

Employee Brief

24 July 2014

RÖSSING CONSIDERING OWN DESALINATION PLANT

Colleagues

The aim of this employee brief is to inform you about upcoming activities to look into the feasibility of building our own desalination plant to provide freshwater for the mine.

The first step is to start a Social and Environmental Impact Assessment (SEIA) with the intention to design, construct and operate a new seawater desalination plant about six km north of Swakopmund at the current Swakopmund Salt Works.

As part of the SEIA's scoping phase a number of public and focus group meetings will be taking place over the next few weeks to inform the public, interest groups, the media and other stakeholders of the proposed activities, which will eventually lead to the mine's application for an Environmental Clearance Certificate in terms of Namibia's Environmental Management Act.

As you know we are curtailing our operations due to the low uranium price and have adopted a survival strategy for the next few years, which includes assumptions of a cheaper desalinated water source. Due to the prohibitive cost of the current desalinated water for mining bulk users at the coast, we are seeking a commercially viable water supply.

Our survival strategy is therefore partially dependent on the success of the proposed seawater desalination plant.

The anticipated cost for desalinated water is expected to be substantially less than the current price that we pay for desalinated water.

Since November 2013 we, along with the other mines, are using desalinated water supplied by NamWater, sourced from the desalination plant near Wlotzkasbaken north of Swakopmund.

Currently our consumption is about three million cubic metres of water per annum, with water recycling and reuse as the foundation of our water savings programme.

The SEIA process consists of a number of steps to assess the impact of building an own small desalination plant to supply water to the mine.

Desalination is a process that purifies water by removing dissolved mineral salts and other solids from brackish or seawater, making it suitable for human consumption.

A Background Information Document (BID) is available which gives more information on the SEIA process for the proposed desalination plant and some technical information on the proposed desalination process.

The proposed desalination plant aims to have a seawater intake system, a modular seawater reverse osmosis desalination plant with a capacity of about three million cubic metres per year. Various waste water outlet alternatives are being investigated.

The water supply line is planned to link with the existing NamWater pipeline to transport the desalinated water to the mine, which will be of drinking water quality according to Namibian water quality standards.

A Namibian company, Gecko Water, has made a feasible proposal to us for a fit for purpose desalination solution at commercially viable rates. The proposal includes a modular seawater reverse osmosis (SWRO) desalination plant with a capacity of approximately 8,200 m³/day. This will be housed together with the pre-treatment plant in an enclosed structure.

Gecko is already a supplier to Rössing for other business activities, such as drilling.

SLR Environmental Consulting (Namibia) (Pty) Limited (SLR) and Aurecon Namibia (Pty) Ltd, both independent environmental consulting firms, have been jointly appointed by Rössing to manage the SEIA process.

The SEIA process will involve specialists appointed by SLR and Aurecon to study a number of environmental aspects such as the marine environment, the avifauna, potential social and economic impacts, potential noise and visual impacts and possible impact on archaeology resources within the areas affected by the construction activities.

Following the scoping phase from July to October 2014, will be an assessment phase stretching from October 2014 to January 2015. Public and focus group meetings are scheduled from 31 July 2014.

Public involvement is an essential part of the SEIA and comments can be submitted until 12 August 2014 to be addressed in the scoping report.

Please contact Werner Petrick of SLR on 064 402317 (telephone) or 064 403327 (fax) or wpetrick@slrconsulting.com should you wish to register as an Interested and Affected Party (I&AP) or have your comments noted.

We will keep you updated on the developments of this project.

Regards

Werner Duvenhage
Managing Director

Issued by Corporate Communication

Employee Brief

1 August 2014

UPDATE - RÖSSING CONSIDERING OWN DESALINATION PLANT

Colleagues

You may recall that late last week I informed you about upcoming activities to look into the feasibility of building our own desalination plant to provide freshwater for the mine.

The aim of this employee brief is to inform you that we have now taken the first steps which are to start a Social and Environmental Impact Assessment (SEIA). The SEIA process consists of a number of steps to assess the impact of building an own small desalination plant to supply water to the mine.

As part of the SEIA's scoping phase a number of public and focus group meetings were held yesterday in Swakopmund to inform the public, interest groups, the media and other stakeholders of the proposed activities, which will eventually lead to the mine's application for an Environmental Clearance Certificate in terms of Namibia's Environmental Management Act.

Perhaps you have wondered how we can retrench people and at the same time explore the feasibility of a desalination plant.

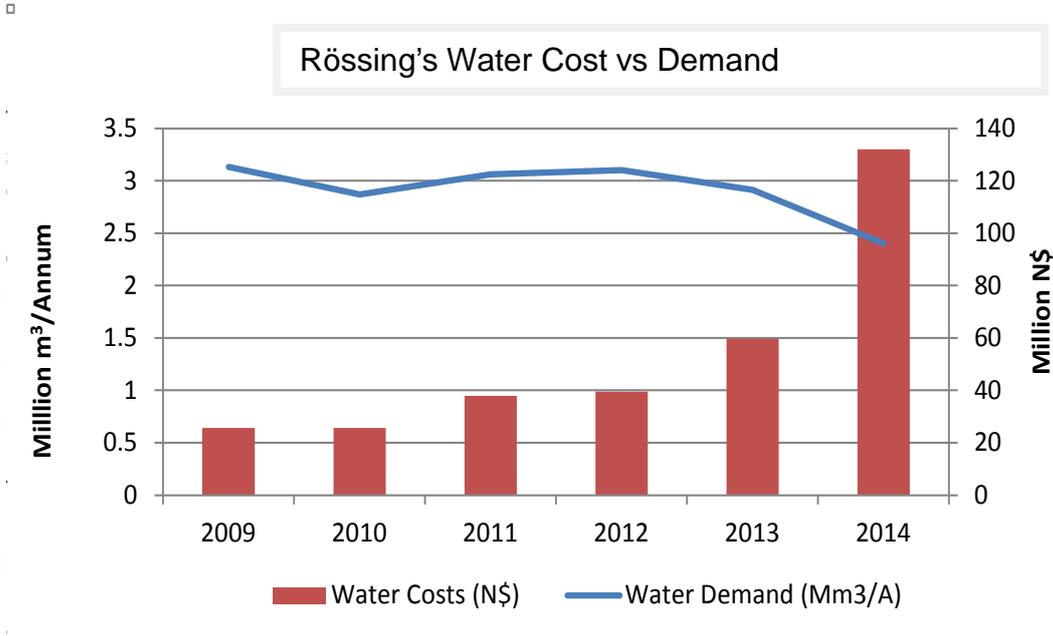
As you know we are curtailing our operations due to the low uranium price and have adopted a survival strategy for the next few years.

Our survival strategy amongst others, includes that we have to address two issues, which are our employee costs and the other the cost of water. If we do not efficiently address these two issues and others, then we will have to close the mine. Our survival strategy is therefore partially dependent on the success of the proposed seawater desalination plant.

Due to the prohibitive cost of the current desalinated water for mining bulk users at the coast, we are seeking a commercially viable water supply. The graph below shows you how the cost of our water has escalated, for example:

- During the past three years our cost for water increased by over 300% on a per annum basis, however because of the new punitive contract structure the unit cost at times has increased to over 800%;
- In 2012 we paid N\$39 million for about 3 million cubic meter (which was still Omdel aquifer water);
- In 2013 it increased to N\$60 million for just less than 3 million cubic meter water (the mine started receiving desalinated water in November 2013);
- Our expected cost in 2014 (the first full year of desalinated supply) for about 2.4 million cubic meter water, is increasing to about N\$130 million.

The anticipated cost for desalinated water from our own plant is expected to be substantially less than the current price that we pay for desalinated water. We are expecting a saving of between N\$40 million and N\$60 million per year (not N\$16 million as one of today's newspapers indicated). The estimated cost for the desalination plant is expected to be between N\$180 million and N\$220 million, thus a pay-back time of three and half years from the expected cost savings.



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We will keep you updated on the developments of this project.

Regards

Werner Duvenhage
Managing Director

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