1998 and 2001 was less than 3%. It is now believed that it is highly unlikely that there will be further contraction of the gold mining industry and that several new operations are in the process of starting. In addition, there is substantial evidence to support the view that gold exploration is, again, on the increase, thus paving the way for future mines.

In summary, a number of commentators are suggesting that gold's internal, physical fundamentals are poor and do not explain to recent price gains. Apart from the consistently supportive influence of producer hedging, analysts believe the price increase is rather due to a number of external factors. These include the weakening of the US Dollar, economic / financial uncertainty, and geopolitical turbulence (as exhibited through possible scenarios for the Middle East) which has a direct bearing on international oil prices.

### *2.7 Silver*

Against the backdrop of already high short-term silver lease rates and with prices continuing to firm, silver started 2002 on a positive note. Fund speculative positions were built-up which took silver to a three month high of US $ 4,845 per ounce on 10th January. However,on that day, allied to the fact that lease rates started to soften, there was considerable concern that large volumes of physical metal were being moved to London. Accordingly, there was a steep fund sell off with prices dropping dramatically to close at US $ 4,275 per ounce at the end of January. Prices were generally consolidated during February and the early part of March, and a fund-lend rally towards the end of March moved prices up to a close of US $ 4,70. However, in April Hecla Mining Corp., Mexico, announced a 40 % increase in production, which resulted in a turn-around to fund selling to a level of US $ 4,45 by mid-April. Strong gold price increases in May led to another strong rally to breach the psychologically important US $ 5 mark, ending the month at US $ 5,045 per ounce. The summer months then saw traditionally seasonal price drifts which, allied to brief bursts of fund selling and producer hedging, led silver down to a low of US $ 4,51 by the end of September. The fourth quarter of the year was, however, relatively quiet with prices varying between US $ 4,30 and $ 4,50 per ounce. Speculation as to US led action in Iraq initiated a fund buying spree such that silver closed the year at US $ 4,72 per ounce.

After a poor year in 2001, 2002 saw an increase in industrial demand, mainly from the previously depressed electronics sector. New end-uses such as superconductors and biocides also helped the recovery in demand. Despite jewellery continuing to out-perform silverware (as has been the trend since the early eighties), demand in both of these important sectors fell by 7 % in 2002. One of the major reasons cited for the decline in demand is the increase in digital photography which does not use any silver products as compared to traditional technology which uses silver halide. Nevertheless, photographic demand actually rose by 1 % during the year, mainly as a result of emerging markets such as China and India where traditional camera sales are still growing at a steady rate.

The outlook for silver in 2003 is reasonably encouraging as Chinese stocks have dwindled dramatically. This is because official sales and destocking have currently dried up and lower base metal output is reducing the amount of mined material.
At a price below US $ 5 per ounce, it is also doubtful whether large-scale private investor stocks will be sold off which would lead to a drop in the price. Another major factor is the stability of the US Dollar, as gold and silver are traditionally seen as “safe haven” investments. This intensifies as the Dollar is sold and funds look for these “safer” commodities. For the same reason any possible military action by the USA against Iraq would also support the silver price.

Analysts therefore, cautiously, predict a rise in the silver price of between 3 and 5 % during 2003.

### *2.8 Fluorspar*

The Acid Grade fluorspar market softened somewhat during the first three quarters of 2002, with the price of fluorspar landed in European harbours slightly lower than those obtained during the same period in 2001. An indicative price for the product is around US $ 135 per tonne c&f at Rotterdam, which equates to approximately US $ 100 per tonne ex Durban.

Despite the softening of international prices, Okorusu received a slight increase in the Euro price from its parent company, Solvay Fluor. Strengthening of the South African Rand, however, meant that the eventual unit price in Namibian Dollar terms was slightly lower than that received in 2001.

During the fourth quarter of 2002 there were indications that the Chinese government would increase duties charged to Chinese producers for export of acidspar from China. Such action, if implemented, is likely to result in slightly improved international prices in 2003.

## 3. EXPLORATION AND PROSPECTING

The Mining Commissioner's office experienced a slight reduction in the number of licences applied for and granted during 2002. However, the following statistics indicate that exploration activities continue at a reasonable level, given the abnormally high statistics over the past few years.

| | **2002** | **2001** | **2000** | **1999** | **1998** | **1997** |
|---|---|---|---|---|---|---|
| Non – Exclusive Prospecting licences issued | 379 | 583 | 510 | 518 | 464 | 338 |
| Exclusive Prospecting licences awarded | 70 | 160 | 155 | 92 | 178 | 121 |
| Claims registered | 231 | 206 | 147 | 176 | 85 | 74 |
| Applications pending (new and renewals) | - | 73 | 37 | 56 | 102 | 104 |

In addition to the above, nine Mining and seven Exclusive Reconnaissance Licences were granted during the year under review. The Mining Commissioner's office is to be congratulated on the improved level of service to both companies and individuals, together with the timely issue of mineral licence register information to the Chamber and members of the Standing Committee on Prospecting and Environment.

It is disappointing to report that, unfortunately, although considerable work was carried out on the revision of the existing Minerals Act, such revisions were not completed during the year. However, it is fair to say that virtually all identified (and in some cases contentious) issues have been resolved. The Review Committee will, through a series of extended meetings, endeavour to complete the re-writing of the new draft Bill in the first half of 2003. In parallel the Committee will finalise Regulations pertaining to Mineral Licensing and append these, plus the Mine Health and Safety Regulations (already formulated), to the Bill thus producing a comprehensive mineral legislation package.

In addition to the work being carried out on mining legislation, the Ministry of Mines actively pursued the completion of its Minerals Policy. The consultants, the Minerals and Energy Policy Centre (MEPC) from South Africa, interacted with stakeholder groups at workshops to draft a policy document which was then submitted to the Ministry for approval. In addition to this work, the Ministry solicited advice and comment from other Ministries whose areas of operations may be affected by the Policy. The final Minerals Policy document is scheduled to be presented to Parliament during the first quarter of 2003.

The long-standing court action between the Aussenkehr Grape Growers and Northbank Diamonds was, unfortunately, not fully resolved. Immediately after judgement had been given to allow access to the area by the exploration company, an appeal was registered which has yet to be heard.
The Ancillary Rights Commission is currently engaged in a similar access / rights dispute between Okorusu Fluorspar and the local landowner.
The mining industry is understandably concerned at developments in this particular arena, particularly as concerns the rapidity with which such disputes become "locked" and are transferred to court proceedings.

The Chamber Standing Committee on Prospecting and Environment has continued its work with particular emphasis being placed on issues relating to proposed environmental legislation.
As reported last year, Committee members were appointed by the Ministry of Environment as consultants to draft standard guidelines for environmental impact assessments. This exercise has been completed and funding secured for publication.

As noted elsewhere in this report, a number of exploration and mining companies have made substantial contributions to development of the Ministry of Environment's Land Use Plan for the Sperrgebiet area. In addition members have actively participated in discussion workshops concerned with the designation and classification of sub-regions within the whole Sperrgebiet area.

The draft Earth Science Professionals Bill was submitted to the Cabinet Committee on Legislation where a number of amendments were requested, mainly concerned with revision to the proposed membership structure in terms of lack of provisions for affirmative action in the processes whereby members move from one classification to another. The drafting committee will now have to reassess the situation in terms of the rationale behind the original Bill.

The Director and staff of the Geological Survey have representation on the Chamber Prospecting and Environment Committee and have used this forum to update members as to progress with airborne surveys and information relating to the Library / Archives section. Once again, the Chamber congratulates Geological Survey on the progress made with its various mapping programmes during the year under review. The data gathered and made available to exploration companies is invaluable.

As in previous years, the bulk of exploration expenditure has been incurred through offshore diamond exploration, inclusive of exploration equipment. After the initial euphoria regarding opportunities in the Sperrgebiet region, companies have now established themselves and settled down to implement their various exploration programmes and, essentially, expenditures have somewhat reduced. Consequently, exploration expenditure by Chamber members in 2002 of N$ 146,3 million indicated a return to the levels experienced between 1998 and 2000.

| Comparison exploration expenditures ( N$ millions ) | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|---|
| | 146 | 249 | 167 | 175 | 124 | 97 |

As noted elsewhere in this report, the development of Anglo's Skorpion deposit has now been virtually completed with production scheduled to start in the second quarter of 2003.

Okorusu Fluorspar has completed an initial investigation into the potential of its Omburu deposit, near Omaruru, and has commissioned an exploration drilling programme to more fully delineate the deposit.

Ambase Exploration significantly increased its exploration efforts during 2002, particularly in the northern extension of its Sperrgebiet licence area, in the search for additional zinc oxide reserves. Exploration continued in the Kunene and Oshikoto regions but, unfortunately, with no significant discoveries reported. Toal exploration expenditure by Ambase amounted to N$ 15,84 million during the year under review.

BHP Billiton has, unfortunately, scaled down its operations in Namibia in 2002, working through Rio Algom Exploration Inc. However, the company reports that its interest in Namibia remains high, citing exploration expenditure of some N$ 1,3 million in 2002.

Kumba Resources, Cominco and Westport Resources have continued to concentrate their activities to the regions nearby Rosh Pinah and in the Sperrgebiet.

As reported in last year's Annual Report, MTB Namibia (Mount Burgess Gold) has been concentrating on prospecting for kimberlites in the Tsumkwe area in NE Namibia. The company reports that exploration expenditures of some N$ 10,5 million in this region have been rewarde by the discovery of three kimberlite diatremes and other para-kimberlites. This, the company reports, provides encouragement towards the discovery of a local source for the Tsumke surface diamond / G10 garnet anomalies.

Avdale Namibia currently holds three EPLs in an area between Otjiwarongo and Otavi and continued wirh its exploration work, particularly following up on potential gold mineralisation discovered in 2001. During 2002 some N$ 4,8 million has been spent on exploration in this area, predominantly on defining the Otjikoto gold deposit. An advanced exploration programme for this deposit has been planned for 2003

Following the success of its initial reconnaissance sampling programme at the end of 2001, Afri-Can Marine Metals commissioned additional sampling work on selected features in its licence area off the northen Namibian coast.

Several smaller projects which, for a number of reasons, have lain dormant for some time,have received renewed attention during 2002.

The Langer Heinrich uranium deposit, acquired by Paladin Resources from Acclaim Resources is now the subject of a full re-evaluation of the pre-feasibility study completed in 2001. Once this exercise has been completed satisfactorily, Paladin intends to conduct a definitive bankable feasibility study, scheduled to start in April 2003 and be completed towards the second quarter of 2004.

The Aminius sepiolite deposit, near Gobabis in the east of the country, has been re-evaluated by Afhold and initial mining has started. Sepiolite is a material with a high degree of absorbency and is thus in great demand as a filler. Export of the product will be, initially, directed to South African purchasers.

The old Three Aloes Mine, situated some 10km south of Uis, was acquired by a subsidiary of Central African Mining and Exploration Company (CAMEC). Additional delineation work has defined tantalite-bearing reserves of some 7 million tones. Some N$ 6 million has been expended on plant upgrading with the intention of producing around 7t tantalite and 6t tin concentrates per month. The company is also re-investigating other nearby deposits as well as the Goantagab and Strathmore pegmatites.

## 4. HEALTH AND SAFETY

As a result of SADC harmonization policies, allied to international safety reporting procedures, accident statistics have been adjusted to reflect the new factor of 1 million employee hours as compared to the previous 200000. The following comparative year-on-year figures reflect this change.

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|---|
| Number of lost-time accidents | 47 | 38 | 41 | 36 | 52 | 69 |
| Fatalities | 5 | 3 | 2 | 1 | 1 | 1 |
| Shifts lost per accident | 665,77 | 491,58 | 323,10 | 198,53 | 47,50 | 113,30 |
| Frequency rate | 2,58 | 2,14 | 2,48 | 2,29 | 3,10 | 3,35 |
| Severity rate | 1715,62 | 1050,09 | 801,68 | 453,97 | 375,65 | 375,65 |

Unfortunately, despite regular workplace inspections by both safety officials and appointed safety reprentatives, intensive awareness campaigns, extended safety training and constant revision and up-dating of procedures and standards by all personnel, 2002 recorded the worst statistics since 1995. Once again, the year was marred by five fatalities and the Chamber sympathises with both the relatives and employees in the companies concerned.

In addition to the above change in the calculation of statistics the SADC Chambers of Mines are also considering abolishing the current penalty (6000 shifts) imposed for a fatality and creating a separate statistic to be known as “the fatality rate”. It is thought that the isolation and highlighting of such a statistic in various reports would more accurately reflect the safety situation. Accordingly, the Chamber has developed a comprehensive statistical reporting package for SADC States, which has been approved as the standard for quarterly reporting.

Despite the poor accident / severity performance in 2002, the Chamber Standing Safety Committee has continued to devote considerable time and priority to the discussion of all potentially serious incidents. As is generally the case, much time is spent analyzing causes, etc of fatal and major lost-time accidents, whilst minor incidents and “near misses” receive less attention.
The Committee believes that the severity result of an accident / incident is, to a certain extent, indeterminable. However, the cause(s) of the incident, linked to an appreciation of the potential severity result, need to be carefully examined. The contributory factors to a number of isolated incidents and “near misses”, when put together, can then be isolated and preventative procedures / programmes put in place.

The Chamber continued to provide detailed accident / incident analysis statistics based on reports submitted by individual operating companies. During 2002 some 308 incidents were reported as compared to 317 in 2001, 260 in 2000, and 252 incidents reported in 1999.
No lost-time accidents (which include “near misses”) numbered 266 as compared to 295 in 2001, 223 in the year 2000 and 224 during 1999. As noted above, the reporting of these minor incidents is extremely important in terms of potential for more serious results.

Attention focused once again on the incidence of vehicle-related accidents, which may or may not have resulted in lost-time injuries. Increased awareness and better, more open, reporting structures resulted in some 48 incidents being reported in 2002 as compared to 32 in 2001. Fortunately most incidents did not result in severe injuries to personnel but were, obviously, costly to operating companies. However, the potential of such incidents, generally resulting from disregard for procedures, unsafe operating practices and insufficient effective maintenance, is of great concern and common initiatives are being taken to try and address the various problems.

Due to the extended period of review of the Amendments to the Minerals Act, there has been no further progress towards the promulgation of the Mine Health and Safety Regulations. It is hoped that the composite legislation package will be presented to the Minister by the end of the second quarter of 2003.

Throughout the year under review representatives of operating companies on the Safety Committee have been augmented and assisted by senior officials from the Ministries of Mines and Energy, Health and Social Services, and Labour. In addition, the participation of the Mine Workers' Union has been of great assistance.

However, as noted in last year's Annual Report, the ultimate responsibility for personal safety rests with each individual. The overall co-operation and involvement of all operating and support personnel is, therefore, a prerequisite for the reduction and prevention of accidents to ensure a safe and healthy working environment.
In this light, a number of companies are now examining the benefits of "behaviour-based" safety systems whereby the onus for awareness rests more on each individual than reliance on procedures, etc. Increased awareness as to "why I need to take this action" is considered to far outweigh the thought that "if I don't do this in the prescribed manner, I will be punished".

The Chamber, in subscribing to the promotion of good safety performance, conducts two competitions :

**a. The Inter – Mine Safety Competition**

In this competition the operating mines strive to attain the lowest accident frequency and severity rates. The competition is split into two divisions; the A Division for larger mines and B Division for smaller operations.

The winners for the year 2002 were :

| | | | |
|---|---|---|---|
| A Division | Navachab Mine | combined frequency / severity rate of | 22,39 |
| B Division | Northern Areas – E / Bay | " " " " " | 55,61 |

**b. The Millionaire Award Scheme**

A Millionaire Award is made to any mining operation that achieves a million fatality – free employee hours and / or shifts.
The following achievements were made during 2002 :

| Month | Operation | Million Hours | Million Shifts |
|---|---|---|---|
| January | Namdeb - Oranjemund | 20 | |
| March | Rossing Mine | 3 | |
| April | Kombat Mine | 1 | |
| | Namdeb - Oranjemund | 1 | |
| | Navachab Mine | 13 | |
| | Ongopolo Processing | 3 | |
| May | Namdeb - Oranjemund | 2 | |
| July | Namdeb - Oranjemund | 3 | |
| | Okorusu Fluorspar | 2 | |
| August | Rosh Pinah Mine | 2 | |
| September | Namdeb - Oranjemund | 4 | |
| October | Northern Areas – E / Bay | 2 | |

| | | |
|---|---|---|
| November | Navachab Mine | 14 |
| | Ongopolo Processing | 4 |
| | Namdeb - Oranjemund | 5 |

Several Chamber Member operations have maintained their world-class records, including the following :

| | |
|---|---|
| Navachab Mine | 14,18 million fatality-free hours since inception in November 1989 |
| Orange River Mines | 8,95 million fatality-free hours since inception on 1st June 1990 |

The annual accident statistics for the mining members of the Chamber are shown in Annexure G

**STDs / HIV / AIDS**

Operations of the Chamber Occupational Health Education and Awareness Programme (OHEAP) continued unabatedly throughout 2002. Experience gained in previous years, aided by increased commitment of both the OHEAP coordinator and all Peer Educators, with support from management of participating companies, resulted in a high level of performance.

Okorusu Fluorspar (Pty) Ltd, as part of its social responsibility programmes and on behalf of its owners Solvay Fluor, continued its sponsorship of the programme, augmented by funds supplied by Family Health International (as per its extended agreement), and charges to participating companies. The Chamber is extremely pleased to report that the extension of the funding support agreement by Family Health International included provision for an assistant to the Coordinator of the Programme. The assistant, who started in November 2002, will concentrate on building up a database, coordinating monthly statistics and sub-programmes, and releasing the Coordinator for more “hands on” training and development. The assistant will also be charged with the task of producing a regular newsletter in which latest advice can be given together with comments and information from the various Peer Educator groups.

During 2002 some 21 programme presentations were made and 17 training workshops held, involving the training of 212 Peer Educators. In addition some 28 counsellors completed training courses.

In June 2002 the Coordinator, accompanied by 40 trained Peer Educators, attended a SADC HIV / AIDS Conference in Gaborone and delivered a presentation on the Namibian experience with the pandemic. Assistance was also rendered to a number of companies that wanted to develop their own policies for workplace behaviour.

The Coordinator and a number of Peer Educators were also highly involved in the compilation of a brochure and video production, “Managing AIDS”. The resultant video has been extensively distributed to various support groups where it has met with an extremely positive response.

OHEAP also continued to support local community extension activities of a number of participating companies, notably at the Rosh Pinah settlement and the Ondundu Community project of Ongopolo Mining and Processing.
Although work has been carried out at Walvis Bay, through the Municipality, Namport, Salt Refiners and Namsov, the area has been identified as one of great concern in terms of the numbers of transients associated with both the fishing industry and port activities. Accordingly OHEAP will address this issue during 2003.

Following the successful Annual Review meetings held in 2001 and 2002, quarterly regional review meetings have been scheduled for 2003. The objective of these meetings is to coordinate progress by all the Peer Educator Groups in the region, share information and ideas, and to plan future activities. It is believed that these regional meetings will be more beneficial to local groups in specifically addressing local concerns.

## NOSA NAMIBIA

Progress with the establishment of NOSA Namibia was satisfactory during 2002. The Board of Directors now reflects Namibian commitment to the operation and a significant degree of autonomy from the parent company has been afforded to it.

Although continuing to provide services to its main traditional sector, the mining industry, NOSA Namibia has increased its client base to include companies involved in manufacturing and the hospitality industry. By the end of 2002 just over 50 companies had registered with NOSA Namibia, whilst thirteen baseline audits and a similar number of gradings were carried out.

Various training module courses were run, attracting some 234 participants, ranging from SHE Rep to Auditors courses. Although this represents an increase of 35% on the previous year, the demand for training has not been met and additional training courses will be scheduled for 2003 to fulfill this need.

With respect to the NOSA Five Star Grading System, participating companies in the Namibian mining industry once again maintained the high standards set in previous years.
Namdeb Diamond Corporation maintained its standing with all three operations, Mining Area 1, Orange River Mines and Northern Areas – Elizabeth Bay achieving 5 Star Platinum Grading, whilst both Orange River Mines and Northern Areas – Elizabeth Bay retained their NOSCAR status.
In addition to this commendable achievement, Navachab and Rosh Pinah retained their five star ratings, whilst both Okorusu Fluorspar and Namzinc's Port of Luderitz warehousing facility achieved 4 Star Gradings at their first assessments. The Institute Of Mining and Technology (NIMT) became the first tertiary training institution to receive a certificate, being awarded 4 Star Platinum status.

An Awards function was held on 27th January at which certificates of achievement were presented. In addition to those mentioned above, non-mining awards were made to Alpha Cement, PG Glass and PG Windscreens, the Kalahari Sands Hotel and Metal Box.

## 5. EMPLOYEE RELATIONS

The relationship between the three social partners, Government, in particular the Ministries of Mines and Energy and Labour, the employers, as members of the Chamber of Mines, and employees, as represented by the Mineworkers Union of Namibia, continued on an extremely cooperative level.

Unfortunately, for a number of reasons, not all meetings of the Mining Cooperation Council could be held as per the original schedule. However, work on the joint Presidents' project, as to the preferred future position of the Namibian mining industry, continued and was augmented by the realization that the concept of sustainable development should form an integral part of this exercise. Accordingly the authors of the Mining, Minerals and Sustainable Development Southern Africa report were invited to address a concerned stakeholders' meeting, held in July 2002. The one-day seminar, attended by representatives of not only the Namibian mining industry but also a number of non-governmental agencies, was a resounding success.

The sectoral papers on environment, health and safety, HIV / AIDS, human resource development, small mining, outsourcing, and the enabling environment, are currently being consolidated into a composite position paper representing the combined view of both the employers and employees within the Namibian minerals industry. It is expected that this paper will be made available by the beginning of the second quarter of 2003.

As far as individual company / union interaction is concerned, normal substantive negotiations were, in general, concluded in a satisfactory manner at all Chamber member operations.

Only one work stoppage of significant was reported during the year, being the incident at Skorpion, which is more fully reported elsewhere in this report.
Unfortunately there was an ugly incident (not a work stoppage) at the Navachab Mine in June when employees, who wanted to meet the manager, barricaded the manager and staff inside the mine offices for some hours.

Various agreements between individual operators and the union have been revised and improved where necessary.

## 6. RELEVANT LEGISLATION

The Chamber, through its representation, via the Namibian Employers' Federation, on the Labour Advisory Council and the Chamber Standing Labour Committee, has continued to comment and advise on the proposed amendments to labour-related legislation.

The draft Labour Amendment Act has passed through the Labour Advisory Council and Cabinet Committee on Legislation stages and has been returned to the legal drafters for final drafting. Unfortunately, this process took much longer than expected and it is now hoped that the Bill will be presented to Parliament for enactment during the second quarter of 2003 and implementation very soon thereafter.

Very little progress has been made with either the National Pension Fund or Development Fund, as proposed by the Social Security Commission. This unfotunate situation is mainly a result of the investigations being undertaken by the Presidental Commission of Enquiry into alleged malpractices within the Social Security Commission. However, it is understood that the Tripartite Task Force, charged with the formulation of the Pension Fund, is in general agreement regarding basic concepts, based on the independent actuarial recommendations.

The Employment Equity Commission, on which the Chamber has representation, has again had an extremely busy year. The Commission reviewed annual progress reports submitted by both public and private sectors. Whilst most reports were approved and compliance certificates issued, a number of instances were recorded where there was confusion regarding the appointment of understudies.
The issue has been addressed with the publication of revised Guidelines to Employers, which document is a great improvement on the previous guidelines.
However, the issue of understudies vis-à-vis Permanent Resident Holders has not been resolved. The Act requires that all non-Namibians should have an understudy, which can, by implication, include Permanent Resident Holders. The provisions of the Labour Act treat Permanent Residence Holders with reference to fair employment practices, whilst, by definition, permanent residence allows a person continuous residence and employment within the country. Since such a holder may work until normal retirement, there is little rationale for the appointment of an understudy whose expectations would not be realized for, possibly, some length of time. The issue is currently being addressed by the NEF in a submission to the EEC.

Having come to the end of its first term of office towards the end of 2002, nominations for a representatives for a second Commission were called for and the new Commission appointed at the end of October.

As has been noted elsewhere in this report, the promulgation of the Mine Health and Safety Regulations cannot be effected until the process of revising the existing Minerals Act, No 33 of 1992, has been completed. For a number of reasons, this exercise has been seriously delayed. However, by the end of 2002 the major outstanding issues had been resolved so that final drafting can proceed. It is hoped that the exercise, together with the compilation of Regulations pertaining to Mineral Licences, will be completed by mid 2003 so that the minerals legislation package can be submitted to Parliament for enactment before the end of the year.

As reported in last year's Annual Report, the Ministry of Mines and Energy initiated the development of a Minerals Policy for Namibia. The Chamber participated fully in a number of discussion meetings and is happy to report that the final policy document was completed at the end of 2002 for presentation to Parliament.

Unfortunately, there has been very little progress with Environmental legislation, apart from the promulgation in December 2001 of the Environmental Investment Fund Act.
However, a draft Bill on Parks and Wildlife has been produced by the Ministry of Environment and Tourism. The Chamber is submitting constructive comments on this piece of legislation, particularly regarding the provisions contemplating various levels of "protected areas".

The Chamber, having actively participated in the development in the international environmental exercise, Mining, Minerals and Sustainable Development, and the World Summit on Sustainable Development, recognises that the development of sensible umbrella environmental legislation is necessarily a long process, which will have far-reaching implications for all sectors of the economy, and should thus proceed cautiously.

## 7. INTER – MINE VISITS

On 18th June the Council of the Chamber was fortunate enough to visit the south of the country, combining its regular meeting with a tour of the newly developing Skorpion Zinc Mine and a similar trip around the Rosh Pinah Mine.
Whilst most Council members were reasonably informed as to developments at Skorpion, the sheer size and complexity of the property was a revelation. Members were extensively briefed on the development of the project and the various areas of construction and were then taken through the plant, following the eventual process. The pilot process plant, used for operator training, was of particular interest.
At Rosh Pinah, members visited the underground workings and concentrator plant and were apprised of the development of the Rosh Pinah settlement with its attendant social problems brought about by the influx of people seeking employment at both mines.

On 16th August the Council held its meeting at the Rossing Mine combined with an extensive tour of operations and an extremely professional presentation on the history of the Mine, current and forecast production schedules, an analysis of the uranium market and marketing opportunities, and a run-down on the extremely successful cost control system implemented at Rossing some time ago.

For a number of valid but unconnected reasons, it was found to be impossible to hold other Chamber Standing Committee meetings at scheduled venues outside of the Chamber offices. Visits to individual properties will resume in 2003, as these have proved to be very beneficial to participating members in the past.

In terms of regional involvement, the Chamber continued to support the Mining Industry Associations of Southern Africa (MIASA) organisation. The General Manager attended two meetings of the organisation during the year under review. MIASA has concluded a Memorandum of Understanding with the new SADC Secretariat for future interaction and regional development initiatives.

The Chamber, through its membership of MIASA, is also a member of the International Council on Mining and Metals and has actively contributed, through MIASA, to discussions and the development of ICMM policies and positions. The Chamber was fortunate to have, as guest speaker at its Annual Dinner, the Deputy Secretary of the ICMM, MS A Roper, who briefed those attending on the work being carried out by this international body.

As reported in last year's Annual Report, the Chamber, through MIASA, became involved in both the Global Mining Initiative (GMI) and the Mining, Minerals and Sustainable Development (MMSD) programme. Both programmes contributed significantly to policy development of the International Council for Mining and Metals and public perceptions of the minerals industry prior to the World Summit on Sustainable Development.

The initial stages of GMI and MMSD culminated in an international conference held in Toronto in May 2002. Although predominantly attended by representatives of the minerals industry, the conference also attracted representatives from a number of governmental agencies and non-government bodies, includsing minority groups, environmentalists and unions.
The conference, entitled "Resourcing the Future", dealt with numerous aspects of the MMSD Report with the objective of adopting, in principle, the recommendations pertaining to the implementation of sustainable development principles within the industry. Obviously such a vast subject, with wide-ranging ramifications, could not be cleared up at a three day meeting but there was general agreement as to the way forward, enunciated in "the Toronto Declaration" at the end of the conference, stating, inter alia, that :

- successful mining and metals processing operations require the support of the communities in which they operate

- respect for these communities and serious engagement with them is required to ensure that mining and metals processing are seen as beneficial to both the community and the company

- successful companies will respect fundamental human rights, including workplace rights, and the need for a healthy and safe working environment

- successful companies will accept their environmental stewardship responsibilities for their facility locations

- the roles and responsibilities of the diverse parties comprising governments, civil society and business are different and must be respected

- constructive and value adding engagement among constituencies at the local, national, and global levels is essential

Under the umbrella of the ICMM the policies and general strategies adopted in Toronto were taken forward to pre-summit conference (prepcom) meetings. The participation of ICMM at these prepcom meetings alleviated many misconceptions held by a number of non-governmental agencies, so much so that there were very few negative observations or comments at the World Summit.

ANNEXURE A – AVERAGE ANNUAL METAL PRICES

| Metal | Quoted as | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|---|---|
| Copper (cash wirebars) | US $ / metric ton | 1559 | 1578 | 1814 | 1571 | 1653 | 2277 |
| Gold | US $ / troy ounce | 310 | 271 | 279 | 279 | 294 | 330 |
| Lead | US $ / metric ton | 453 | 476 | 454 | 503 | 528 | 623 |
| Silver | US $ / troy ounce | 4,60 | 4,37 | 4,95 | 5,22 | 5,52 | 4,97 |
| Uranium oxide | US $ / pound | | | | | | |
| | Spot | 9,94 | 9,25 | 8,20 | 10,20 | 10,41 | 12,09 |
| | Long-term | 10,58 | 10,25 | 6,99 | 8,25 | 9,01 | 10,57 |
| Zinc | US $ / metric ton | 778 | 885 | 1128 | 1076 | 1023 | 1312 |

# ANNEXURE B - THE MEMBERS OF THE CHAMBER

As at 31 December 2002

| | Representative | Alternate |
|---|---|---|
| *CLASS A FOUNDER MEMBERS* | | |
| 1. Namdeb Diamond Corporation (Pty) Ltd | I Zaamwani | R Smart |
| 2. Ongopolo Mining & Processing Limited | A Neethling | C Groenewald |
| 3. Rossing Uranium Ltd | D Salisbury | M Leech |
| *CLASS A MEMBERS* | | |
| 1. De Beers Marine Namibia | H Bredenhann | S Schneider |
| 2. Namibia Minerals Corporation | K Kapwanga | P Elindi |
| *CLASS B MEMBERS* | | |
| 1. Anglogold Namibia (Pty) Ltd | F M Bethune | J Daub |
| 2. Okorusu Fluorspar (Pty) Ltd | M T Dawe | R Schommarz |
| 3. Rosh Pinah Zinc Corporation (Pty) Ltd | A W Diedericks | H Fourie |
| 4. Salt & Chemicals (Pty) Ltd | R E Stanton | L Frielingsdorf |
| *CLASS C MEMBERS* | | |
| 1. Diamond Fields (Namibia) Ltd | A Walden | R J Daniel |
| 2. Diaz Point Explorations (Pty) Ltd | H Fourie | |
| 3. Karibib Mining & Construction Co Namibia Ltd | D Guhring | A J A Meyer |
| 4. Salt Company (Pty) Ltd | J Klein Jnr | J Klein Snr |
| 5. Skorpion Mining Company | N Green | G Boting |
| 6. Trans Hex Group | L M Cilliers | D Gadd-Claxton |
| *CLASS D MEMBERS* | | |
| 1. Ambase Exploration Namibia Ltd | E E Freyer | K P Knupp |
| 2. Avmin Namibia (Pty) Ltd | P A Lombard | A H Matthews |
| 3. BHP Billiton | J Twidale | J Parianos |
| 4. Cominco (Namibia) Ltd | S Jennings | D Newman |
| 5. Kalahari Gold & Copper (Pty) Ltd | R Timmins | T J Smalley (Dr) |
| 6. Kumba Resources | D Pretorius | D J Alchin |
| 7. Langer Heinrich Uranium | C Johnson | R Evans |
| 8. Mount Burgess Gold | J Moore | N Forrester |
| 9. Onganja Mining Company (Pty) Ltd | R G Carr | E A Barbour |
| 10. P E Minerals | C Wium | E Mbeehi |
| 11. Rio Tinto Namibia (Pty) Ltd | K M Sims | N Selibas |
| 12. Savanna Marble cc | J Hoffman | |
| 13. Tsongoari Exploration (Pty) Ltd | D Newman | A Gordon |
| 14. Westport Resources (Namibia) (Pty) Ltd | R Bonner | D Parnham |

*ASSOCIATE MEMBERS*

| | | | |
|---|---|---|---|
| 1. | African Portland Industrial Holdings Ltd | H J Hebbard | M Liefferink |
| 2. | African Wire Ropes (Pty) Ltd | S Bredenkamp | E Heymann |
| 3. | Alexandra Speiser | A Speiser | |
| 4. | Barloworld Namibia (Pty) Ltd | J Quarmby | M A Hardwick |
| 5. | Brazil Benguela Exploration & Finance (Pty) Ltd | H C Benecke | |
| 6. | DTC Valuations Namibia (Pty) Ltd | P G Rowley | E Kahuva |
| 7. | Dungrae Engineering | I A E Williamson | |
| 8. | Eco Plan | C Christian | |
| 9. | Kegge Advisory Services | G Kegge | |
| 10. | Kuehne & Nagel (Pty) Ltd | H Herrlich | F Cyriax |
| 11. | L van Schalkwyk | L van Schalkwyk | I D Kotze |
| 12. | Marine & Coastal Geoscience (Pty) Ltd | H Huckstedt | B de Decker |
| 13. | Murray & Roberts Construction (Namibia) | P Schaffner | J Louw |
| 14. | Namgem Diamond Manufacturing | M Pearson | |
| 15. | NEC Investment Holdings (Pty) Ltd | A Bruckner | N Bruckner |
| 16. | NOSA Namibia | G Hugo | E Grobler |
| 17. | Palfi, Holman & Associates | A G Palfi | R Wartha |
| 18. | Peter Nutt & Associates | P Nutt | |
| 19. | Prodiamond Manufacturing | A Klokanas | |
| 20. | Progem (Pty) Ltd | A Clocanas | F P Brandt |
| 21. | Pupkewitz Industrial | A W Brockwell | H Pupkewitz |
| 22. | Rex Quip cc | A Lang | C Lang |
| 23. | Rosond (Cape) (Pty) Ltd | P Stoppel | J J Myburgh |
| 24. | Roy McG Miller | R Miller (Dr) | |
| 25. | Rubicon Security cc | D Bamberger | B Nel |
| 26. | SGS South Africa (Pty) Ltd | F J van Rooyen | G Wurr |
| 27. | Selected Hardware | H D Etzold | D Etzold |
| 28. | Siemens (Pty) Ltd | G Langmaak | V Trubenbach |
| 29. | Trust & Mining Company (Pty) Ltd | D O'N Mathews | P Mathews |
| 30. | Woker Freight Services (Namibia) (Pty) Ltd | S K Kankondi | K H Woker |

*HONORARY LIFE MEMBERS*

1. D O'N Mathews
2. J Berning
3. Hon A Toivo ya Toivo

| *SUMMARY* | **2002** | **2001** | **2000** | **1999** |
|---|---|---|---|---|
| Class A founder members | 3 | 3 | 3 | 3 |
| Class A members | 2 | 2 | 3 | 3 |
| Class B members | 4 | 4 | 4 | 4 |
| Class C members | 6 | 9 | 4 | 4 |
| Class D members | 14 | 15 | 24 | 21 |
| Associate members | 30 | 28 | 26 | 21 |
| Honorary Life members | 3 | 3 | 3 | 3 |
| TOTAL | 62 | 64 | 67 | 59 |

## ANNEXURE C – THE COUNCIL OF THE CHAMBER

as at 31 December 2002

| | Member | Alternate |
|---|---|---|
| **Class A Founder members** | | |
| Namdeb Diamond Corporation (Pty) Ltd | I Zaamwani | |
| | R Smart | F Ndoroma |
| Ongopolo Mining & Processing Limited | A Neethling | C Groenewald |
| | H Nolte | |
| Rossing Uranium Ltd | D Salisbury | C V Kauraisa |
| ***Class A members*** | | |
| De Beers Marine Namibia | H Bredenhann | S Schneider |
| Namibia Minerals Corporation | K Kapwanga | P Elindi |
| ***Class B members*** | | |
| AngloGold Namibia (Pty) Ltd | F M Bethune | J Daub |
| Okorusu Fluorspar (Pty) Ltd | M T Dawe | R Gevers |
| Rosh Pinah Zinc Corporation (Pty) Ltd | A W Diedericks | H Fourie |
| Salt & Chemicals (Pty) Ltd | R E Stanton | L Frielingsdorf |
| ***Class C members*** | N Green | |
| ***Class D members*** | D Newman | |
| ***Associate members*** | D O'N Mathews | |

***The Council met on the following dates :***

15 March 2002
18 June 2002
16 August 2002
11 November 2002

**The Executive Council Committee was not constituted during 2002**

## ANNEXURE D – THE STANDING COMMITTEES OF THE CHAMBER

as at 31 December 2001

### The Communications Committee

| | |
|---|---|
| I Zaamwani ( Chairperson ) | Namdeb Diamond Corporation (Pty) Ltd |
| A Hangula-Paulino | Namdeb Diamond Corporation (Pty) Ltd |
| K Kapwanga | Namibia Minerals Corporation |

### The Environment & Prospecting Committee

| | |
|---|---|
| D Newman (Chairperson) | Cominco / Tsongoari Exploration (Pty) Ltd |
| R Burrell | Namdeb Diamond Corporation (Pty) Ltd |
| C Claasens | Ministry of Environment & Tourism |
| A Freyer | Ambase Exploration Namibia |
| D Gadd-Claxton | Trans Hex Group |
| A Goosen | Namdeb Diamond Corporation (Pty) Ltd |
| S Jennings | Cominco |
| G Kegge | Kegge Advisory Services |
| P A Lombard | Avmin Namibia (Pty) Ltd |
| D O'N Mathews | Trust & Mining Company (Pty) Ltd |
| V Malango | Ministry of Mines & Energy |
| A Palfi | Palfi, Holman & Associates |
| V Petzel | Geological Survey (MME) |
| D Pretorius | Kumba Resources |
| B Roesener | AngloGold Namibia (Pty) Ltd |
| R Samunyenga | Ministry of Mines & Energy |
| G I C Schneider | Geological Survey (MME) |
| A Speiser | Alexandra Speiser |
| A Walden | Diamond Fields Namibia |
| P Wickens | De Beers Marine |

### The Labour Committee

| | |
|---|---|
| S Nekundi (Chairperson) | Namdeb Diamond Corporation (Pty) Ltd |
| I Djiuella | Rosh Pinah Zinc Corporation (Pty) Ltd |
| B Dorrenbacher | Okorusu Fluorspar (Pty) Ltd |
| P Elindi | Namibia Minerals Corporation |
| W Gaochab | AngloGold Namibia (Pty) Ltd |
| L Gwala | Debmarine Namibia |
| C Horne | Trans Hex Group |
| H Ipinge | Ongopolo Mining & Processing Limited |
| M Ipinge | Trans Hex Group |
| C Johannes | Salt & Chemicals (Pty) Ltd |
| J Klein Jnr | Salt Company (Pty) Ltd |
| A Liebenberg | Namdeb Diamond Corporation (Pty) Ltd |
| M Wills | Skorpion Mining Company |
| B Mrwata | Rossing Uranium Ltd |

## The Marine Operators' Committee

This Committee was disbanded at the beginning of the year; its interests being addressed through the Environment & Prospecting Committee

## The Mine Surveying Committee

| | |
|---|---|
| D F Hull (Chairperson) | Consultant |
| T Botha | AngloGold Namibia (Pty) Ltd |
| A Goosen | Namdeb Diamond Corporation (Pty) Ltd |
| R N Isaaks | Ministry of Mines & Energy |
| D Mathews | Rossing Uranium Ltd |
| P v/d Merwe | Rosh Pinah Zinc Corporation (Pty) Ltd |
| A Watermeyer | De Beers Marine |

## The Safety Committee

| | |
|---|---|
| P Rooi (Chairperson) | Rossing Uranium Ltd |
| E Farmer | Anglogold Namibia (Pty) Ltd |
| R Frank | Mineworkers Union of Namibia |
| R Gevers | Okorusu Fluorspar (Pty) Ltd |
| K Goodhew | NOSA Namibia consultant |
| M Gordon | Trans Hex Group |
| G Hugo | NOSA Namibia |
| D Ipinge | Mineworkers Union of Namibia |
| P J Liebenberg | Ministry of Mines & Energy |
| B Nel | NOSA Namibia consultant / Ongopolo / Rubicon |
| Dr Nkandi-Shiimi | Ministry of Health & Social Services |
| T Rossouw | Namdeb Diamond Corporation (Pty) Ltd |
| P Shilongo | Ministry of Labour |
| D van Tonder | Salt & Chemicals (Pty) Ltd |
| B Viljoen | Rosh Pinah Zinc Corporation (Pty) Ltd |

## The Mining Cooperation Council

| | |
|---|---|
| I Zaamwani | Chamber of Mines of Namibia |
| A Neethling | " " " " " |
| J Rogers | " " " " " |
| C Pandeni | Mineworkers' Union of Namibia |
| P Naholo / R Frank | " " " " |
| C Schlettwein | Ministry of Labour |
| B-M Shinguadja | " " " |
| J Iita | Ministry of Mines and Energy |
| K Hamutenya | " " " " " |

ANNEXURE E – BODIES ON WHICH THE CHAMBER WAS REPRESENTED DURING 2002

| | Representative | Alternate |
|---|---|---|
| The Ancillary Rights Commission | D O'N Mathews | |
| The Board of Trustees of the Namibian Institute of Mining and Technology | C Kauraisa<br>J C Rogers<br>I Zaamwani | |
| The Council of the Polytechnic of Namibia | J C Rogers | |
| The Employment Equity Commission | S Nekundi | P Elindi |
| The Geology Advisory Board UNAM | D Newman | |
| The Labour Advisory Council | B Paulino / P Shipoke | |
| The Minerals Development Fund Control Board | J C Rogers<br>C Kauraisa | D Newman |
| The Namibian Employers' Federation | J C Rogers | |
| The Namibian Ports Authority Board | J C Rogers | |
| The Namibian Transport Advisory Board | J C Rogers | |
| The National Energy Council | I Zaamwani | J C Rogers |
| The National Vocational Training Board | E D G Mueller | H Beykirch |
| The NOSA Namibia Board | A Neethling<br>J C Rogers<br>I Zaamwani<br>E D G Mueller | |
| The Social Security Commission | B Paulino | |

## ANNEXURE F – CHAMBER MINING MEMBER ANNUAL LABOUR STATISTICS

| Year | Number of employees as at 31 December | Total remuneration paid (Namibian Dollars) |
|---|---|---|
| 1981 | 19240 | 120804606 |
| 1982 | 17300 | 132157914 |
| 1983 | 16595 | 139705600 |
| 1984 | 15624 | 139441000 |
| 1985 | 14869 | 152825000 |
| 1986 | 14428 | 165442000 |
| 1987 | 12905 | 184034000 |
| 1988 | 13073 | 241553000 |
| 1989 | 12776 | 283522000 |
| 1990 | 13605 | 349018000 |
| 1991 | 12265 | 387860000 |
| 1992 | 11441 | 385464401 |
| 1993 | 9854 | 381155796 |
| 1994 | 9693 | 397789557 |
| 1995 | 9775 | 458887020 |
| 1996 | 8540 | 457009217 |
| 1997 | 8214 | 533967714 |
| 1998 | 7686 | 592754266 |
| 1999 | 5427 | 478130587 |
| 2000 | 6248 | 559436982 |
| 2001 | 6026 | 565724429 |
| 2002 | 6099 | 614476640 |

## ANNEXURE G – CHAMBER MINING MEMBER ANNUAL ACCIDENT STATISTICS

| Year | Number of Reportable Injuries | Rate per 1000 employees | Fatalities | Rate per 1000 employees |
|---|---|---|---|---|
| 1981 | 128 | 6,65 | 11 | 0,57 |
| 1982 | 90 | 5,20 | 9 | 0,52 |
| 1983 | 98 | 5,81 | 6 | 0,36 |
| 1984 | 54 | 3,46 | 10 | 0,64 |
| 1985 | 51 | 3,43 | 6 | 0,40 |
| 1986 | 36 | 2,50 | 4 | 0,28 |
| 1987 | 31 | 2,40 | 1 | 0,08 |
| 1988 | 39 | 2,98 | 7 | 0,54 |
| 1989 | 40 | 3,13 | 5 | 0,39 |
| 1990 | 48 | 3,53 | 1 | 0,07 |
| 1991 | 41 | 3,34 | 2 | 0,16 |
| 1992 | 37 | 3,23 | 5 | 0,44 |
| 1993 | 30 | 3,04 | 3 | 0,30 |
| 1994 | 26 | 2,68 | 4 | 0,41 |
| 1995 | 28 | 2,86 | 6 | 0,61 |
| 1996 | 25 | 2,93 | Nil | - |
| 1997 | 29 | 3,53 | 1 | 0,12 |
| 1998 | 20 | 2,60 | 1 | 0,13 |
| 1999 | 18 | 3,32 | 1 | 0,18 |
| 2000 | 41 | 6,56 | 2 | 0,32 |
| 2001 | 25 | 4,15 | 3 | 0,50 |
| 2002 | 47 | 7,80 | 5 | 0,82 |

## ANNEXURE H - PAST PRESIDENTS AND VICE PRESIDENTS

### THE ASSOCIATION OF MINING COMPANIES OF SOUTH WEST AFRICA

| Year | President | Vice President |
|---|---|---|
| 1969 | J P Ratledge | D Borchers |
| 1970 | J P Ratledge | D Borchers |
| 1971 | W H Bailie | H J van den Hoven |
| 1972 | W H Bailie | G Nisbet |
| 1973 | J L P MacKenzie | K E Mantell |
| 1974 | J L P MacKenzie | K E Mantell |
| 1975 | J L P MacKenzie | J Berning |
| 1976 | J Berning | M H Rogers |
| 1977 | J Berning | J O Rochards |
| 1978 | J O Richards | B R Woolfe |

### THE CHAMBER OF MINES OF NAMIBIA

| Year | President | Vice President |
|---|---|---|
| 1979 | J O Richards | B R Woolfe |
| 1980 | G R Parker | C A Gibson |
| 1981 | C A Gibson | D B Hoffe |
| 1982 | D B Hoffe | H A R Meiring |
| 1983 | H A R Meiring | C A Macaulay |
| 1984 | C A Macaulay | D B Hoffe |
| 1985 | H A R Meiring | J O Richards |
| 1986 | J O Richards | C A Macaulay |
| 1987 | C A Macaulay | H A R Meiring |
| 1988 | H A R Meiring | R A A Gower |
| 1989 | R A A Gower | M P Bates (Dr) |
| 1990 | M P Bates (Dr) | P J V Kinver |
| 1991 | P J V Kinver | J C A Leslie |
| 1992 | J C A Leslie | R A A Gower |
| 1993 | T K Whitelock | A R de Beer |
| 1994 | A R de Beer | S James |
| 1995 | S James | M J C Wittet |
| 1996 | M J C Wittet | A R de Beer |
| 1997 | A J Hope | J P Murphy |
| 1998 | J P Murphy | K Kapwanga |
| 1999 | K Kapwanga | F M Bethune |
| 2000 | K Kapwanga | I Zaamwani |
| 2001 | I Zaamwani | A Neethling |
| 2002 | I Zaamwani | A Neethling |