REVIEWING

Rössing

1996

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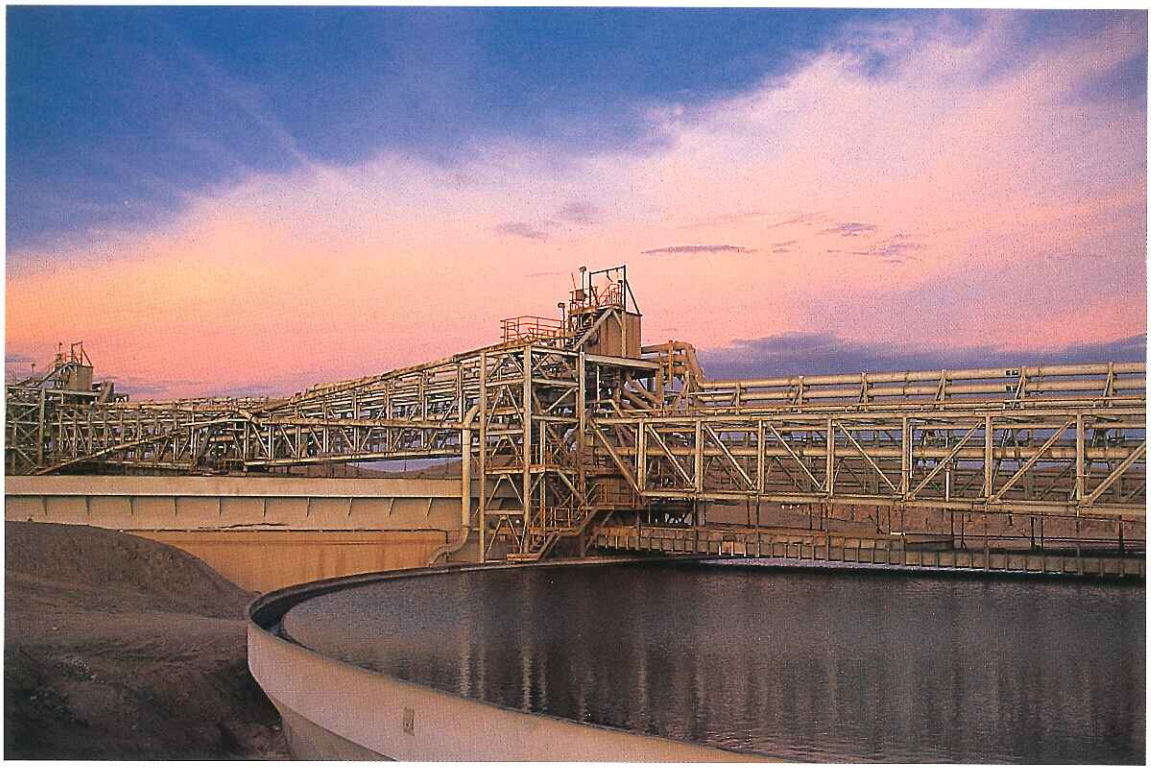
Rössing



View of the Counter Current Decantation Thickeners at night

INTRODUCTION

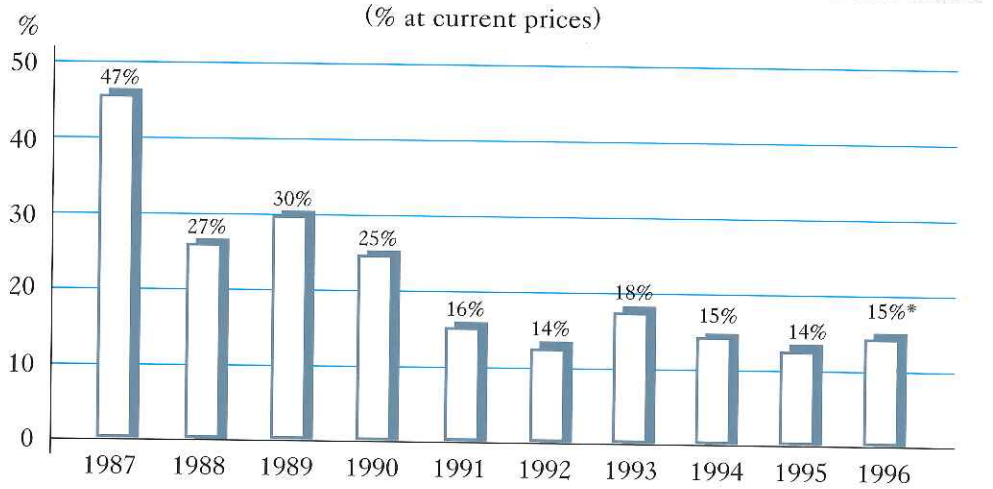
1996 saw significant increases in sales and production at Rössing whilst further improvements in unit cost performance and productivities contributed to an improved financial performance. The programmes implemented in the early 1990's have therefore demonstrated their effectiveness leaving the company, as it marks its 20th Anniversary of the first production in 1976, well positioned to benefit from improved market conditions. This is reflected in the success of the company in securing new contracts and contract extensions during the course of the year.

A further increase in production of 22% in 1996 brings the total increase since 1993 to nearly 50%, and represents output at approximately 65% of capacity.

Efficiency programmes and new investment continued across the site in 1996. An order was placed for six new Haulpack 730E haultrucks, valued at N$47 million, and these trucks are expected to be operational by end March 1997. The haultrucks represent a major investment, designed, through lower maintenance costs, to reduce Rössing's cost base and increase its competitiveness.

Namibia's political and social stability and sound economic management since independence have been a crucial asset in allowing Rössing to plan with confidence for the future and this continued to be the case in 1996. During the year the company generated approximately 8.5% of total Namibian exports. Local businesses were awarded contracts for goods and services valued at about N$140 million and nearly N$5 million was donated to the Rössing Foundation, assisting its important work of social upliftment. The Foundation

RÖSSING'S CONTRIBUTION TO TOTAL NAMIBIAN MINERAL EXPORTS
(% at current prices)



*provisional

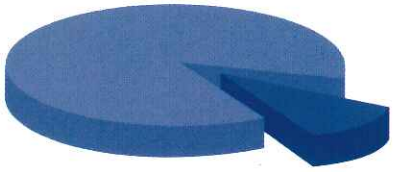
administered over N$9 million on behalf of other non-Rössing institutions who recognised the value of the organisation as a facilitator of development programmes.

The year saw further changes in the Directorate of the company. Andrew Hope succeeded Sean James, who moved to RTZ-CRA London as Group Mining Executive, as Managing Director in April 1996. Rössing welcomed the new General Manager, Werner Haymann, with effect from 1 January 1997. Werner will be responsible for all site operations and brings along extensive mining experience from CRA, the Australian component of the combined RTZ-CRA group.

Like its parent company and principal shareholder RTZ-CRA, Rössing aims to be a reliable, competitive and responsible long-term supplier to customers around the world. A further increase in production levels is planned for 1997 in line with contracts in place and further significant investments in capital and systems are planned for the next 3 years. These are designed to ensure that Rössing remains a competitive and reliable supplier to the nuclear electricity industry world-wide to the benefit of employees, shareholders and the nation of Namibia.

CONTRIBUTION OF MINING TO GDP

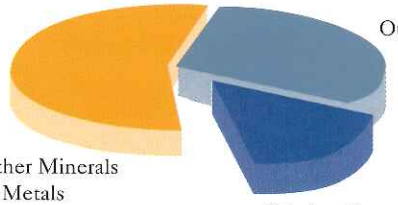
Source: Central Statistics Office



Mining 12.8%

CONTRIBUTION OF RÖSSING'S EXPORTS TO TOTAL EXPORTS

Source: Central Statistics Office



Other Exports 34.5%

Other Minerals & Metals (incl. diamonds) 57%

Rössing Exports 8.5%

Chairman, Charles Kauraisa

Managing Director, Andrew Hope

Financial Director, Alan De'ath

General Manager, Werner Haymann

Managing Director, RTZ Mineral Services Ltd, Mike Travis

THE MARKET

The upward trend in the spot price which began during 1995 continued into 1996, with the price per lb peaking during the year at $16.50 before slipping back to a level of $14.70 at the year end – still 20% and 50% higher than at the end of 1995 and 1994 respectively. The easing of the price at the year end reflects the volatility of the market but ultimately the need for new material will lead to higher market prices, which will in turn provide a more stable balance as producers are given an incentive to invest in additional capacity. Until that time, price movement will be driven principally by perception, especially in relation to the volume of non-mined material which will be made available to the market. This volume of non-mined material in turn is subject to a number of variables, potentially adding to the volatility of the market price during the coming year.

One such variable which made the news in 1996 is the stated increase in the scheduled blend-down and shipment of Russian HEU* to the US Enrichment Corporation. US legislation exists to smooth the entry of this material onto the market but, that aside, doubts remain as to the actual physical capacity of Russia to blend down additional volumes of HEU. These and other political and technical uncertainties may well give rise to surprises for market participants in 1997.

** HEU: Highly Enriched Uranium*

Spot price per lb of U_3O_8

	31/12/94	31/12/95		31/12/96	
Restricted	$9.60	$12.20	+27%	$14.70	+20%
Unrestricted	$7.20	$10.00	+39%	$13.75	+38%

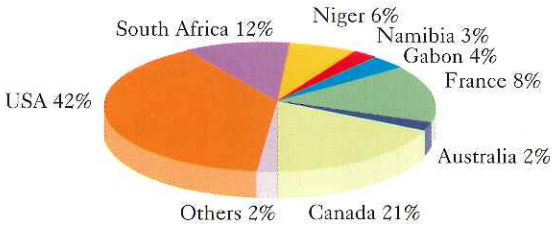
(Source: NMR Exchange Value)

** Restricted price applies to those transactions in which the buyer/seller is restricted by either the Euratom Supply Agency, the US Department of Commerce or contractually from receiving/delivering CIS origin products and services.*

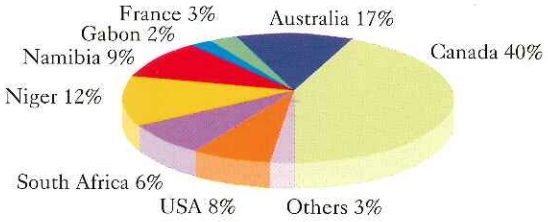
Concurrent with the rise in the spot price during the year was a tumble in spot market volume from around 19 000 tonnes U_3O_8 equivalent in 1995 to less than 9 000 tonnes in 1996. Utilities, in particular in the US, moved their purchasing off-market or into long-term contracts and many exercised positive flexibilities in their existing contracts to meet their immediate requirements. Producers in turn refrained from selling on the spot market and some intermediaries, who had been dominant sellers in previous years, seemed to have less material for sale.

WESTERN WORLD URANIUM PRODUCTION

Source: Uranium Institute and TradeTech



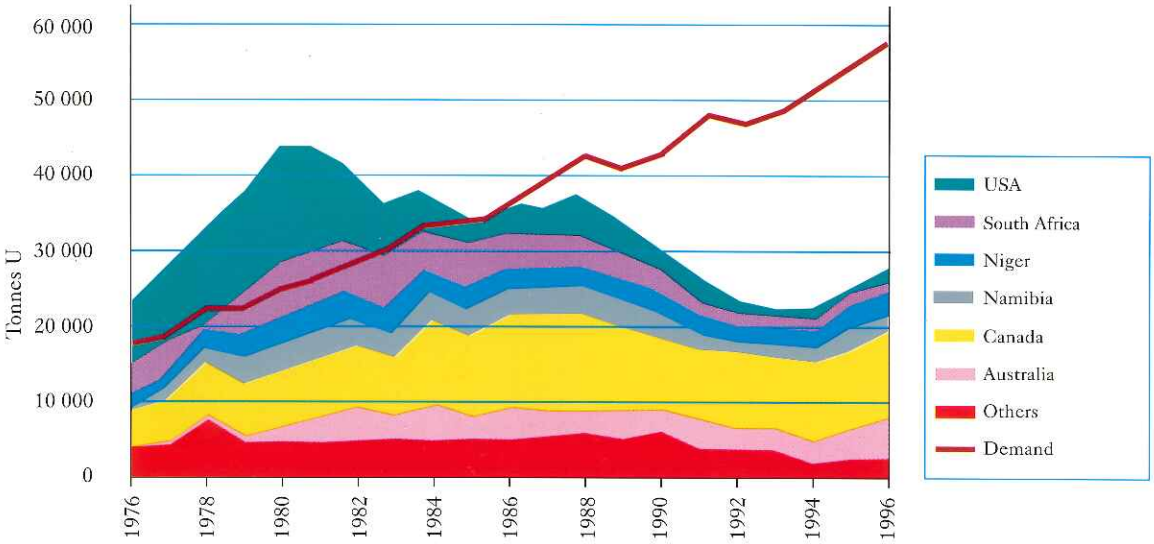
1976



1996

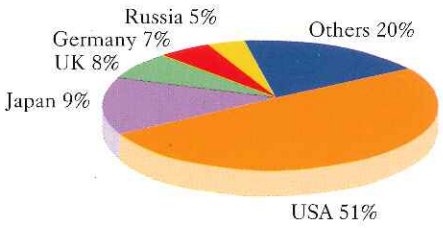
WESTERN WORLD HISTORIC URANIUM PRODUCTION AND DEMAND

Source: Uranium Institute and TradeTech

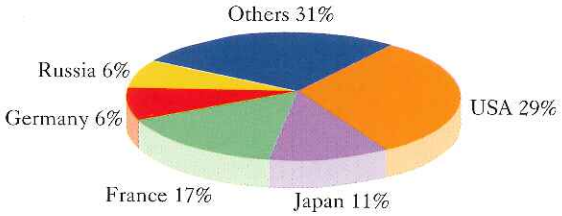


NUCLEAR GENERATING CAPACITY 1976 AND 1996
THE TOP FIVE COUNTRIES AND THE REST OF THE WORLD

Source: Uranium Institute



1976

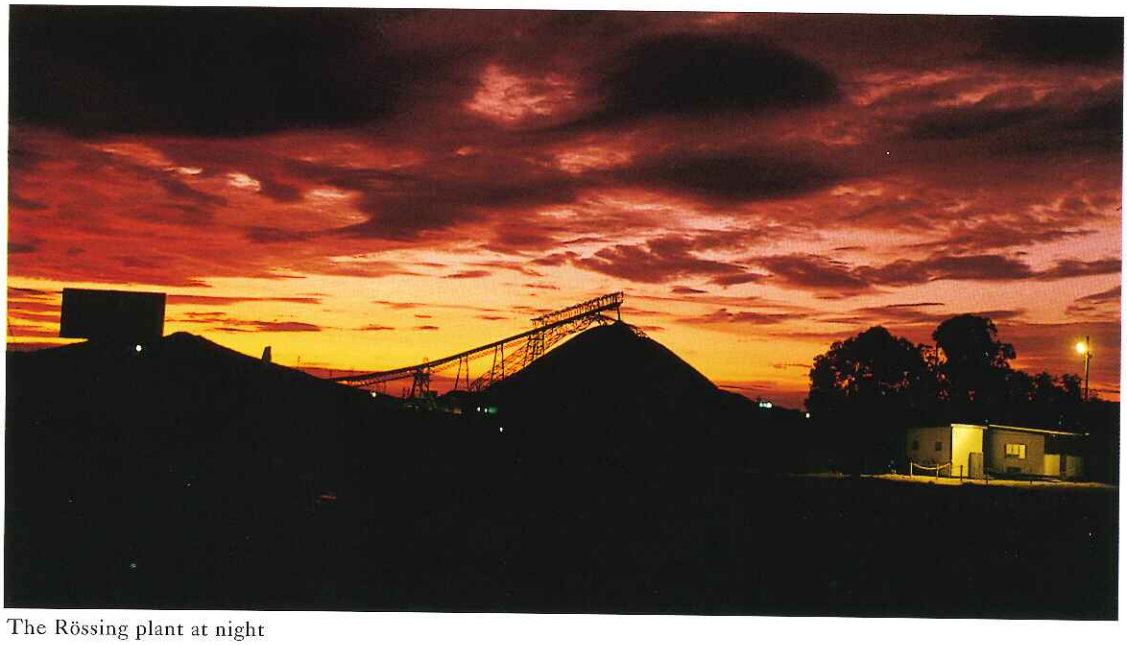


1996

This low level of transactions contributed to the downward drift in the spot price towards the end of the year.

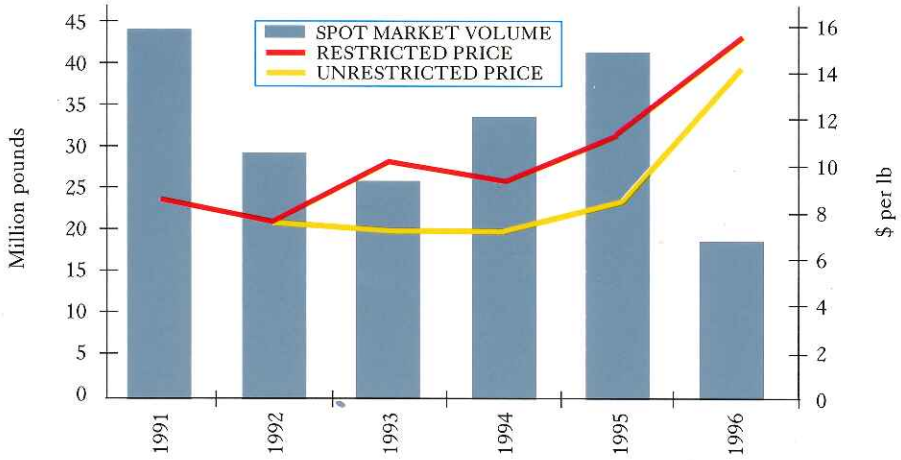
The medium to long-term market, in contrast, was very strong with another year of record contracting volume, estimated to be 40 000 tonnes to 50 000 tonnes U_3O_8 equivalent. The latest Uranium Institute Supply and Demand Report published in 1996 estimates that excess global utility inventory amounts to only 95 000 tonnes U_3O_8, or about one and a half years' requirements – and this after a period when strategic inventory levels across the industry have been set low because of the ready availability of cheap material on the spot market.

There were 437 nuclear reactors operating world-wide at the start of 1996 producing 343.8 GWe (Gigawatt electric), which represents 17% of global electricity production. It is noteworthy that there were also 39 new reactors under construction, which are forecast to add an additional 33 GWe capacity when complete. This ensures the future of nuclear power and will boost utilities' uranium requirements in the years to come. Given that surplus inventory is now dwindling as a supply source, forecast uncommitted demand levels towards 2000 suggest that many utilities will need to purchase material over the next few years, leading to a period of robust long-term contracting. Similar conditions will favour competitive primary producers, such as Rössing, who are committed to marketing material by means of long-term supply agreements.

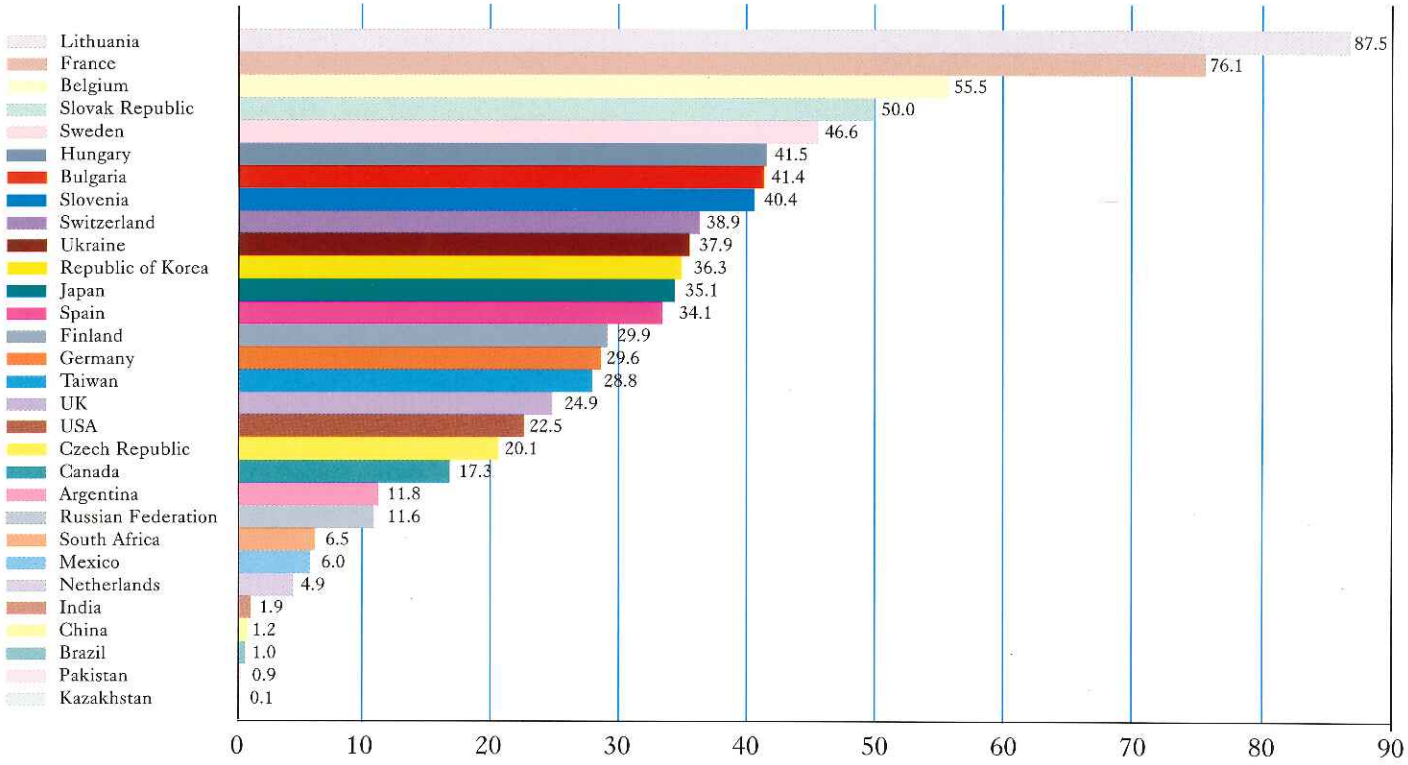


The Rössing plant at night

SPOT MARKET VOLUME (in m lbs) AND
PRICE ($ per lb) 1991 – 1996
Source: Nukem



NUCLEAR SHARE OF TOTAL ELECTRICITY GENERATION IN 1995
Source: Nukem



SALES

Deliveries in 1996 rose 16% from 1995's level, itself up on the previous year, and expectations are for this trend to continue over the next few years. The rise in the uranium market price level during 1996 from the unsustainable lows of the previous years presented Rössing with marketing opportunities in the world's major consuming regions. The year ended satisfactorily with new business won in both the eastern and western hemispheres. New contracts signed in 1996 will underpin increased production at, and future prosperity of, Rössing.

In 1996 many nuclear utilities decided to alter their purchasing strategy from ad hoc sourcing of material on the spot market to long-term contracting with primary producers. This favoured Rössing's policy of maintaining close commercial relationships with established and potential customers and co-operating to mutual benefit with them to meet their long-term needs. Rössing's ore reserves of over 114 000 tonnes – even after 20 years of production history – make it a world class deposit and it will remain a significant presence in the global uranium market for decades to come.

Minister of Mines and Energy, Toivo ya Toivo, and guests on top of the CIX Plant during a recent visit to Rössing

GEOLOGY OF THE RÖSSING DEPOSIT

The Rössing deposit is unique in that it is the largest known deposit of uranium occurring in granite. It has a geological history dating back 1 000 million years to when the now bone-dry Namib Desert formed part of the sea. A layer of sedimentary rock was deposited in the shallow water and as the sea bed subsided, additional deposition caused a thick accumulation of sediments to sink deep into the earth's crust. At these depths extremely high pressures and temperatures caused complex folding of the sediments, forcing the underlying molten granite to move upwards and become embedded in the sedimentary rock. This granitic rock, known as alaskite, contains uranium minerals either as microscopically small crystals of uraninite or easily seen yellow crystals of beta-uranophane.

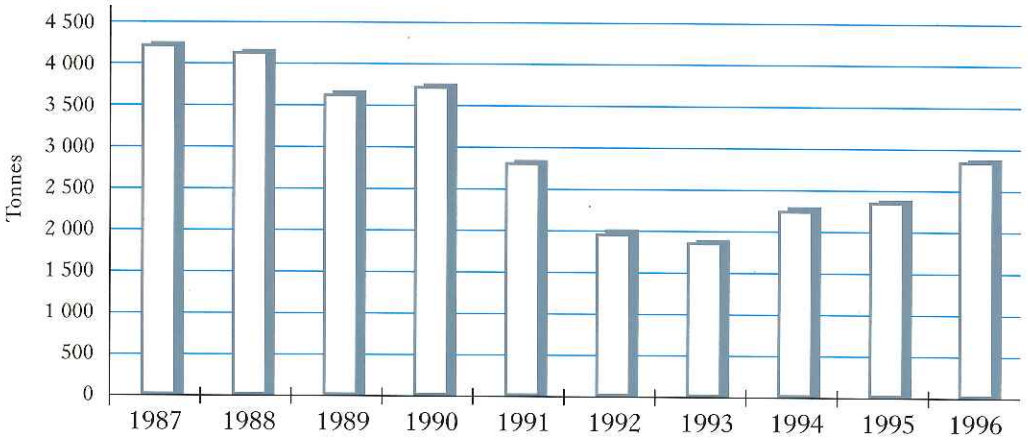
Rock formation in the open pit at Rössing

PRODUCTION OVERVIEW

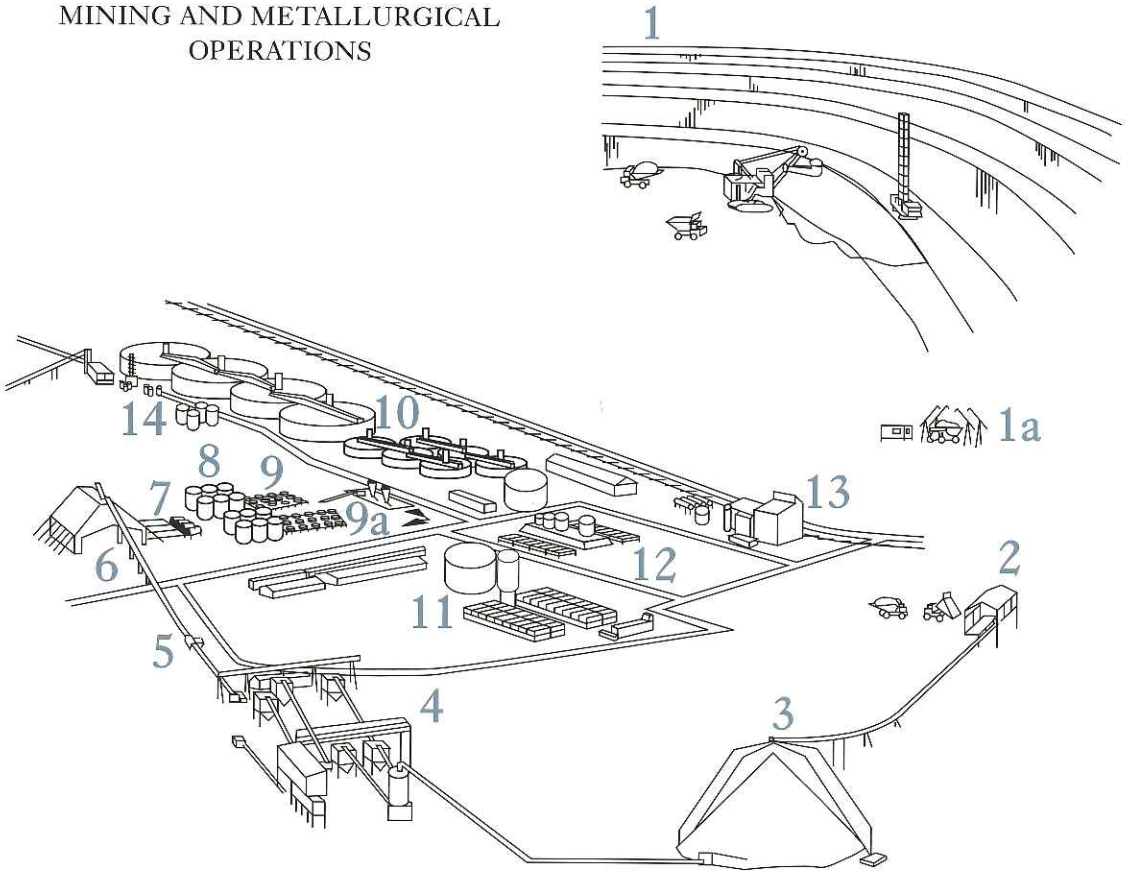
OPERATIONS

Rössing produced 2 892 tonnes of U_3O_8, 22% more than in 1995. Tonnes mined and tonnes milled increased by 15% and 19% respectively compared to 1995. The year recorded the highest grade of ore delivered in the history of the mine, attributable to the larger proportion of high-grade material mined from the South and East side of the open pit.

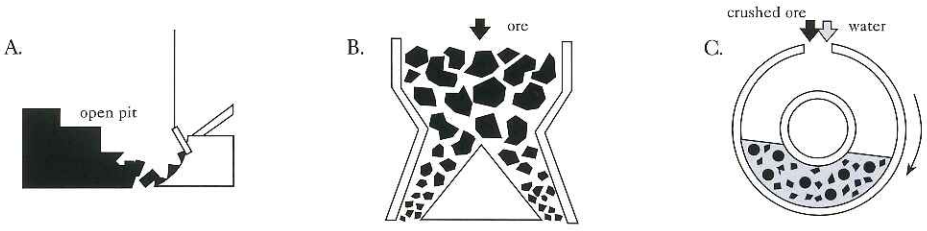
URANIUM OXIDE PRODUCTION AT RÖSSING
(metric tonnes per annum)



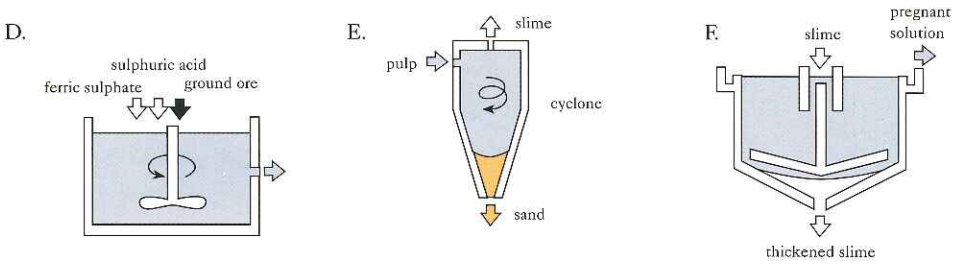
MINING AND METALLURGICAL OPERATIONS



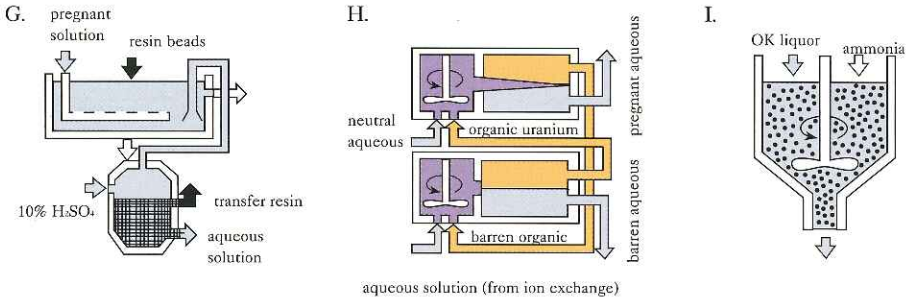
MINING AND METALLURGICAL OPERATIONS



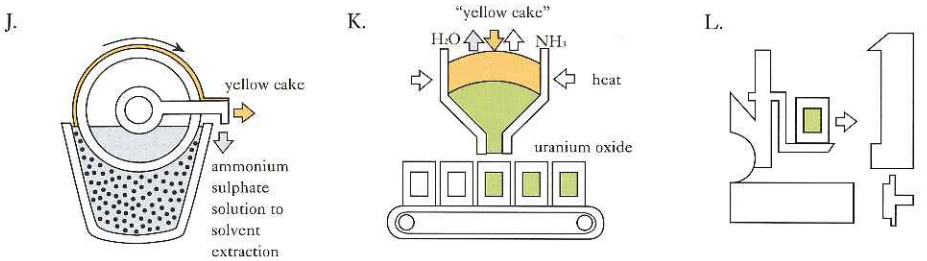
A. MINING: (1) The uranium ore at Rössing is recovered by drilling, blasting, loading and haulage. Due to erratic distribution of minerals in the ground, waste and ore are often mixed together. Radiometric scanners measure the radioactivity level of each truckload (1a). This determines whether the material is sent to the primary crushers (2) or to low-grade stockpile. Waste is transported to a separate dump.
B. CRUSHING: Ore is delivered to the primary crushers (2) by haultruck and then by conveyor to the coarse ore stockpile (3). It passes through a further series of crushers and screens (4) until the particles are smaller than 19mm. After weighing (5) this fine ore is stored on another stockpile (6).
C. GRINDING: Wet grinding of the crushed ore by means of steel rods reduces it further to a slurry with the consistency of mud. The four rodmills (7), which are 4.3m in diameter, are utilised as required by production levels and operate in parallel.



D. LEACHING: A combined leaching and oxidation process takes place in large mechanically agitated tanks (8). The uranium content of the pulped ore is oxidised by ferric sulphate and dissolved in a sulphuric acid solution. Sulphuric acid is produced through a pyrite-roasting process on site (14).
E. SAND/SLIME SEPARATION: The product of leaching is a pulp containing suspended sand and slime. Cyclones separate these components and, after washing in Rotoscoops (9) to remove traces of uranium-bearing solution, the sand is pumped through a pipe (9a) to a tailings disposal area.
F. THICKENING: Counter-current decantation thickeners (10) wash the slimes from previous stages. A clear uranium-bearing solution ('pregnant' solution) overflows from No. 1 thickener, while the washed slime is mixed with the sands and pumped to the tailings area (9a).



G. CONTINUOUS ION EXCHANGE: CIX(11) The clear pregnant solution now comes into contact with beads of specially-formulated resin. Uranium ions are absorbed onto the resin and are preferentially extracted from the solution. Beads are removed periodically to elution columns where a strong acid wash removes the uranium from the beads. The resulting eluate is a purified and more concentrated uranium solution.
H. SOLVENT EXTRACTION: SX(12) The acidic eluate from the ion exchange plant is mixed with an organic solvent which takes up the uranium bearing component. In a second stage, the organic solution is mixed with a neutral aqueous ammonium sulphate solution which takes up the uranium-rich 'OK liquor'. The acidic 'barren aqueous' solution is returned to the elution columns.
I. PRECIPITATION: (13) The addition of gaseous ammonia to the 'OK liqour' raises the solution pH, resulting in precipitation of ammonium diuranate, which is then thickened to a yellow slurry.

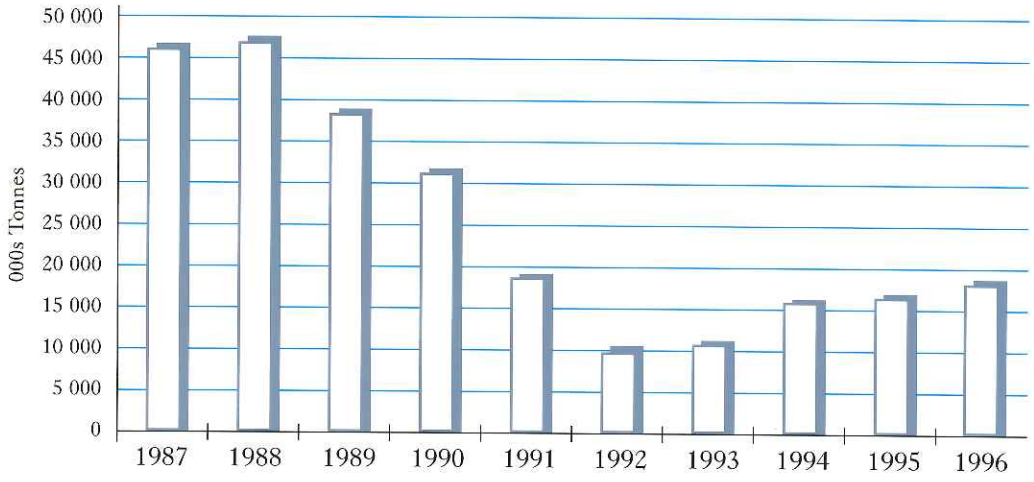


J. FILTRATION (13) The ammonium diuranate is recovered on rotating drum filters as yellow paste-'yellow cake'.
K. DRYING AND ROASTING (13) Final calcining drives off the ammonia, leaving uranium oxide. The product is then packed into metal drums. Neither ammonium diuranate nor uranium oxide are explosive substances.
L. LOADING AND DESPATCH (13) The drums of uranium oxide are loaded and exported to overseas customers for further processing. At full capacity, the plant can produce 5 000 short tons of uranium oxide each year.

MINING

In support of increased production, the open pit production pattern moved during the course of the year from 2 shifts a day, 5 days a week to 3 shifts a day, 5 days a week. Particularly in the last quarter waste stripping was accelerated to facilitate increased production in the years ahead.

RÖSSING MINE PRODUCTION 1987 – 1996 (tonnes mined)

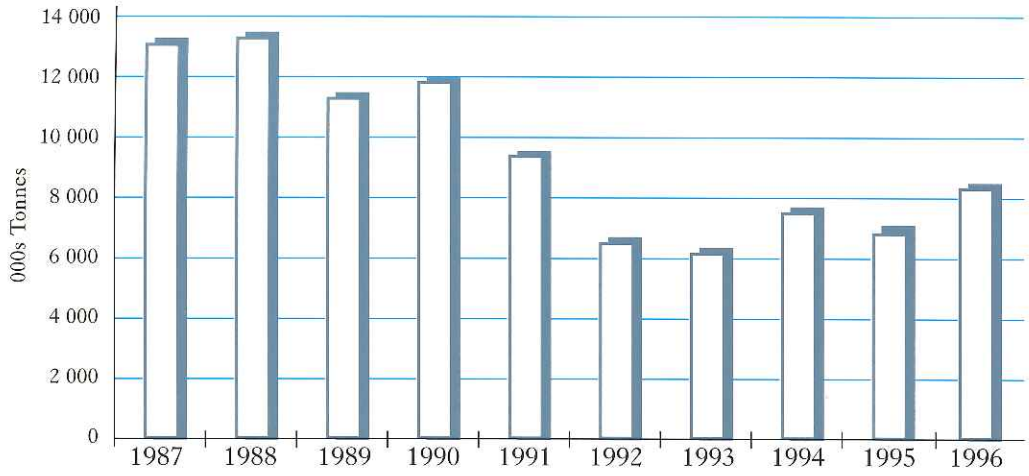


New Haulpack 730E during assembly

To improve on haultruck fuel costs and cycle times, the capacity of Rössing's existing Electric Trolley Assist system will be expanded by the erection of a second 11 KV feeder. This work commenced toward the end of the year and is scheduled for completion in the first quarter of 1997.

Continued high maintenance standards ensured good equipment availability. Following the extensive refurbishment of the metallurgical plant between 1992 and 1995 the Primary crushing circuit was overhauled during the year and the opportunity was taken to upgrade the control and hydraulic systems. The purchase and commissioning of new haultrucks referred to in the Introductory section was a major highlight of the year.

RÖSSING MILL THROUGHPUT 1987 – 1996 (total tonnes milled)



METALLURGY

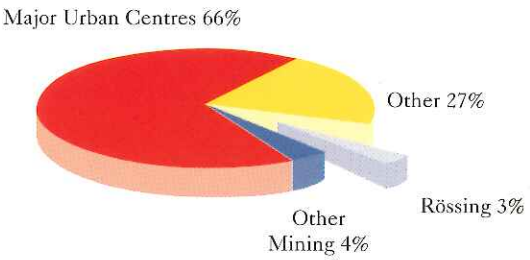
Tonnes milled increased by almost 20% to 8.3 million.

Further enhancements to plant operations methods and process automation continued throughout the year.

Improvements to the screening configuration on the fine crushing plant were tested during the year in order to maximise throughput without compromising product size quality. A series of plant trials were run in the leaching operation resulting in extraction benefits and improved understanding of alternative oxidants. Overall the washing and tailings circuits performed significantly better than in 1995, mainly due to improved recycle of solution from the tailings dam after upgrading of the decant pumping system. Ongoing efforts to reduce water losses resulted in the achievement of the best ever overall unit water consumption at Rössing for 1996.

Unforeseen circumstances disrupted the supply of pyrite to the acid plant on the mine site in the last quarter of the year, resulting in below plan acid production. However, various tests were carried out on the burning of elemental sulphur as an alternate feedstock for the plant, and results to date have been encouraging. Some 57 000 tonnes of sulphuric acid were imported during 1996 through the harbour of Walvis Bay to supplement internally produced acid. The pyrite supply problems have now been alleviated.

RÖSSING'S PROPORTION OF NATIONAL WATER DEMAND



Source: Ministry of Agriculture, Water and Rural Development, Rössing Water Management

HUMAN RESOURCES

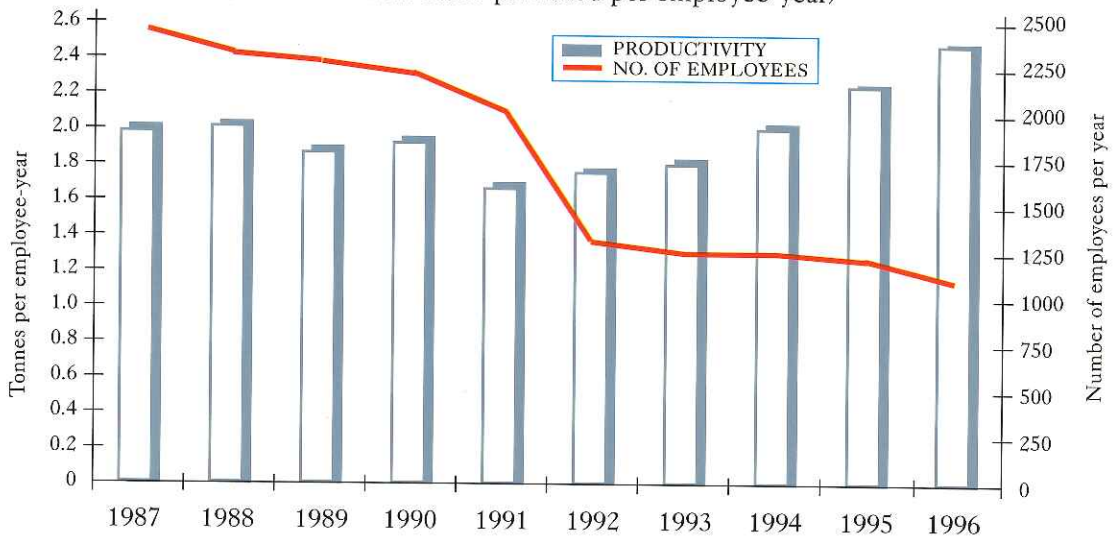
Rössing employed 1 189 people at the end of 1996 compared to 1 239 in the previous year. 92% of Rössing's employees are Namibian citizens. With higher production levels this reduction in employee totals translated into further significant improvements in productivity. Productivity as measured by tonnes mined per day improved by 28.5% during the year.

The year saw the continued building of healthy relations with employees through improved communication. The Industrial Relations climate remained good and ongoing negotiations with the Rössing Branch of the Mineworkers Union of Namibia (MUN) resulted in the signing of significant agreements on job grading procedures and a 2 year wage agreement. This two year agreement was a first for the Namibian Mining industry.

High standards of housekeeping and the commitment of employees to the success of the organisation give us much to be proud of. Training focus was on the development of a Company specific, practical Management Development Programme aimed at front-line supervision levels. Total costs for training and development programmes incurred by the company amounted to over N$3 million.

Rössing employees, as well as students from related industries in the country, receive apprenticeship training of the highest standard at the Namibian Institute of Mining and Technology in Arandis. The second group of qualified apprentices completed their training at the end of 1996 and are now employed by Rössing.

EMPLOYEE PRODUCTIVITY
(tonnes uranium oxide produced per employee-year)



With the year marking the 20th Anniversary of the first production at Rössing a total of 146 employees received awards for 20 years service at special presentations held at the Arandis Club. Over 50% of employees have now been with the company 15 years or more and staff turnover remains very low.

Rössing Management addressing a group of employees to mark 20 years of production

HEALTH, SAFETY AND THE ENVIRONMENT

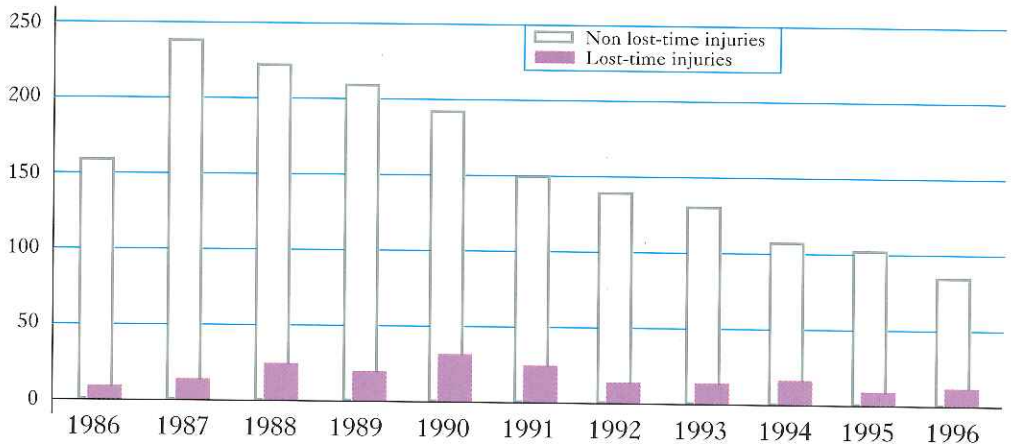
Rössing once again demonstrated its leadership in the field of safety through receiving its eleventh consecutive NOSCAR award for excellence in health, safety and environmental management. Managing Director, Andrew Hope, won NOSA's Safety Personality of the Year Award selected from 400 other NOSA mines world-wide. Whilst the number of lost time accidents increased the total number of accidents continued to reduce reflecting the benefits of the programmes operated at Rössing.

In pursuit of its health, safety and environmental policy, Rössing continues to ensure strict compliance with all health, safety and environmental standards and regulations, taking due note of the law of the land as well as the best practices and requirements of the uranium industry world-wide even where these are not statutory requirements in Namibia.

An environmental audit system was trialed during the year and will be extended to the balance of the site in 1997.

A "wellness in the workplace programme" commenced this year focusing on a health education programme for the mine. It aims to educate employees, their families as well as members of the community through facilitation of behaviour change. Smoking cessation, HIV/AIDS, general health and stress management are addressed by the wellness programme and increased awareness among people has been demonstrably created.

HISTORY OF INJURY RATE AT RÖSSING
(Number of injuries per year, by type)

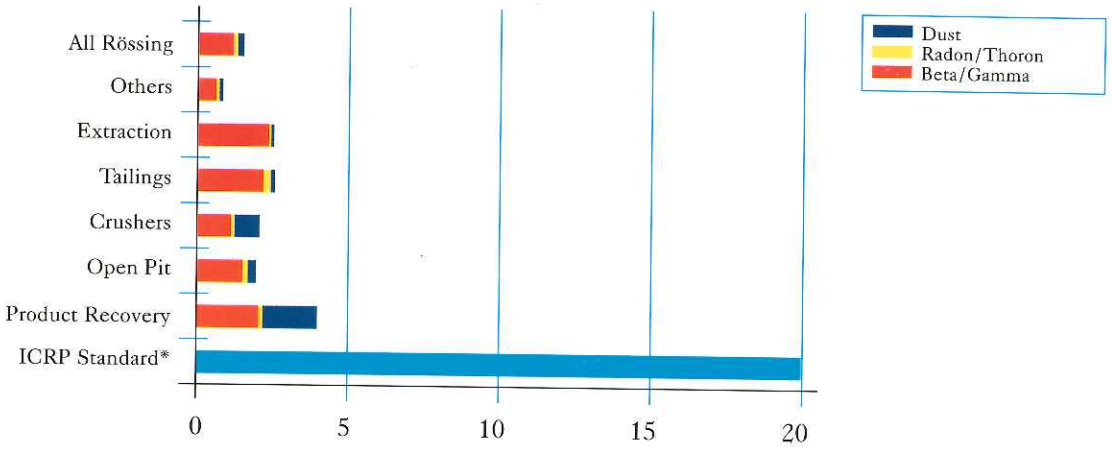


RÖSSING'S POLICY STATEMENT ON HEALTH, SAFETY AND THE ENVIRONMENT

Rössing has a comprehensive health, safety and environmental management programme in place. The Company is committed to:

- Striving to minimise its impact on the environment in the widest context, by adopting the principle of best contemporary practice during its operation and after decommissioning.
- Limiting Company exposure to environmental risk by identifying, controlling and monitoring environmental impacts on a regular, systematic basis.
- Upholding the right of every employee to work in safe conditions and ensuring that the general public, as well as employees, are protected from potential health hazards associated with the operations of the Company.
- A policy of responsible disclosure with regard to its environmental management and performance. The Company will not, without good reason, restrict the availability of relevant information either to employees or to the general public.
- Training all employees in safe, practical and efficient work methods that take cognisance of potential health hazards and potential adverse environmental impacts associated with the operation.
- Complying with appropriate health, safety and environmental legislation, taking due note of article 95 of the Namibian Constitution and adhering to the best contemporary practice and requirements of the uranium mining and processing industry elsewhere.

AVERAGE ANNUAL EXPOSURE LEVELS
(mSv per annum)



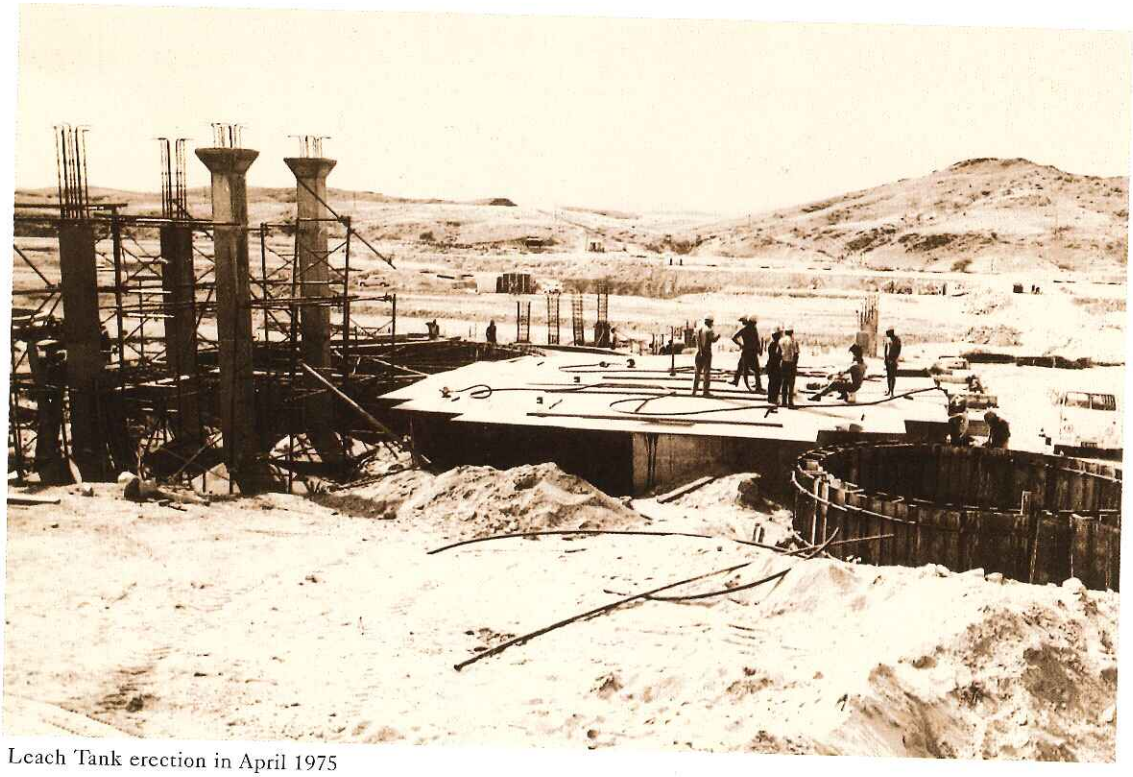
* *International Commission for Radiological Protection*

HISTORICAL INFORMATION

Rössing, one of the largest open pit uranium mines in the world, is situated in Namibia. It lies 65 kilometres inland from the coastal town of Swakopmund, in the Namib Desert, the oldest desert in the world. It is a region of vast, sandy wastes, rocky outcrops and gravel plains, where the average rainfall for the region is only 30 mm per year.

Radioactive pitchblende was discovered in the later 1920's by Captain Peter Louw, a mineral prospector working in the Namib Desert. It was only in 1966, however, that Rio Tinto South Africa Ltd – a subsidiary of the RTZ Corporation – negotiated an option on the 1 000 square kilometres concession. A team from RTZ then established an exploration camp in the Namib Desert. A long programme of geophysical and geological surveys, together with a feasibility study commenced. The ore body was found to be an enormous deposit of low-grade uranium embedded in tough, abrasive granite known as alaskite.

A decision to go ahead with the mining project was made in August 1973. The mine and plant – designed to produce 5 000 short tons of uranium oxide per year – began operating in March 1976 and reached full-scale production for the first time in 1979.



Leach Tank erection in April 1975

RÖSSING FOUNDATION

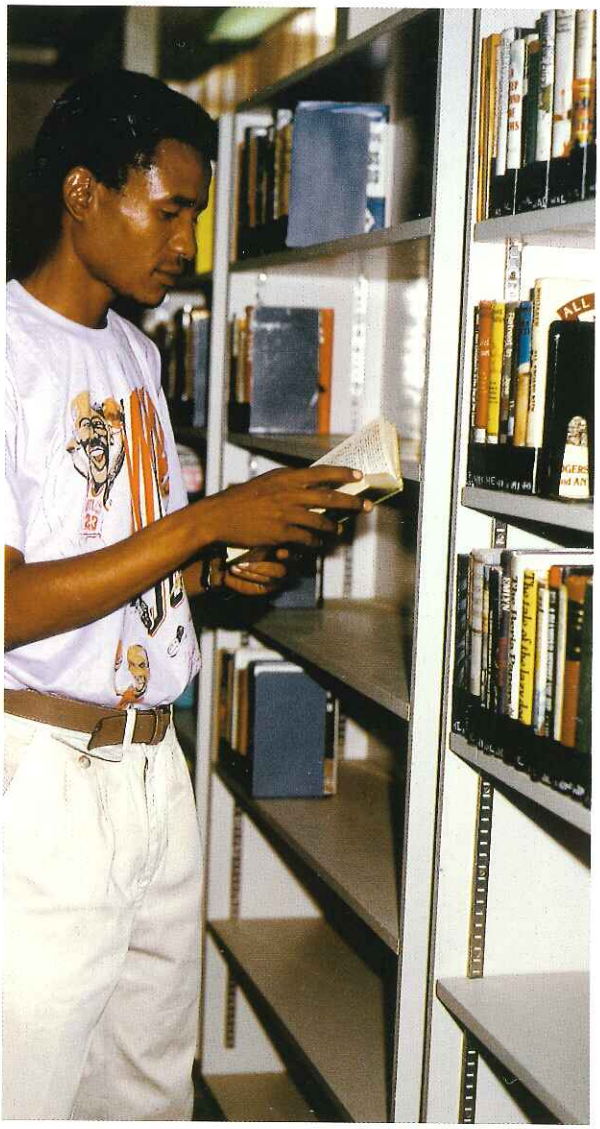
The Rössing Foundation was established in 1978 and is administered by a full time Executive Director who is responsible to an independent Board of Trustees. The organisation is funded by donations received from the profit of the Company as well as from NGO's and foreign aid institutions.

The Foundation continues to address the crucial needs of the Namibian community through its various centres in the country and some 50 000 Namibians have benefited from the activities of the Rössing Foundation during 1996. The centres further the practical education of Namibians in order to achieve greater national productivity and to increase understanding between the inhabitants of Namibia.

EDUCATIONAL PROGRAMMES

ADULT

In total, over 20 000 students attended courses on offer at the various centres throughout Namibia. The community libraries had approximately 35 000 adult and children users in what is proving to be an invaluable service to the communities served by the Foundation.



The Rössing Foundation Library at the Khomasdal Education Centre

JAN LIGTHART CENTRE

The partnership concept with the Namibian Government and donors continues and the Rössing Foundation proved, once again, the excellent manner in which this co-operation works by venturing into another such partnership during this year. The Jan Ligthart Training Centre in Windhoek, funded by the Netherlands Government with N$5,5 million and donated to the Namibian Government, was officially opened by the Minister of Basic Education and Culture in November 1996. The centre will be jointly managed by the Rössing Foundation and the Namibian Government and its facilities are available to all bodies who wish to provide training for adults. This will therefore be beneficial to many different adult education programmes and institutions, while adult education will be strengthened not just within government but within the whole nation.

Minister of Basic Education and Culture addressing the audience during the opening ceremony of the Jan Ligthart Centre

DROUGHT RELIEF

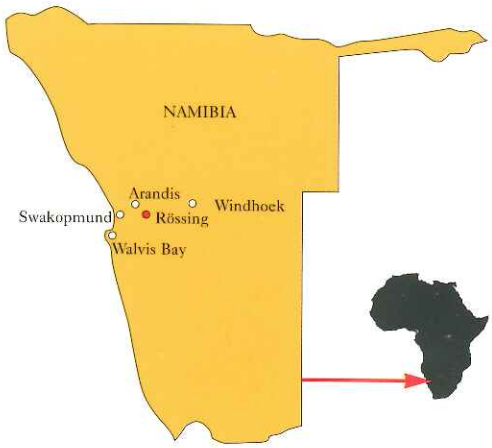
Early in the year the Foundation was asked by the Government to assist one of the main agencies handling drought relief in the northern regions. The Foundation distributed food to some 70 000 vulnerable group people in the central Ovambo region. The handling of this programme went very well and received a lot of praise from Regional Governors.

CRAFT DEVELOPMENT

The Rössing Foundation continues to emphasise the development of most centres into self sustaining organisations. The award winning Gibeon Group have expanded by taking in additional women and their quality products are in great demand both locally and abroad. A new crafts group was established at Uis in the South of Namibia which is proving to be a valuable addition to the crafts development. The Foundation is currently exploring the possibilities of reviving the Namibia Crafts Centre, which will be a major boost for the local crafts market.

OTHER FACTS AND FIGURES

Namibia's surface area is 824 000 square kilometres with a population of 1.6 million and a population growth rate estimated at 3%.



STATISTICAL DATA - RÖSSING & NAMIBIA

Source: Central Statistics Office and Rössing

NAMIBIA	UNITS		1995		1996
Gross Domestic Product (current prices)	N$millions	*	12 288	*	13 593
GDP per capita	N$	*	7 707	*	8 267
Total Exports of goods	N$millions	*	5 077	*	5 795
Total Mineral Exports (incl. diamonds)	N$millions	*	2 603	*	3 287
Current Account Surplus (deficit)	N$millions	*	180		n/a
Total Public Debt as % of GDP	%	*	21	*	24
Total Government Revenue (incl. grants)	N$millions	*	3 899	*	4 370
Total Mining Taxes (incl. diamonds)	N$millions	*	145	*	140
Inflation Rate	%		10.01	*	8.01
Consumer Price Index	1992=100		127.93	*	138.17
Total Water Consumed	million cu.m	*	101.3	*	102.4
Total Electricity Produced	million kWh	*	1.128	*	0.828
GDP Growth Rate (constant prices)	%	*	5.1	*	2.2

** = provisional for 1995 and 1996*

RÖSSING URANIUM MINE	UNITS	1995	1996
Uranium Production	tonnes	2 366	2 892
Contribution to World Production	%	6	* 7
Rank Amongst Principal Producers		5	* 5
Contribution to Mineral Exports	% by value	13.6	* 15.2
Total Tonnes Mined	million t	16.49	18.98
Total Tonnes Milled	million t	6.98	8.33
Number of Employees		1 239	1 189
Productivity per Employee-year		1.91	2.49
Fresh Water Purchased	million cu. m	1.99	2.47
Electricity Purchased	million kWh	157.8	170.4

** = provisional for 1996*