THE PURPOSE OF THIS REPORT
This report aims to give Rössing Uranium’s stakeholders a review of January to December 2006, as well as of the company’s interaction with society, the economy and the environment. The stakeholders of Rössing Uranium and The Rössing Foundation are not only the shareholders who have invested their money in the business, but are all those people and institutions that influence the company and on whom the mine has an influence. Stakeholders, therefore, include the mine’s employees, the communities of Arandis, Swakopmund and Walvis Bay, governmental institutions, service providers, and the mine’s customers.

Rössing Uranium within the Rio Tinto Group
Rio Tinto, one of the largest mining houses in the world, owns the majority of shares (69%) in Rössing Uranium Limited. The Rio Tinto Group manages about 30 businesses around the world that control nearly 80 operations in 20 countries. Major products include aluminium, copper, diamonds, energy products (coal and uranium), gold, industrial minerals (borates, titanium dioxide, salt and talc) and iron ore.

Rio Tinto is a leader in finding, mining and processing the earth’s mineral resources. Its worldwide operations supply essential minerals and metals that help to meet global needs and contribute to the improvement of living standards. The Group contributes to sustainable development, minimise the adverse effects of mining, and work closely with host countries and communities.

Rössing Uranium is one of two uranium mining companies within the Group, Energy Resources of Australia (ERA) being its sister company.

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Rössing Uranium mines uranium ore from 500-million-year-old granitic rock in the Namib Desert in central Namibia, southern Africa. Uranium oxide concentrate of a low radiation level is produced at the mine and transported via rail and sea for further processing to conversion and enrichment facilities in other parts of the world, where it is used as nuclear fuel in the power plants of Rössing’s global customers. In 2006, the mine’s production made up about 7% of world production of primary produced uranium.

The mine site is located about 70 km north-east of Swakopmund, and encompasses a licence area of about 18 km², of which 2 km² are used for mining, waste disposal and processing. Mining is done by blasting, loading, and hauling from an open pit that measures 3 km by 1.5 km and is 330 m deep. In 2006, 12.0 million tonnes of ore and 16.8 million tonnes of waste were mined, and 3,617 tonnes of uranium oxide produced by a sulphuric acid leaching process.

In 2006, a total of 3.3 million m³ of water, 205,614 MWh of electricity, and 5 ha of land were used. Respectively, this relates to 28% coastal water use, 6% of total electricity used in Namibia, and an increase in 0.2% land use in the mining licence area.

Rio Tinto owns the majority of shares (69%) in Rössing Uranium Limited. The Namibian Government has a 3% shareholding, but it has the majority (51%) when it comes to voting rights. The Government of Iran owns 15%, which was acquired during the set-up of the company in the early 1970s. The Industrial Development Corporation (IDC) of South Africa owns 10%, while individual shareholders own 3%. The shareholders have no production off-take rights.

The mine’s uranium is sold through Rio Tinto Uranium, which markets uranium for Rio Tinto from Rössing as well as from Energy Resources of Australia, Rössing’s sister mine in the Northern Territories. Rössing’s uranium was sold to European, United States, Japanese and Asia-Pacific nuclear power producers.

After three years of not being able to declare profits, sales in 2006 allowed the mine to contribute N$158 million to tax revenue coffers.

Other inputs to Namibia’s economy were through employee tax (N$54.3 million), while the expenditure in development work of the mine and Rössing Foundation in the Erongo Region and in Namibia amounted to N$8.8 million. N$948.8 million was spent with Namibian suppliers of goods and services.

Rössing Uranium Mine celebrated its 30th year of production in 2006. The mine produced its first uranium in 1976 after intensive exploration in the Namib Desert that commenced in the late 1960s had been completed. Full production was reached in 1978 and, until the 1990s, Rössing made significant contributions to Rio Tinto and Namibia, both economically and socio-economically. The downturn in the uranium market in 1990 caused the company to scale down, while unfavourable uranium prices as well as exchange rates forced the announcement of the mine’s closure in 2009. However, at the end of 2005, the renewed upswing in the uranium market price experienced since 2003 allowed the shareholders to extend the mine’s life until at least 2016.

During 2006, exploration began on uranium occurrences within the mining licence area that were known since the late 1970s but were not viable at the time due to unfavourable market conditions. Good progress has been made in these investigations, and plans are being developed to further extend Rössing’s mine life beyond 2020.
Welcome to our 2006 Rössing Report to Stakeholders.

In 2006, Rössing Uranium celebrated its 30th year of production. I would like to thank the many employees and their families and all other stakeholders who have enabled the company to achieve 30 years of “Working for Namibia”.

An even more important milestone last year was that we achieved the lowest-ever “All Injury Frequency Rate” since operations began. The rate of 0.59 achieved is just on the edge of what is considered to be world class for any industry. We will continue to work to improve and become truly a world-class player.

With a growing nuclear power industry recognised worldwide as a clean, efficient, carbon-free source of power that will assist in combating global warming, and with an increase in the demand for uranium resulting in notable long-term market price increases, Rössing is favourably positioned to capture opportunities to increase its market share, and to achieve production growth and expansion options for the mine.

In December 2005, the mine’s operating life was extended to 2016. We have recently identified potential for further extension to 2021 and in addition have exploration drilling programmes in two areas inside the mining grant, but outside the existing pit, namely the deposits known as SH and SK.

Work on opening up the eastern side of the existing pit for the new pushback that was approved under the Life-of-Mine Extension Project is progressing well, and the first ore feed from the area is expected in the second quarter of 2007.

In 2006, the mine produced 3,617 tonnes of uranium oxide. The plan is to increase production over the next few years to full capacity of 4,500 tonnes; the 2007 target is 4,000 tonnes. Further production increases are being targeted through technical innovations such as ore sorting, which is nearing the end of its pilot operation.

A key current activity is recruitment of additional full-time employees and further training and development of current and new employees to support the production increases and also to build succession and depth in our teams.

During 2006, significant amounts were invested in local communities through donation and sponsorship programmes to support capacity-building and refurbishment of infrastructure in the neighbouring town of Arandis.

The Rössing Foundation continued to strengthen its supportive role for stakeholders in Arandis and the wider Erongo Region, focusing primarily on educational assistance programmes for local government, schools, businesses and residents.

I trust that this report will give you insight into our operations and activities during 2006. I would be most interested to receive any comments or questions you may have about Rössing mine.

It was with great sadness that the Board of Directors of Rössing Uranium and all its employees mourned the death of our friend and colleague, John Simpson Kirkpatrick, on 5 April 2007. John served as a Director on the Rössing Board for 30 years, five of which were in the position of Chairman. For those three decades he guided the company through both successful and difficult times.
Rössing’s core purpose in its 2006 Business Strategy was to create the most sustainable value for all our stakeholders.

This statement is consistent with Rio Tinto’s policy that its businesses, projects, operations and products should contribute constructively to the global transition to sustainable development.

Development can be sustainable if it is socially acceptable, environmentally responsible, economically viable, and satisfies the needs of the present generation without hindering future generations in the satisfaction of their needs.

To make this policy operational at Rössing requires a shift in thinking from a purely economically driven planning and decision-making process, to one that in addition considers social, economic and environmental aspects that Rössing influences externally or indirectly. In practice, this can only be achieved through governance and management systems driven by dedicated employees who recognise that contributing to sustainable development has many business benefits to Rössing and to Rio Tinto. These benefits and anticipated outcomes of the mine’s strategy are shown in the diagram on this page.

This 2006 review gives examples of how implementation of the strategy was attempted last year. Like previous reports, this Report to Stakeholders is also structured so that it successively talks about Rössing’s performance in the areas of our influence starting from the most direct sphere of influence - the heart of the operation - Rössing’s employees, via the business and the mine site itself, our neighbouring communities, the Erongo Region, and the Namibian nation, to the widest sphere of influence: Rössing’s product in the global marketplace.

Key to decisions that could influence others is to have a good understanding of people’s concerns and perceptions. Therefore, stakeholder consultation and engagement processes played an important role during 2006. In the following sections, a number of fora are described that were used to facilitate information exchange and joint decision-making. The report also contains a number of assessments undertaken by stakeholders to test how successful some of these engagements were.

Rössing’s progress in the four key performance areas identified in the diagram is achieved through the use of management systems and guided by our own principles and policies as well as by those which are stated in Rio Tinto’s policy document, “The way we work” (see inside back page).

An example of one of the systems applied at Rössing is the International Organisation for Standardisation (ISO) 14001 environmental management system, which is designed to promote continuous improvement in environmental performance. Rössing’s compliance with ISO 14001 requirements has been certified since 2004, as has its compliance with the revised ISO 14001:2004 standard. During the last audit carried out in November 2006 by Bureau Veritas only one minor finding was reported and the ISO 14001 certification was maintained. The Health, Safety and Environmental (HSE) Policy guiding the system is shown on page 11.

In addition, performance standards and guidance documents have been developed to ensure the mine’s and Rio Tinto’s visions are realised. Examples of standards include the Safety Standard, the Occupational Health Standard, the nine Environmental Standards as well as the Water and Closure Standards.

The directors of Rössing believe that high standards of corporate governance are central to business integrity and performance. The Board Audit Committee ensures that good corporate governance is maintained throughout the organisation. During 2006, the following 11 internal audits were performed: Republic of South Africa Value Added Tax; Transfer Pricing; Major Consumables; Payroll Master Data; Capital Acquisition; Plant Maintenance; Rössing Foundation; and four Information Technology-related audits. Audit findings are brought to the attention of the managers accountable within Rössing, so that the necessary corrective changes can be made.

Lastly, sustainable development thinking considers the future beyond the time when the mine will finally have to close. What will be left behind socially, economically and environmentally will measure how much Rössing’s operations will have contributed to lasting development. The business and closure plans for the mine and the corporate social engagement programmes of the Rössing Foundation aim to leave behind a very positive legacy for Rössing Uranium. In the sections that follow, this report will present some projects and case studies that pursue this goal.
Human resources

With a renewed focus on the training and development of its human potential in 2006 and further capacity-building to be Namibia’s employer of choice for career-seekers, the mine continued to expand its Human Resources Department. The company also expanded its improvement and training functions in maintaining safety and productivity among its workforce to support the future of the mine.

The workforce at a glance

At the end of 2006, the staff complement totalled 939 permanent employees, 96.6% of whom were Namibians. The male:female ratio was 8:1, compared with 9:1 in 2005.

Although the age profile continues to indicate an ageing workforce, there is a slight improvement due to the younger age of new employees: the average age in 2006 was 43.1 years, compared with 43.6 in 2005.

The youngest employee who joined the mine in 2006 was 21 years old, and in the same year two employees reached the age of 65.

The ages of the 132 new recruits in 2006 were as follows:

- 61 were between 21 and 30
- 46 were between 31 and 40, and
- 25 were older than 40.

The workforce’s average length of service in 2006 was 14.8 years, compared with 18 in 2004 and 15.9 in 2005.

The percentage of female newcomers was 17%, while 83% were male, compared with 22% female and 78% male in 2005.

A total of 53 employees left the company’s employment for various reasons during 2006, with a significant number joining the new uranium mine close to Rössing.

In addition to the mine’s permanent employees, an average of 660 contractors were on site every day during 2006.

Employee relations

At the top of the company–union agenda during 2006 were salary negotiations and discussions on dispute resolution.

Rössing and the Rössing Branch of the Mineworkers’ Union of Namibia (MUN) reached the following agreements:

Salary negotiations

After successful negotiations between the company and the MUN’s Rössing Branch,

- Basic salaries
  - Basic salaries of employees in the Bargaining Unit (Grades 1 to 11) was increased by 8% from 1 January 2007.
  - Grades 2 to 7 received an equity adjustment of their respective basic salaries capped at the 35th percentile.

Salary scales

The minimum and maximum of the salary scales in the Bargaining Union (Grades 1 to 11) were adjusted by 8%.

Housing allowance

For Grades 8 to 11, the housing allowance will increase by N$259 per month in 2007.
Dispute Resolution

Dispute resolution discussions between the company and the MUN’s Rössing Branch focused on the following:

- Recruitment, selection and promotion
- Total packages, and
- The Maintenance Improvement Team.

The company was also involved in four cases at the District Labour Court during the year. These related to alleged unfair dismissals.

Affirmative Action

For the seventh consecutive year, in 2006 Rössing Uranium was certified as having complied with the stipulations of the Affirmative Action (Employment) Act, 1998 (No. 29 of 1998). The mine’s Affirmative Action Plan focused on increasing the number of employees in designated groups, as follows:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target (%)</th>
<th>Status in 2005 (%)</th>
<th>Status in 2006 (%)</th>
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<tbody>
<tr>
<td>Increase in designated group representation in Senior Management</td>
<td>33</td>
<td>23</td>
<td>28</td>
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<tr>
<td>Increase in female representation in Middle Management</td>
<td>17</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Increase in Namibian understudies and citizens in Specialised/Skilled/Senior Supervisory categories</td>
<td>60</td>
<td>55</td>
<td>79</td>
</tr>
<tr>
<td>Increase in female representation in Skilled, Semi-skilled and Unskilled categories</td>
<td>7</td>
<td>4</td>
<td>20*</td>
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</table>

*The 20% consists of an increased number of female development positions and equipment operators.

The profile of the workforce is as follows:

<table>
<thead>
<tr>
<th>Work profile</th>
<th>2004 (%)</th>
<th>2005 (%)</th>
<th>2006 (%)</th>
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</thead>
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<tr>
<td>Historically disadvantaged Namibian men</td>
<td>79.0</td>
<td>77.9</td>
<td>78.0</td>
</tr>
<tr>
<td>Historically disadvantaged Namibian women</td>
<td>7.2</td>
<td>8.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Previously advantaged women</td>
<td>1.1</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Previously advantaged men</td>
<td>8.5</td>
<td>8.3</td>
<td>8.1</td>
</tr>
<tr>
<td>Non-Namibian men</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Non-Namibian women</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Persons with disabilities – men</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Persons with disabilities – women</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

“Whenever there are people, there are differences. Labour relations are always characterised by disputes, differences. But what we would want to see is that mining companies must be eager to address those differences. And I think Rössing is moving in that direction: there are real changes at Rössing, although here and there you may encounter differences or huge grade gaps, but you can see that the people at Rössing are eager to address them.

Affirmative Action at Rössing is working. Here you should look at what Rössing did before and after Independence. Many people that work for Rössing are people who have been developed by Rössing; they have sent their people overseas or outside the country to further their qualifications, so that people can grow. Many people have been groomed by in-service-training. Rössing has been doing it for a very long time and that strategy is now showing results. They really do a lot. Rössing is very good in health and safety, because even ex-employees of Rössing who are employed in other companies mostly occupy senior positions and, usually, most of them are well trained in health and safety.”

Joseph Hangari
General Secretary: Mineworkers’ Union of Namibia
Training and development

During 2006, Rössing’s newly established Improvement and Training Department, later renamed as Training and Organisational Development, further improved on its service function to increase the capacity and potential of employees in preparation of the demands that the extended life-of-mine will have on the business.

During the year under review, the key programmes in the development of the mine’s human potential benefited about 290 people, up from 190 in 2005. The plan for 2007 is that 348 employees should participate. The programmes focused on the following:

**Team leader development**

Through its Front Line Leadership Programme, Rössing develops and prepares its future leaders for supervisory roles by covering a variety of topics relating to the mining industry. The programme is also presented as a refresher course for current supervisory incumbents. During 2006, 70 employees, making up five groups, enrolled for the programme. By year-end, one group had completed the programme, while the remaining four groups had completed about half the programme. As the groups are busy completing the Front Line Leadership Programme, there will be sufficient space to accommodate about the same number of employees for selection in 2007.

**Technical schooling for employees**

With the implementation of the Life-of-Mine Extension and increased production, the need for technically qualified employees has also increased. Along with focused recruitment activities, technical training of our workforce reached new heights, with 22 employees selected.
“The recruitment of skilled persons from outside Namibia is absolutely necessary and important for the creation of a pool of professionals to sustain organisations, companies and the industry. Namibia is lagging behind, especially in science and technology, which are recognised globally as drivers of economic growth and development. If we are to become a competitive nation, we have to recruit internationally, and concurrently take steps to train our people nationally and internationally. This is the reason why successful nations have strong academic, training and research institutions.”

Dr Tjama Tjivikua
Rector: Polytechnic of Namibia

“People must be trained and their computer skills developed. The importance of basic computer skills in everyday life cannot be overemphasised. More and more people are realising this and are making a concerted effort to get some form of computer training. Companies are also realising what an asset a computer-literate person can be to them and are taking it into their own hands to send their employees for training, which is very encouraging.”

Heila van Vuuren
Managing Director: Jobs Unlimited

“Generally – not just last year, but generally – Rössing has been a champion in skills development in the mining sector. I think that fact is undisputed because if you talk about skills training in this country, just look at the NIMT: Rössing put up that infrastructure and donated it to Government at Independence. Rössing has done exceptionally well in terms of skills development as well as providing infrastructure that will contribute towards that. Rössing continues to sponsor a large number of bursary students at NIMT and at tertiary institutions.”

Veston Malango
General Manager:
Chamber of Mines of Namibia

Christine Titus, haul truck driver for Rössing, at the controls of the mine’s new haul truck simulator for training and upgrading haul truck drivers. The 180 degree screen displays 3D real-life moving images of the actual mine areas in which haul truck drivers will operate. It is an accurate simulation of the pit and mine conditions. A new driver will initially spend time working in a real situation, watching an experienced driver. Once the basics have been learnt, the simulator is used to mimic unusual or emergency situations which cannot be trained for under real conditions.

RÖSSING URANIUM AND ITS EMPLOYEES

Rössing has done exceptionally well in terms of skills development as well as providing infrastructure that will contribute towards that. Rössing continues to sponsor a large number of bursary students at NIMT and at tertiary institutions.

To attend technical schools and colleges in 2006, in 2007, another 28 employees will be selected to attend technical training courses.

**Equipment simulator training**

A first for Rössing was the acquisition of a mining equipment training simulator in late 2005, and its becoming operational in 2006. The objective of training on the simulator is to enhance the skills of current operators and teach operating skills to new employees in the safe and efficient handling of the mine’s haul trucks and shovels. By year end, 192 employees had completed simulator training. The plan for 2007 is to include additional mining equipment simulator programmes.

**Employee exchange programme**

In a continued effort to promote a sense of job worth, skills variety and growth, the mine has a number of employee exchange programmes in place.

One such programme allows for employees from different workshops to exchange jobs for a three- to six-week period to better understand the value of their own and that of other work roles in the business. In the same vein, the exchange of employees between Rössing Uranium and other southern African business units in the Rio Tinto group is envisaged.

At an international level, two Rössing employees from the Water Management Section exchanged work with employees from two coal mines in the USA with the aim of broadening their work experience.

**Development positions**

Workers with mining experience are difficult to recruit in Namibia. To overcome this, for certain positions the mine recruits workers with no mining experience and puts them through a skills and capacity development programme for them to fill future vacancies. The programme had 12 such positions in 2006. The plan for 2007 is to accommodate 24 development positions.
RÖSSING URANIUM AND ITS EMPLOYEES

Educational assistance programmes

To prepare for the mine's increased skills requirements in view of its life-of-mine extension, various educational assistance programmes were utilised. These include bursary schemes, job attachments, technical training at educational institutions, study support and scholarships.

Occupational health

The increased activity in uranium exploration and mining prompted a continuous public and Earthlife Namibia interest in the health, safety and environmental standards and practices of uranium mines.

In the field of health, Rössing has been at the forefront for many years, with specific programmes to monitor and control occupational exposures.

The mine again maintained its ISO 14001 certification, which was first achieved in 2004. This can be attributed to the commitment of workers who take ownership in respect of implementing the ISO 14001 management system.

Occupational exposures

Radiation

Rössing is one of the lowest-grade uranium mines in the world. As a result most areas are only slightly above the background level and thus most employees are not classified as radiation workers according to IAEA Standards on Radiation Protection. Higher radiation levels are present in areas where uranium is concentrated and there effective controls are in place to minimise

"It is absolutely necessary to recruit skilled people from outside of Namibia. The problem is some people say Namibians have some kind of xenophobia. In Namibia, we currently have a situation where we have a large unskilled workforce, not through their own fault, but because of the systems that we had before. When they see a foreigner in the country, they think that person is taking their job. But there is no country that has all the skilled people that they need. Skilled people are needed from across the continent and beyond, especially in critical areas like mining and agriculture. When I visited Rössing last year, I saw that they had done very well, especially in human resources. They had a few ex-patriots – I think that time they had three – and they said that they wanted to Namibianise the whole operation. And many Namibians, whether they’re black or white, are now managers, so I think they’ve done that very well. Rössing also has good labour relations with their union. Of course it does not mean they don’t have differences, but I think they have always managed to reach agreement with their union. I think the mining industry, in comparison with other industries, is doing fairly well in terms of labour relations."

Bro-Matthew Shinguadja
Labour Commissioner

"In 2006 Rio Tinto introduced the Integrated Health, Safety, Environment and Quality (HSEQ) Management System. This system has to be implemented at Rössing by September 2007, which leaves us with very little time. The HSE Department will use this challenge as an opportunity to increase awareness around Health, Safety and Environmental Management and establish an understanding amongst the workforce that every employee at Rössing is responsible for the successful implementation of the HSEQ Management System. I am confident that with a dedicated Rössing team this system will be implemented by September 2007."

Frances Anderson
Manager: Health, Safety, Environment and Risk Management

Radiation Dose per Exposure Group 2006
exposure. The mine continued monitoring the radiation exposure of all individuals designated as radiation workers and a randomly selected sample of employees from the similar exposure groups which represents all employees.

The international occupational exposure limit as set by the International Atomic Energy Agency (IAEA) is an effective dose of 20 mSv per year averaged over five consecutive years. At Rössing, the occupational exposure limit is also set at 20 millisieverts (mSv) per year, and in 2006 this exposure limit was not exceeded by any Rössing worker.

In the year under review, the radiation doses received by employees at various work stations at the mine were between 1.2 and 2.4 mSv, while employees in Final Product Recovery, where uranium is concentrated, received an average dose of 5.0 mSv.

Dust

The processes of mining, transporting, crushing and milling uranium ore prior to extraction result in dust generation mainly at the mine’s crushers. For control purposes, dust levels are measured at certain dust generation points.

As indicated in the 2005 Report to Stakeholders, the dust extraction system at the Fine Crushing Plant is old and in need of replacement. In 2006, the average dust level measured at selected dust generation control points within Fine Crushing was 1.49 mg/m³, with the target level being 0.7 mg/m³. Initial studies on whether to upgrade or replace this system have been completed and funds have been allocated to take the necessary steps for the replacement. This project should reverse the recent upward trend of dust source levels at the Fine Crushing Plant.

One of the control measures in place requires that workers in this plant are adequately protected by wearing respirators, allowing the standard of 0.5 mg/m³ of dust exposure to be maintained. The average personal dust exposure level measured during 2006 without respirators was 0.39 mg/m³. Since it is compulsory for all workers in the Fine Crushing Plant to wear respirators, the actual dust exposure was even lower. While the dust source control points are above the target, employees only spend a short time in those areas and are generally exposed to lower levels. The dust measurements are taken over a working shift.

Wellness promotion

Rössing’s peer education programme, which was started in 1996, received a noteworthy reward in 2006 for their activities from the Namibia Chamber of Mines’ Occupational Health Education Assistance Programme (OHEAP).

One of the mine’s peer educators, Petrus Useb, was chosen as the best peer educator in the OHEAP. This is testimony to the dedication and hard work of Rössing’s 48 peer educators. A number of new peer educators, Rössing employees and contractors joined the team and attended training courses during the year under review.

Rössing’s peer educators hosted the annual OHEAP Run/Walk event in 2006, with about 120 participants from various mining companies in Namibia taking part. Proceeds from the event were donated to local charity organisations.

The Peer Educator Fund, launched by peer educators in 2005 to support worthy causes in the community, continued in 2006 with a number of donations.

At the Ministry of Health and Social Services’ request for private companies to participate in the countrywide polio immunisation campaign in June and July 2006, polio vaccinations were administered to employees, contractors and visitors to the mine.
Safety at the workplace

A key milestone reached in 2006 was that the mine recorded the lowest-ever “All Injury Frequency Rate” – which relates to the occurrence of all injuries – since operations started 30 years ago. The rate achieved, namely 0.59, is considered to be close to the world standard for any industry. The target for 2007 is to achieve a rate of 0.45.

The number of injuries reported in 2006 was as follows:

- Lost time injuries: 6
- Cases requiring medical treatment: 4
- Cases requiring First Aid: 21

At Rössing, we believe that a management team demonstrating their commitment to safety and a workforce committed to safe work practices will lead to meeting production targets in an injury-free workplace.

To further enhance safe work practices, current initiatives were continued and strengthened and a number of safety initiatives were introduced in 2006. A few of the new initiatives were as follows:

- Safe Shift Start – For all workers to direct their focus towards working a safe shift.
- Take Five – Workers take 5 minutes before starting any job to plan it and to ensure that the “what if’s” have been identified to complete the task without injury to people or breakdown of equipment.
- Safety Interactions – These were regularly conducted by first observing and then discussing workers’ tasks, to reaffirm safe work practices and identify and correct potentially risky work practices.
- Safety Leadership – Training in this field was introduced.
- HSE Representatives becoming more proactive – To ensure workers at shop-floor level are committed to safe work practices.

Continuation with the quarterly internal housekeeping audit competition encouraged employees to further improve their housekeeping practices in their areas of work. The sections that performed best were rewarded.

“For us to make a step change in safety performance, we must engage the entire workforce, especially employees on the shop floor, plant operators and the drivers of the trucks. An example of this was the introduction of the Safe Shift Start in 2006.

In 2007, we will better use the services of the HSE Representatives to drive initiatives such as regular Safety Interactions for all employees, safety awareness campaigns, and safety improvement projects."

Tim Fox
Manager: Safety
Health, Safety and Environmental Policy

August 2006

Excellence in HSE management is one of the foundations of Rössing’s vision to be a safe, long-term supplier of U₃O₈ to the nuclear power industry around the world. This is in line with our commitment to corporate citizenship, social responsibility and sustainability.

To accomplish this, Rössing will –

- recognise that nothing is more important than the protection of the health and safety of our stakeholders, specifically our employees, contractors, host communities, clients and shareholders
- commit to operate our business with respect and care for both the local and global environment in order to prevent and mitigate residual pollution
- be in full compliance with all applicable legislation, standards and requirements
- seek continual improvement in HSE performance and adopt leading practice where applicable and feasible
- provide adequate training and resources to employees, contractors and visitors
- identify and assess hazards arising from our activities and manage associated risks to the lowest practical level
- enhance biodiversity protection by assessing and considering ecological values and land-use aspects in investment, operational and closure activities
- continue in our efforts to raise the awareness of HSE issues in our host communities
  - regularly review our performance and publicly report our progress, and
  - communicate our commitment to this HSE policy to all our stakeholders and ensure that this policy is readily available to all our stakeholders.

In implementing this policy we will engage in constructive dialogue with our employees, contractors, host communities and all other stakeholders in sharing relevant information and responsibilities for meeting our requirements.

This policy is complemented by the HSE Strategy, which is also readily available to all our stakeholders.

MIKE LEECH
Managing Director
Message of the Chairman
of the Rössing Board of Directors,
Charles Kauraisa, on the occasion of the Rössing Day celebrations
at Arandis on Saturday, 2 September 2006

I wish you a happy 30th year anniversary!

The making of a mine is never an easy job - what we have achieved here in the Namib Desert with the Rössing Uranium mine against all environmental and economic odds, is certainly a significant achievement.

Allow me to briefly relate to the early pre-production times of the mine:

- The pioneering stage was from the discovery by Captain Peter Louw in 1928 of rock from which radiation was detected, until 1965, during which time the prospectors found signs of uranium.

- This was followed by an exploration stage from 1966 to 1971, when it was recognised that a mining operation could be feasible.

- The mine’s construction and development stage was from 1972 to 1976 and, around 25 June 1976, the very first uranium oxide was produced at Rössing.
Today, just more than 30 years later, I would like to pay tribute to the many people who have been involved in and greatly contributed to the establishment of the Rössing mine.

In particular I want to salute the many past and present employees who have worked with great passion and initiative in the making of this mine.

This year alone we have 68 employees with 30 years of service.

I want to extend a hearty welcome to all new employees and hope that you will be with the mine over its next 30 years as we plan to keep this mine up and running for a long time to come.

As you may know, the making of a mine means that people, work methods and equipment alike must be flexible and be able to adapt to changing times.

Through the years we have adapted to and simply outlived many setbacks and challenges and we will continue to do so in future. Some of the setbacks were dire economic times, retrenchments and even staring closure in the face.

Without doubt all this is now behind us to allow us to focus on the growth of the mine and its employees, along with increased production of uranium oxide for the world’s nuclear markets.

Rössing is a creditable survivor where we value the health and safety of our employees and their families, along with respect for the community and environment in which we operate. At Rössing safety is always first!
Based on the sharp increase of the uranium market price and after detailed feasibility studies had been completed, Rössing Uranium’s Board of Directors took a decision to invest US$112 million (about N$750 million) in extending the mine’s life until 2016. Preparations for the Life-of-Mine Extension Project started in 2006 and investment will continue during 2007 to acquire new mining equipment and to refurbish parts of the Processing Plant.

**Mining of ore and waste**

The year under review was an exciting one for the Mining Department. Amongst other equipment, the mine received a new loading shovel, four 200-tonne haul trucks, two rock-drilling machines, two track dozers, and a tyre dozer. The number of equipment operators was increased in parallel.

In order to prepare for the extension to 2016, mining of 6 million tonnes of unmineralised waste rock continued at Trolley 10 on the south-east side of the open pit to expose deeper-lying ore to be ready for mining from 2007 onwards. At the same time, the mining contractor Basil Read Civils Namibia (Pty) Ltd joined the operation to assist Rössing with mining to prepare for the Phase 2 extension in the north-west of the open pit. This area, known as the Pioneering Area, calls for special mining techniques using less bulky equipment that can remove inaccessible and steep hills before Rössing’s heavier-duty machinery can take over with large-scale mining of the flattened areas. In 2006, 6.6 million tonnes of waste were removed from the Pioneering Area, and it is anticipated that the ore will be reached during the second quarter of 2007.

Although the business focuses on expansion and growth, Rössing’s foundation is to ensure continued uranium production in order to satisfy long-term uranium supply contracts with our global customers. Thus, while waste stripping was embarked upon around the edges of the open pit, ore mining concentrated in the eastern sections of the pit. The waste rock removed increased from 7.5 million tonnes in 2005 to 16.8 million tonnes in 2006, while 12.0 million tonnes of ore were processed. In 2006, 94 tonnes less uranium oxide were produced, compared with the 2005 production year. This was mainly attributed to the drop in grade.

In 2007, two additional shovels, seven haul trucks, a tyre dozer and a rock hammer are expected to arrive at the mine. Some 90 new operators need to be trained, while 140 employees need to be routinely retrained to ensure safe and effective production.

**Processing of uranium oxide**

The Processing Department is responsible for extracting the uranium from the mined rock, producing uranium oxide, and securely packing and shipping the product to converters overseas for further processing.

In the mining area, a number of challenges had to be overcome. As the pit has significantly deepened and narrowed in the last few years, hauling ore up to ground level took longer; consequently, less material was produced in similar time spans. Maneuvering haul trucks with large turning circles became more difficult the narrower the pit bottom gets. Also, more water than before was found in blast holes at the lowest mining bench, making blasting increasingly difficult.

In 2007, two additional shovels, seven haul trucks, a tyre dozer and a rock hammer are expected to arrive at the mine. Some 90 new operators need to be trained, while 140 employees need to be routinely retrained to ensure safe and effective production.

**“The arrival of new operators and maintenance personnel at the mine makes one aware that Rössing Uranium is returning to full production. Many people have suggested that it must be much easier to mine now, than when the mine was on a path to closure.”**

Werner Ewald
Manager: Mining
During 2007, work will continue on testing the feasibility of an ore-sorting pilot plant, which aims to make the sorting of waste rock from uranium-bearing rock more efficient by using radiation-scanning techniques.

The highlight for the Processing Department in 2006 was the sustained increase in the throughput rate of ore through the 30-year-old Processing Plant. The target set for 2006 was to produce 11 tonnes of uranium oxide per day. This target was achieved for three consecutive months due to good teamwork between the metallurgists, operators, maintenance personnel, and the MUN, and due to the continued training of employees. At the same time, the number of injuries in the Department fell from 2005 to 2006.

As Namibia has a shortage of professionals in many mining-related fields, including metallurgical engineering, the mine substantially supports employee training. In keeping with this philosophy, training is recognised as an essential function in the Processing Department. During 2006, two of the Department’s employees were granted bursaries. In 2007, the number of bursaries will increase to three in the engineering field and five for process technicians, while six employees will be placed on Rössing’s Supervisory Development Programme.

The Processing Plant and the associated tailings disposal operations are the biggest consumers of water at the mine. Tailings are the remaining crushed and milled ore rock from which uranium has been extracted. The tailings are pumped as a mixture of sands, fines and water to the tailing facility, where water that does not evaporate is recovered by recycling. The higher throughput rates as well as a higher fines proportion of tailings led to higher-than-planned water consumption during 2006.

“*We are passionate about extracting and recovering uranium in a manner that:*  
• is safe;  
• is sustainable in the long-term;  
• complies every time with our customer’s requirements;  
• complies fully with our values;  
• is the most cost efficient of all uranium plants world-wide*”

Brian Gerrell  
Manager: Processing
In 2006, Rössing mine used 3.31 million m$^3$ of fresh water compared with a planned demand of 3.06 million m$^3$. The additional input of 0.25 million m$^3$ was necessary due to a shortage of recycled water during times of higher uranium production. Actions to complete the upgrading of the tailings solution return system were delayed. The water that could not be recycled immediately was stored within the tailings facility for later use and did not affect the environment.

Annually between 60% to 70% of fresh water used is recycled.

Rio Tinto operations worldwide are expected to achieve a 10% reduction in water use between 2003 and 2008. (Five year targets were set in 2003.) Rössing's contribution to this effort is a 19% reduction in freshwater consumption per tonne of uranium oxide produced. The target was reached in 2004 and 2005, but the water use of 916 m$^3$ per tonne of product in 2006 was higher than the target of 839 m$^3$ per tonne. New water saving initiatives are planned so that the target can be met consistently by 2008.

The freshwater consumption target for 2007 is 3.12 million m$^3$.

Water Management

Water quality testing at one of more than 120 monitoring points around Rössing mine.
The programme known as "Aligning Business Systems" is about having a single business system across Rio Tinto’s businesses and Rössing will be one of the business units to implement the programme in September 2007.

Jaco Barnard
Manager: Finance

"Rössing’s new Value Planning Department is all about helping management make the right decisions. There are so many opportunities facing Rössing at the moment, but with a scarcity of resources and with the expectation that the high uranium prices can’t be maintained over long periods, the challenge is to quickly prioritise and rigorously evaluate these projects to ensure the best investment decisions are taken."

Dave Garrard
Manager: Value Planning

"One of the achievements was the recruitment of female Namibian geologists and mining engineers, predominantly from the University of Namibia. We are bearing the fruit of this initiative because graduate geologists are now taking on more responsible roles and new challenges. However, we are still faced by a shortage of skilled staff, especially experienced mining engineers and geologists."

Bernard Morwe
Manager: Planning and Technical Services

On the contractor side, the workload increased during 2006 due to the Life-of-Mine Extension Project. With the planned integration of contractors into the Rössing business solution system, embedding new work management processes continued to be the vital area of focus during the year. This included HSE training, planning, workmanship, quality assurance, quality control and work execution.

Larger contracting projects during 2006 were the hiring of cranes, the hiring of Basil Read Civils Namibia (Pty) Ltd as a mining contractor, and other earthmoving contracts.

During 2007, asset management processes will be implemented with the assistance of Rio Tinto’s Operational and Technical Excellence (OTX) team, under the framework of the Improving Performance Together initiative.

Planning and technical services

The Planning and Technical Services Department needs to provide practical plans and technical support to enable operational areas to produce at their required levels. The key challenge to extend the life of the mine beyond 2016 has always been understanding the ore body and estimating resources and reserves as accurately as possible. Much effort was expended in 2006 to review past exploration results, while the focus in 2007 is to develop production plans that will deliver value to the company. It is essential that the production plans provide the leverage to achieve the target of more than 4,000 tonnes U3O8 processed by year end. A second key area is to optimise and maximise the current open pit, and ensure that the mine produces U3O8 beyond 2020.

As the pit narrows and Phase 1 ore becomes virtually depleted, the challenge is to advance the Trolley 10 area as quickly as possible to expose the ore. Trolley 10 will be the key supply area whilst Phase 2 in the north-west of the pit is being exposed for ore. Presently, the high-grade ore is still unexposed up in the Trolley 10 area. It will be challenging to provide high-grade ore to the Processing Plant until Trolley 10 has been exposed.

In 2007, ongoing exploration work in the SH and SK areas will also be challenging as the objective is to drill as quickly as possible and determine the value of these ore bodies.
RÖSSING URANIUM –
THE BUSINESS

Financial management

Selling under longer-term contracts negotiated during the last two years when uranium prices had already increased, combined with a favourable exchange rate of N$6.77 to US$, allowed Rössing to declare a profit during 2006.

In 2006, N$158 million was paid to the Receiver of Revenue in the form of companies tax – the first year since 2003 that Rössing did not find itself in a tax loss situation.

Salaries and benefits to employees amounted to N$245.6 million, of which N$54.3 million was paid to the Receiver of Revenue as employee tax.

Value planning

A new department was added to Rössing in 2006. Whereas the focus since 2000 had been to cut costs wherever possible, the mine could now afford to take a new approach of prudent investment to convert Rössing into a financially more viable business.

The focus is now on a value-based decision-making process in prioritising scarce resources and evaluating projects that require capital expenditure for implementation. This called for a shift in mindset from an operation about to close, to one which is planning for expansion and where a department such as Value Planning is required to ensure maximum return on investment is realised.

Business development

At a time of significant expansion opportunities for Rössing, the Business Development Department focused on expanding on-site exploration for uranium deposits outside the current ore body and on developing mining and processing alternatives for new ore bodies.

Work started in 2006 to investigate further opportunities for Rössing to grow its production capacity with a mine life envisaged beyond 2020.

After preliminary exploration work having been carried out by Rio Tinto South Africa at Rössing in 2005, Rössing began exploration drilling to investigate promising uranium occurrences found in the mining licence area. This work will continue until 2008, when approximately 70,000 m of drilling will have been completed.

This concludes the internal view of Rössing’s business activities during 2006. The following sections will highlight Rössing’s engagement and relationship with its external communities and stakeholders.
Established in 1976 by Rössing Uranium to house its workers, the mining town of Arandis was handed over to the Government of Namibia some two years after Independence, and became a town with an elected Town Council to manage its affairs.

Over the years, Rössing Uranium invested much effort in the development and training of Arandis residents, but between 1994 and 2000 the company gradually began to disengage itself from non-mining activities, which meant that its community activities at Arandis were no longer supported.

In 2000, with the closure of the mine envisaged a few years ahead, and with the town and its inhabitants still greatly dependent on the mine’s economic benefits, Rössing Uranium decided to open a Rössing Foundation office in Arandis. This office came into operation in Arandis and the Erongo Region in 2002. In November 2003, Rössing Uranium started to broaden its development functions, while the actual programme implementation started in earnest from January 2004.

The Rössing Foundation has reconfirmed its four principal objectives, namely:

- To further the education of all Namibians in order to achieve greater national productivity and to enhance lifelong learning.
- To encourage the creation of and/or to create opportunities for people to use their education.
- To promote the advancement of the living standards of all the people in Namibia.
- To do any act or thing which, in the opinion of the Trustees, will benefit Namibia or any or all of its inhabitants.

Along with the community’s input, the Foundation initially identified six work areas in the Arandis programme, focusing on improving schools, tourism opportunities, business development, local government and infrastructure, and the promotion of recreational, cultural and agricultural activities.

The Rössing Foundation’s activities were reviewed during April 2006. Following this review, a new reporting structure and areas of focus were introduced and became operational in December 2006.

Education became the primary focus area, while work with the Arandis Town Council was regarded as crucial to the sustainability of Arandis. Following this, a decision was taken that Rössing would assist the Arandis Town Council in selected infrastructure development projects while the Rössing Foundation would focus on capacity-building.

Health and safety became additional operational areas, focusing specifically on HIV/AIDS.

**Education Support Programme**

Reading is one of the major drawbacks in learners’ performance and this is due to poor foundations in the early stages of education provision.

All three schools in Arandis, namely the Arandis Junior Primary School, the UB Dax Senior Primary School, and the Kolin Foundation Senior Secondary School, continued to receive support from the Rössing Foundation during 2006.

In conjunction with English teachers from the Kolin Foundation Senior Secondary School, the Foundation offered special reading classes to 58 Grade 8 learners, who up until then had been reading at Grade 4 levels. In addition, the Foundation sponsored consultants who worked with ten Grade 1–5 teachers to build a strong foundation in reading, numeracy and science. Additional reading lessons were also offered to Grade 1–5 learners at the Arandis Junior Primary and the UB Dax Senior Primary Schools. Twelve teachers and 150 learners benefited from this support.

As regards Early Childhood Development (ECD), 45 teachers were trained in order to be able to increase their learners’ reading competencies at a fundamental level, namely preparing pre-primary learners for primary school.

Over 400 learners were assisted by two experts in both English and Mathematics attached to the Kolin Foundation Senior Secondary School and the UB Dax Senior Primary School during 2006.

The Rössing Foundation contracted teachers around the Erongo Region for the Spring School held in August 2006 at both Arandis and Omaruru. In total, 166 Grade 10 and 12 learners from the Kolin Foundation Senior Secondary School and the SI Gobs Secondary School in Omaruru benefited from the upgrading programme in the areas of English, Mathematics and Science.

"There are two challenges that face education provision and development in general: the lack of qualified and skilled people in Namibia, and the lack of commitment and hard work. Our work in Arandis, Swakopmund and Ondangwa can only succeed if and when the Foundation and Rössing Uranium provide skilled and knowledgeable professionals as support to schools and the Arandis Town Council.

Secondly, I believe that investing in and strengthening the subjects of English, Mathematics and Science, which are regarded as the foundation of education, will have long-term positive impacts on the quality of education provision, learner competencies and examination outcomes in Namibia. The burden of over-investing and fixing secondary education shortfalls and shortcomings will be drastically reduced, and the need of the industry will be met over time."

**Job Kunovipo Tjih**

**Director:**
Education and Local Authority Support, The Rössing Foundation, Erongo Region

As regards Early Childhood Development (ECD), 45 teachers were trained in order to be able to increase their learners’ reading competencies at a fundamental level, namely preparing pre-primary learners for primary school.
RÖSSING URANIUM AND THE COMMUNITY

Conservancies

The Ohungu Conservancy was registered with the Ministry of Environment and Tourism and would be officially launched by March 2007.

A leadership training course was conducted in Omaruru and covered knowledge of skills in leadership, good governance, and the day-to-day management of a conservancy. Ten beneficiaries attended the training.

Small-scale Miners Project

The Erongo Region is a mineral-rich territory that has many small mining communities carving out an existence by mining various minerals and gemstones. The environment in which these small-scale miners work is notoriously harsh and dangerous and they sometimes live in the mountains for days, digging for minerals and gemstones without the most basic necessities such as clean water, access to health facilities, protective clothing or adequate equipment.

The sustainability of these miners has become a project that Rössing embarked on in 2006, together with other stakeholders in the Region. At the beginning of the year under review, a strategic marketing meeting was held at the mine as a first step towards discussing alternative plans and ideas to make the enterprises of these miners more sustainable and marketable.

Rössing took another step in supporting the marketing activities of small-scale miners by developing a brochure that is now being used as a marketing tool nationally and internationally. This marketing tool is expected to attract more tourists to the Erongo Region to benefit small-scale miners and their households.

The Rössing Foundation also partly funded the training of eight selected small-scale miners in literacy and computer use, while six were trained in cutting and polishing gemstones.

Together with the Erongo Regional Council and other partners in this project, Rössing pledged N$200,000 for the construction of stalls at the Úiba-Áos T-Junction Project at the turn-off from the road to Swakopmund that leads to the coastal town of Henties Bay. The construction of these stalls will commence in 2007.

Recreation and culture

George Mukuahima, a former Rössing Mine Sports Administrator, was contracted to manage all sports development programmes in Arandis. Under his leadership, the programme achieved the following during 2006:

- 160 local residents continued to benefit from coaching and opportunities to participate in regional and national tournaments.
- The Arandis Running Club won the open marathon held at Swakopmund in December 2006.
- Darts athletes participated in the Darts National Tournament held in Windhoek, where they won the overall prize as well as the prize for best player. For their efforts they were awarded prize money of N$300.
- Seven athletes took part in the Rössing marathon, which is an incentive for more residents to participate in this annual event.

"Rössing really supported my business well last year and I can see they support me even more this year. I wrote them a letter to apply for a catering contract, and they replied by sending me a tender form to complete … for catering services to shift workers. I completed the form, but up to now they haven’t given me an answer. … Now I don’t know where I stand.

Only when they have a big group of people that they want to give meals, then they support me."

Magriet Mutrifa
Owner: Mummy’s Restaurant, Arandis

"I think, at this stage, people are a bit fed-up with attending courses, because most of them already have done those courses. I cannot say how much they remember, but currently a well-designed mentoring programme will mean much more to our members than attending just another course."

Fransisco Resandt
Chairman: Arandis Business Association, Arandis

Mina Bok
Local business owner, Arandis
Health

A total of 17 Arandis participants were trained in rendering home-based care; caring for people living with HIV/AIDS and malaria; the use of condoms and femidoms; dealing with stigmatisation; and sustaining sexual and reproductive health.

Orphans and other vulnerable children

The Rössing Foundation, with other major stakeholders, formed a forum for orphans and other vulnerable children (OVCs) in Arandis. The Foundation also participated in assessing the situation regarding these children in the town, and in mobilising the community in respect of care-giving and in how to deal with the HIV/AIDS pandemic.

Plans for 2007

• The Rössing Foundation will increase support to schools by providing qualified subject experts in English, Mathematics, Science and Education Foundation, in order to meet its target of improving the overall pass rate in partner schools by 10%, to improve learners’ pass rates by 10%, and encourage them to obtain more As, Bs and Cs in their work by the end of 2007.
• The aim is to build three computerised Mathematics centres and three Science laboratories in Arandis, Swakopmund and Ondangwa by the end of 2007. These centres will assist learners and teachers alike with improving their knowledge and skills, and will contribute to a better education system in Namibia.
• Partial financial support will be provided to teachers who are committed to improving their educational knowledge and skills in English, Mathematics, Science and Education Foundation, either at diploma or degree level.
• The After-school Development Programme that will be run and managed by full-time experts from the Rössing Foundation will start operating from mid-2007 and will provide opportunities for young people to improve their qualifications at Grade 10 and 12 levels. The programme will also support formal school learners through the computerised Mathematics centres and the Science laboratories.

“Rössing came back in the form of Rössing Foundation. At first we wondered what this Rössing Foundation was, because we needed money to do things that we want to see happening in the school. But, in retrospect, they brought professional development to Arandis. And it paid off, because last year one could see it in the results of the children, in the performance of the school. All of them, from Grade 1 to Grade 12, achieved better results than the previous years. And that was tremendous. But what happened, in my view, was the psychological boost that they brought along.”

Erna Both
Principal: Kolín Foundation Senior Secondary School, Arandis

“The introduction of leadership training initiatives in 2006 aims to contribute to a Town Council and schools that will be managed more effectively by 2009.”

Florida Cloete
Chief Executive Officer:
Arandis Town Council
Throughout the 30 years that we in the Erongo Region have lived side by side with Rössing Uranium, the company has contributed tremendously towards the development of the Region, specifically in Arandis and Swakopmund.

Arandis as a town is there because of Rössing. During the good years, Rössing developed the town, but also now the mine has committed itself towards the renovation of the old infrastructure. In Swakopmund, the suburbs of Mondesa, Tamariskia and Vineta all show part of Rössing’s contribution towards the development of Swakopmund.

Rössing and the Rössing Foundation also support the schools in the Region. Whenever any individual school approaches them, they are always willing to help. For example, the Kolins Foundation School in Arandis is strongly supported by the Rössing Foundation.

Furthermore, the Rössing Foundation plays an important role in helping the people from Arandis with developing skills and training them in various fields. In these and many more areas, Rössing plays a vital role towards the development of the community and the social upliftment of the people of Erongo.

The new mines opening in the Region are a good sign, and show the area is developing; it can give more employment to its own people. All the new mines are going to contribute towards the economy of the country as well as to the economy of the Region. We in Erongo are becoming an important role player in the mining industry of Namibia, supplementing our fishing and tourism industries that we also have in the Region. Therefore, as a Region, we have more and more to offer our visitors.

Of course, with mining activities increasing, we are all aware that water is a scarce resource and is everybody’s concern. About five years ago, there was talk about setting up a desalination plant. Although it has not yet materialised, the idea has not yet been rejected; in fact, it is something that one has to think about seriously. The mines use a lot of water and the consumption by coastal towns is increasing. We have limited water resources, so in addition to all the mines coming up, I think the time has come that we should again discuss the desalination scheme. Without such a scheme, our resources might be depleted very soon and we have to prevent that from happening.

Regarding corporate social responsibility, I can say with confidence that Rössing has always been willing to support the community whenever they are approached to do so. But I would want to see Rössing concentrating more on training: not only training of their own employees, but supporting and training the communities within the suburbs. We, as a country, are faced with high unemployment; obviously, our youth are the hardest hit. I think Rössing should come forward to support the Government in identifying what can be done to take the youth off the streets. Not to say that Rössing should employ them all – not at all: that would be totally impossible; but to come up with initiatives to engage the youth in activities that would occupy them positively.

One often heard Rössing people talking of the mine’s early years, saying, “Those were the good old days!” But the good days are back again – perhaps for the next 30 years, I would really like to see Rössing becoming much more active in helping us to get our young people off the streets and into centres of positive activities.

Education is very close to my heart and I want the Erongo Region to have the best-qualified learners and teachers in the whole country. As Governor of the Region, I started a competition amongst regional schools, giving trophies to those with the best results. I want to motivate teachers and pupils to be the best in the country. Rössing supported me in this project, sponsoring most of the trophies. These trophies were embraced by the teachers and learners alike – it was heart-warming to see their reactions. I appreciate Rössing’s support in this project, but I would really like them to be a lot more proactive in helping our unemployed young people. They should visit the schools on a regular basis, talk to the learners, tell them what it is like to work for a mine, and make them excited about the prospects of being a geologist, an engineer, an environmentalist.

Regarding HIV/AIDS, the Region has a strategic plan on HIV/AIDS. All the line ministries, non-governmental organisations and relevant institutions are represented and involved in the implementation of this plan – but I don’t see Rössing there. It’s open to everybody and we would want to have Rössing, as a major company in the Region, to become a lot more involved.

In the past few years, Rössing has focused more on supporting the town of Arandis, which is understandable. Of course, they need to support Arandis because it was started by Rössing, but the company should be flexible.

With regard to Black Economic Empowerment (BEE), I fully support the initiative. However, BEE is sometimes misused, for example, where a person has the idea but not the skills. Rössing can make a big difference in BEE with training people that may be willing but they lack the know-how. Rössing should take small enterprises, and train them in exactly what is expected from them, so that these entrepreneurs can contribute to building up a strong economy instead of remaining small without any real progress.

But I think it is also important that Rössing should not just dish out money; the company should help people to learn how to look after themselves.
The year under review saw a number of highlights. The value of donations and sponsorships increased more than six-fold from N$456,000 in 2005 to N$2.9 million in 2006. The main focus of this investment was on assisting various community groups in Arandis, Swakopmund and Walvis Bay and the rest of the Erongo Region in areas of activities that would promote community development. Of importance is that N$1.8 million went towards various upgrading and refurbishment projects in Arandis as part of the mine’s “30 Years of Production” celebrations in 2006.

Following a recent number of accidents at a vehicle crossing over a railway line in Swakopmund, including one accident that involved a bus from a neighbouring mine, Rössing Uranium took the initiative and along with other local companies donated N$100,000 to the Swakopmund Town Council for structural improvements at the crossing.

The first phase of the improvements included clear road signs and alterations to the road surface to slow down vehicles before they crossed the railway line. Other improvements planned are a boom gate, traffic light and alarm to stop traffic whenever a train crosses.

Since the improvements, up to the end of 2006, no accidents had occurred at the rail crossing. As one of the entrance roads to the town, the crossing is used extensively by the public as well as by the mine’s buses transporting employees.

Rössing’s ongoing visitors’ programme continued to provide a platform of communication and information-sharing between the mine and the public as well as with specialised groups about the mine’s operations, the nuclear industry as a whole, and the use of uranium as a source of energy.

The Arandis Sustainability Project was initiated by Rössing in 2005 to assist the Town Council of Arandis in creating sustainable development projects for the town and its residents. It creates a platform for collaboration and consultation between the mine, the Rössing Foundation and local government structures.

The Health, Safety, Security and Environment Forum was initiated by Rössing in 2006 to provide a platform for existing and new players in uranium mining, specifically in the Erongo Region, to support each other in terms of health, safety and environmental aspects.

Rössing serves on several advisory bodies, such as the Presidential Advisory Committee, and the Erongo Regional Development Committee chaired by the Governor of the Erongo Region.

The Rössing Local Stakeholders’ Forum provides a platform for discussions on cross-cutting issues. Besides Rössing itself, the members consist of the Erongo Regional Council, the Ministry of Environment and Tourism, the Ministry of Health and Social Services, the Ministry of Mines and Energy, the Department of Water Affairs and Forestry in the Ministry of Agriculture, Water and Forestry, the Gobabeb Research and Training Centre, the Swakopmund Town Council, the Arandis Town Council, and the Rössing Foundation.

Rössing is also represented in several sub-committees of the Chamber of Mines of Namibia, namely the Labour Committee, the Safety Committee, the Mine Survey Committee, and the Mine Rehabilitation and Closure Committee.
Managing Erongo’s water together

Bulk water supply to the coastal area is presently based on groundwater abstracted from the river beds in the lower reaches of two west-flowing river systems: the Kuiseb River, some 20 km south of Walvis Bay, and the Omaruru River at Henties Bay, 80 km north of Swakopmund, as indicated on the map on the right.

The Omdel water supply scheme in the Omaruru River delta currently supplies water to the three towns of Swakopmund, Arandis and Henties Bay, and the two existing mines in the area, Rössing and Langer Heinrich Uranium. Water supply to Walvis Bay is drawn from the Kuiseb River. Consumption by the three coastal towns together accounts for about 68% of water usage, while Rössing uses an additional 28% of the total.

The Coastal Bulk Water Users’ Forum was established before 2000 to address issues concerning the then planned sea-water desalination plant and now continues sharing information and facilitating planning of current and future water usage in the Central Namib area.

Planning Rössing’s future water demand and allowing NamWater, the national water supplier, to ensure a reliable and sustainable supply have become challenging tasks in this time of changing mine-life projections, production increases and possible process changes. The development of the world uranium market in 2006 opened up a longer-term future for the mine and resulted in an extensive re-evaluation of uranium production and tailings disposal processes, which in turn will affect future water use. Some water demand management projects that were planned in previous years and in line for construction in 2006 were superseded by new and more effective measures. Plans for the new projects will be firmed up in 2007.

Swakop River groundwater study

The Swakop River groundwater study concluded that anomalous uranium levels found in groundwater just west of its confluence with the Khan River are related to uranium-bearing rocks.

The investigation of groundwater resources and water quality in the lower Swakop River farming area, which was requested by the local farming community and started in 2004, continued throughout 2005 and 2006. As reported in 2005, an anomaly showing uranium concentrations of around 0.15 mg/l was found just west of the Khan River confluence, while the background uranium concentration in the Swakop River groundwater was 0.05 mg/l.

Analysis results from continued groundwater sampling obtained during the last two years confirm that the anomaly is a naturally occurring phenomenon in this part of the Swakop River. The results show that the anomaly did not move downstream as it would have if caused by a potential contamination plume. This points towards a local occurrence of uranium, which is also indicated by the regional geophysical map (Sheet Walvis Bay) published by the Geological Survey of Namibia in 2005. The map shows higher radiation levels related to the local geology, indicating the presence of uranium-bearing rocks in this area.

The natural uranium found in the Swakop River groundwater moves very slowly in geological timeframes downstream with the groundwater flow, because it is attached to the sand and clay particles that fill the river bed. Further work during 2007 will investigate the relationship between uranium in the river sand and in the groundwater. The aim is to confirm a state of ‘equilibrium’ between the river sand and groundwater concentrations, as well as between the daughter and parent radionuclides in the sand, a condition that can only be reached in geological timeframes of thousands of years. Confirming the presence of uranium in the area since geological times and being unrelated to the timespan of Rössing’s operation will finally conclude the study.

An assessment completed during 2006 by Dr J van Blerk, a South African radiation specialist appointed by the Swakop Farmer Working Group, has already confirmed these equilibrium conditions for the farming area where soil samples have been analysed.
Concerns about water quality

Comments at Open House meetings and in previous stakeholder reports indicate that more information is needed about issues such as groundwater quality, since many stakeholders are concerned about the potential impact of Rössing’s activities on the environment.

The company’s aim, as stated in the mine’s Health, Safety and Environmental Policy, is to “operate our business with respect and care for both local and global environments in order to prevent and mitigate residual pollution”. To this end, a control system is in place at the mine to pump out and recycle any polluted groundwater. The effectiveness of this system is monitored by means of water quality testing at between 80 and 120 boreholes per year. An analysis of the results of such testing is reported to the Ministry of Agriculture, Water and Forestry, whose Water Environment Division monitors the mine’s compliance with permit conditions.

In 2006, Rössing received a letter from the Permanent Secretary of the latter Ministry, which stated the following:

“Rössing Mine is a leader in water demand management and pollution control in the mining sector in Namibia and perhaps even the whole world. This work ethic, especially as far as water pollution control is concerned, serves as an example for all existing mining developments in Namibia, and especially for new mines that will most probably be developed in the Central Namib in the near future. … Not once did Rössing fail to meet its obligations in terms of the existing water law in Namibia.”

Environmental performance

The process of extracting natural resources such as uranium from the ground tends to raise public concern about potential environmental impacts. Rössing plans for and deals with environmental impacts during mining development, during the operational period, and during and after mine closure.

Namibian regulations require that Rössing use and store hazardous and non-hazardous waste in a manner that prevents releases into the environment. A number of programmes and resources devoted to waste minimisation and pollution prevention have been implemented over the years. One such a programme is to recycle and reuse oil. In 2006, over 780,000 litre of used oil was reused at Rössing to produce explosives for blasting, and another 121,000 litre were sent off-site to a company for recycling.
RÖSSING URANIUM IN THE ERONGO REGION

The extension of the mine’s life resulted in increased activities in almost all areas of the operation. All these increased production activities had an impact on the mine’s ability to reach targets related to water and energy usage and greenhouse gas emissions for the year under review.

**Energy usage**

Total energy usage at Rössing covers the consumption of both electricity and fuels. The consumption is expressed in MJ/t of ore processed to give a measure of energy efficiency for mining and production at Rössing.

The Rio Tinto target is a 5% reduction in total energy used per tonne of product by 2008 compared with 2003 consumption levels, when five-year targets were initiated. In 2006, energy usage was 113.6 MJ/t of ore processed. This was well above the annual target limit of 91 MJ/t of processed ore set by the mine to conform to the Rio Tinto targets.

Although Rössing performed well in respect of achieving its goals for 2004 and 2005 in terms of energy usage it was unable to sustain this performance in 2006 owing to factors associated with the extension of the mine’s life, as mentioned above.

**Greenhouse gas emissions**

Greenhouse gases emitted at Rössing during 2006 amounted to 50 tonnes of CO$_2$-e/t U$_3$O$_8$ produced (tonnes of carbon dioxide equivalents per tonne uranium oxide produced), which was well above the target of 42.0 t CO$_2$-e/t U$_3$O$_8$ produced. As mentioned earlier, Rössing is currently out of line with its long-term greenhouse gas emission target reductions of 20% by 2008.

**Climate change**

Climate change is a global concern and it is also one of Rio Tinto’s priority environmental issues. The group requested all its businesses to draw up a three-year work plan by the end of October 2006. Such plans require business units to document their programmes and actions that address business risks and opportunities that could arise from the effects of climate change.

Rössing’s Climate Change Action Plan for 2007 to 2009 was submitted to the Rio Tinto Climate Change Leadership Panel for review. Throughout the year, it was challenging for the mine to achieve its greenhouse gas emissions and energy usage limit targets. Therefore, the plan put in place some actions to be taken and programmes to be implemented during 2007 and beyond to assist with achieving these goals.

This concludes the section on Rössing’s interaction with the Erongo Region. The next section deals with Rössing’s activities in Namibia.

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**Energy Consumption**

*Graph showing energy consumption over time.*

**Carbon Dioxide Emission**

*Graph showing carbon dioxide emission over time.*

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“Sometimes we have problems with our power supply from South Africa when they experience problems on their side; then they request us to scale down on our demand by, for example, 10%. We have identified a few big customers, and Rössing is one of them, and they are immediately contacted to reduce their usage, also by, say, 10%. Rössing in particular has come out strongly as a very good partner in this relationship. We are very happy with their cooperation and hope that this relationship will continue.”

Paulinus Shilamba
Managing Director: NamPower
Rössing’s business partners

Rössing is aiming to become the best corporate citizen in Namibia. In the past the mine has and will in future contribute to the nation economically and by supporting social development.

In June 2006, Rio Tinto introduced a policy “The way we buy”, which is a statement of business practices relating to the procurement of goods and services for Rio Tinto Group companies. At Rössing, the procurement of goods and services makes up a substantial part of annual operating costs, and this can greatly benefit the Erongo Region and the country as a whole as money is spent with local, regional and national suppliers of goods and services.

In the year under review, payments for goods and services bought in Namibia amounted to 60% of money spent, which amounted to N$948.8 million. Goods and services purchased outside Namibia amounted to 40% of expenditure.

However, by understanding the economic interaction with the communities in which the mine operates, the mine can maximise benefits for the business and the community through increased support for local suppliers.

The mine is linked up with Rio Tinto Procurement (RTP), which manages the Group's procurement processes and standards. RTP is run from South Africa and works closely with Rössing staff to implement the mine's strategies as regards local suppliers. In 2006, Rössing made use of about 2,400 local, regional and national suppliers and 1,100 international suppliers for the goods and services it required.

Value of Payments to Namibian Suppliers (%)

Group’s procurement processes and standards. RTP is run from South Africa and works closely with Rössing staff to implement the mine’s strategies as regards local suppliers. In 2006, Rössing made use of about 2,400 local, regional and national suppliers and 1,100 international suppliers for the goods and services it required.

Payments to Namibian Suppliers (N$million)

Significant efforts have been made to illustrate Rössing’s support for local suppliers and communities. This same effort will continue, but with greater focus on BEE.”

Elmo Erasmus
Manager: Rio Tinto Procurement (RTP)
Supply Chain Management

The potential of Namibian companies is often underestimated. Construction contracts are sometimes being awarded to South African firms without considering the available expertise of local companies and the possibility of joint ventures in awarding larger size contracts.

For example, a Namibian engineering firm was awarded a contract by the Max Plank Institut Für Kernphysik (nuclear physics) for the construction of highly sophisticated telescopes. An additional larger telescope is currently been constructed also by a Namibian company. This proves that with proper planning and training, Namibians can compete against large foreign companies and complete projects to most stringent quality, accuracy and time constraints.

When Rössing’s Life-of-Mine Extension Project (LoME) started in 2006, the mine indicated that Namibian companies should get preference in work contracts and as President of the Construction Industries Federation of Namibia, I encouraged and challenged local businesses to express their interest in contract work with the mine.

Renate Schmidt, businesswoman
President: Construction Industries Federation of Namibia (CIF), Windhoek

Frank Borruso
General Manager: Namib Diesel, Walvis Bay

“All business people felt it tremendously when Rössing retrenched many of its staff members about ten years ago. But since then, things have improved. We as a company have submitted several tenders to Rössing over the past few months. We haven’t heard of any decisions yet, but it is encouraging to see that Rössing asks local suppliers to tender as well.”

Sandy Maresch
Manager: Cymot, Swakopmund

“I think they support local businesses very well. Apart from being the Cummins engine agent and supporting them in that, we also look after their power-generating engines on site, as well as many of their smaller engines. We have two people on site constantly, but there are many smaller contractors in town that are completely dependent on Rössing, so I believe they do support local suppliers.”

Frank Borruso
General Manager: Namib Diesel, Walvis Bay
Ekoka Art Group

The Rössing Foundation, in partnership with the Omba Arts Trust, initiated an art project with a small San community located at the Ekoka village in the Ohangwena Region of northern Namibia. This was the result of an earlier baseline survey that identified the need for any activities that would generate an income for the residents of the village.

Recognising the artistic potential of some of the members of the community, the Ekoka Art Group was established in 2002 and to date seven workshops have been conducted to produce paintings and lino prints, as well as motifs that have been used in a range of textile products.

Simon Hamupolo, a resident of Ekoka, is currently the leader of the Art Group. He says his quality of life and that of his family have improved vastly since he joined the Ekoka Art Project. He is more financially independent and his health and economic status have improved. “In fact,” he says, “the same applies to the whole community, because they are getting more income than before and they can support themselves and their families.”

Mr Hamupolo says that with the extra income, he has been able to pay his medical bills, his children’s school fees and their clothes, and he has even been able to buy some building materials to construct an extra room in his house.

Prints, textiles (linen, dressing gowns, etc.), paper products (postcards, greeting cards, etc.) and oil paintings have been sold at the Namibia Craft Centre and elsewhere. So far, four exhibitions have been held in Windhoek and Cape Town, and a fifth is planned for Washington, DC, in the USA.

An Ekoka San Trust Fund has been established to which the artists contribute a percentage of their earnings so that the broader community can also benefit from their success in the future. The Fund will finance local grass-roots development initiatives.

“On reflection, the past few years have been challenging for the Rössing Foundation. Within a national framework many changes have occurred in Namibia since independence, and development initiatives have had to make corresponding adjustments. The Foundation has not been exempt from these changes, and over the last few years we have had to make changes related to national policy developments, as well as changes within the fortunes of the organisation itself.

In most cases our changes involved right-sizing the organisation to within our existing means. However, with the positive news of the extension of the life of the mine, and the dramatic change in the commodity price, the Foundation for the first time in a number of years is able to look forward to the opportunity of expanding a number of its programmes. The main areas for development in 2007 will be education, poverty alleviation, leadership, and innovation. We can look forward to some exciting developments in the next few years.”

Len le Roux
Executive Director.
The Rössing Foundation, Windhoek

Organic Certification Project

The four north-central Regions of Namibia – Ohangwena, Omusati, Oshana and Oshikoto – comprise four of the poorest in the country, where poverty affects between 25% and 33% of the population. The four Regions are also the most densely populated in the country and environmental degradation has occurred at an alarming rate. The physical environment of the north-central areas is marginally productive and the poor soils and sporadic and irregular rainfall place substantial restrictions on agricultural development. Economic development has been slow in coming to these Regions despite Government initiatives to promote it in these historically disadvantaged areas. Opportunities in natural resource management are increasingly being seen as providing solutions to alleviating poverty and improving livelihoods.

In a pilot project implemented by the Rössing Foundation in partnership with the Centre for Research Information Action in Africa – Southern African Development Community (CRIAA–SADC) to address rural poverty, an opportunity has been created for communities in the north-central Regions to make decisions about their natural resources. The project will also take advantage of new economic opportunities, whereby the livelihoods of significant numbers of resource-poor households will be improved, and they will have incentives to use their resources more sustainably.

The pilot action built on efforts made in the past 10 years to develop an industry based on natural products. Namibia has played a leading role in this process, and has successfully introduced four brand new products (marula oil, Kalahari melon seed, Manketti oil, and Ximenia oil) for the international cosmetic markets, with other natural products in the development pipeline.
The activity engaged 300 primary producers organised in the Eudafano Women's Cooperative in a process of mapping their resources (marula) to be submitted to an international body – ECOCERT – that will certify the products as organic. A dataset was developed on each farm on which the resource occurred, along with a map of the farm. The activity involved training field staff to do the mapping and interviews with individual farmers, and collation of all data into a database. Farmers were also trained in the basic principles of organic farming, and entered into a formal agreement to adhere to these principles.

Once the survey had been completed and the database compiled, complete with maps, ECOCERT inspected the sites and issued an organic certification for the 300 farms as well as for the processing factory managed by the Eudafano Women's Cooperative.

As a direct result of this action, there is a potential for five tonnes of marula oil certified as organic to be produced and sold in the next few years. With current market prices, organic certification will increase the value of marula oil from 125,000 euro (N$1.1 million) to 187,500 euro (N$1.7 million). These are conservative estimates and, in less than five years with increased production and expansion into other oils, it is estimated that the total value of certified organic production will be 840,000 euro (N$7.6 million at current exchange rates), as compared with 560,000 euro (N$5 million) that could be earned from selling non-certified organic produce.

Our national heritage

With the promulgation of the Namibian National Heritage Act, Rössing commissioned a well-known Namibian archaeologist, Dr John Kinahan, to carry out a heritage survey of the entire mining licence area during 2006 in a bid for the mine to contribute towards a better understanding of our national heritage. The aim was to locate and assess features of archaeological significance that would be affected during the planned exploration and potential development work extending the life of the mine. This approach is consistent with the requirements of the Rio Tinto Community Standard.

An archaeological investigation is currently under way at another site in the Rössing licence area, where evidence of prehistoric quarrying of chert was found in the course of exploration work. The site was occupied approximately 120,000 years ago, when relatively moist conditions prevailed. Detailed mapping, surface collection and photographic documentation are being carried out to record and recover as much evidence as possible.

During 2007, fieldwork and laboratory analyses will be completed and the results of the research will be made available to the National Heritage Council, the scientific community and other interest groups.
The future of uranium

The uranium market continued its strong recovery in 2006, with prices rising strongly throughout the year. Last year the spot price of uranium, as published by the Ux Consulting Company, effectively doubled from US$36.25 per pound in December 2005 to a high of US$72.00 per pound in the corresponding period of 2006. Overall, buying activity remained high through 2006, but was marginally down on the record levels achieved in 2005.

These lower sales volumes were more a reflection of restricted supply conditions than an indication that the market might be about to take a downward turn. Many sellers were reluctant to commit material to market while there remained the possibility of even higher prices in the future, subsequently competition for available material was very strong resulting in above average price increases.

Rössing Sales by Region 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>Operating</th>
<th>Under construction</th>
<th>Planned</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>103</td>
<td>16</td>
<td>38</td>
<td>74</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>66</td>
<td>4</td>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>Western Europe</td>
<td>131</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>North America</td>
<td>121</td>
<td>3</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>2</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>435</td>
<td>26</td>
<td>64</td>
<td>159</td>
</tr>
</tbody>
</table>

[Source: World Nuclear Association 2007]
to many low-priced legacy contracts that were negotiated when the price of uranium was as low as US$7 per pound U₃O₈. Over the next few years these legacy contracts will expire and the average sales price will increase considerably to reflect the higher market prices.

Rössing, through its marketing arm Rio Tinto Uranium, is committed to underpinning the long-term future of the mine by securing even more new long-term contracts that will take full advantage of any upward movement in future market prices, but which also have adequate floor prices, should the market move downwards. The company remains committed to maintaining a loyal, international customer base that provides the greatest total return, while minimising risk and complying strictly with all international safeguard regimes. Rössing prides itself on the relationships that it has with its customers, some of the premier nuclear power companies in the world, and this is reflected in the longevity of many of these relationships, some of which now stretch to twenty years or more.

The outlook for Rössing and for the uranium market in general looks promising. Existing unfulfilled demand remains high and current uranium production is not expected to exceed demand for several years. If the much touted ‘Nuclear Renaissance’ also materialises then future long-term demand is likely to increase substantially. All of these factors point to a strong uranium market over the next few years.
RÖSSING URANIUM’S PRODUCT AND ITS CUSTOMERS

Product stewardship

Worldwide, there is an acceptance of the principle that a company’s responsibility for a product does not stop at the factory gate, but that it extends right through to the product’s ultimate disposal. This principle of product stewardship applies especially to products that can have a long-term effect on the environment or society, like nuclear energy for the generation of power.

During the course of 2006, a uranium stewardship programme was initiated by Rössing Uranium and its sister company, ERA, as part of Rio Tinto’s commitment to product stewardship in all its 56 mining operations worldwide.

World Nuclear Association Working Group

Rössing Uranium is part of a working group of the World Nuclear Association (WNA). The WNA aims to promote the peaceful worldwide use of nuclear power as a sustainable energy resource for the centuries to come. As stated in their objectives, the WNA is concerned with nuclear power generation and all aspects of the nuclear fuel cycle, including mining, conversion, enrichment, fuel fabrication, plant manufacture, transport, and the safe disposition of spent fuel.

Research on public perceptions of the nuclear industry

As part of its activities in the WNA Working Group, Rössing commissioned an independent research study to determine the perceptions and opinions of the Namibian public regarding the global nuclear industry.

The public’s general lack of awareness about the nuclear industry was a point well-taken, and certainly in line with the objectives that the working group (and WNA in general) is trying to address. Other results highlighted the following issues:

- The positive role of the nuclear industry in lessening the world’s energy crisis;
- The precautions put into place to ensure that the industry is well managed, strictly regulated and highly controlled to ensure that uranium will not “fall into wrong hands”;
- What is being done to ensure that waste disposal is safe and done in a responsible manner;
- The precautions put into place to ensure that another Chernobyl will not happen – that radiation will be contained even when natural disasters such as earthquakes happen in the vicinity of nuclear power stations.

After the results were shared with the WNA, a representative of another company, who was involved in a National Stakeholder Dialogue, observed that in a similar survey that they conducted in the UK, had found the public to be more negative about the front-end part of the nuclear fuel cycle (e.g. mining), whereas in Namibia - which is a uranium producing country without its own nuclear power - the negative perceptions seem to be more focused on the back-end of the nuclear fuel cycle (waste disposal and security).

Contaminated scrap metal incident

In April 2006, Rössing Uranium announced that a scrap metal dealer in Cape Town, South Africa, had found pieces of stainless steel believed to be contaminated.

The dealer alerted the mine about the metal, which was allegedly received from another such dealer in Namibia. The contamination level of the scrap metal was found to be very low and did not pose any danger to the health of those who handled it.

The mine has strict procedures in place to prevent any contaminated scrap metal from leaving the mining site. At the time, a full investigation was immediately launched to determine how and by whom the metal had been removed, and stricter handling procedures for scrap metal were put in place.

Uranium stewardship could be defined as a continued commitment to ensuring that uranium is produced, stored, used and disposed of in a safe, economical, environmentally friendly and socially acceptable manner.
Rescuing plants of biodiversity value

Across the Atlantic in southern Africa, a band of horticulturalists took up a special kind of digging ahead of mining operators preparing the expansion of the Rössing Uranium mine.

A local firm, Ben Tjimune Horticultural Services, was contracted to remove plants of biodiversity value from the future mining site so that they would not be destroyed by the big diggers.

The hills where mining will extend contain a number of succulent plant species like *Euphorbia virosa* (gifboom), *Hoodia parviflora* (small-flowered hoodia), *Commiphora* (koedoebos) and some aloes.

The hoodia, for example, is one of Namibia’s endangered species found on the mine. Because plants take a long time to establish themselves in the desert climate, illegal harvesting could threaten this plant population in Namibia.

Biodiversity conservation is one of Namibia’s environmental priorities in respect of land management and, therefore, plays an important role in the Life-of-Mine Extension Project. The plant rescue operation took place in the pioneering area and will be extended to the tailings expansion area in 2007.

The plants found in the pioneering area were identified, their positions put on a map, and then they were removed to a temporary area. All the rescued plants have been replanted either in the mine gardens or in areas close to their natural environment.

Rio Tinto Reports, August 2006
Uranium is a relatively common element that is found in the earth all over the world, mined in many countries and processed into yellow cake or uranium oxide (U₃O₈). It must be processed further before it can be used as a fuel for a nuclear reactor where electricity is generated to produce steam and drive a turbine connected to a generator.

Drilling and blasting
Through drilling, blasting, loading and haulage, the uranium ore at Rössing is mined. Due to the erratic distribution of minerals in the ground, waste and ore are often mixed together. Radiometric scanners measure the radioactivity level of each truckload. This determines whether the material is sent to the primary crushers or to the low-grade stockpile. Waste is transported to a separate storage area. The size of the open pit is 3 km long, 1.5 km wide and about 330 m deep.

Grinding
Wet grinding of the crushed ore by means of steel rods reduces it further to slurry with the consistency of mud. The four rod mills, which are 4.3 m in diameter, are utilised as required by production levels and operate in parallel.

Crushing
A combined leaching and oxidation process takes place in large mechanically agitated tanks. The uranium content of the pulped ore is oxidised by ferric sulphate and dissolved in a sulphuric acid solution.

Leaching
The clear pregnant solution ('pregnant' solution) overflows from the thickeners wash the slime from previous stages. A clear uranium-bearing solution ('OK liquor') is recovered on rotating drum filters as yellow paste - 'yellow cake'.

Thickening
Counter-current decantation thickeners wash the slimes from previous stages. A clear uranium-bearing solution ('pregnant' solution) overflows from the thickeners, while the washed slime is mixed with the sands and pumped to the tailings area.

Continuous ion exchange (CIX)
The clear pregnant solution now comes into contact with beads of specially formulated resin. Uranium ions are adsorbed onto the resin and are preferentially extracted from the solution. Beads are removed periodically to elution columns where an acid wash removes the uranium from the beads. The resulting eluate is a purified and more concentrated uranium solution.

Solvent extraction (SX)
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 then returned to the elution columns.

Precipitation
The addition of gaseous ammonia to the 'OK liquor' raises the solution pH, resulting in precipitation of ammonium diuranate, which is then thickened to a yellow slurry.

Power generation
Fuel assemblies are loaded into nuclear reactors where the U²³⁵ fissions, producing heat and steam used to generate electricity.

Fabrication
Enriched uranium is converted into uranium dioxide, formed into solid cylindrical pellets, sealed in metal fuel rods, and bundled in fuel assemblies.

Conversion
(Uranium hexafluoride crystals) The uranium oxide is converted to uranium hexafluoride. Conversion plants operate commercially in Canada, France and the USA.

Loading and despatch
The drums of uranium oxide are loaded and exported to overseas converters for further processing. At full capacity, the plant can produce 4,500 tonnes of uranium oxide each year.

Drying and roasting
Final roasting drives off the ammonia, leaving uranium oxide. The product is then packed into metal drums. Neither ammonium diuranate nor uranium oxide are explosive substances.

Filtration
The ammonium diuranate is recovered on rotating drum filters as yellow paste - 'yellow cake'.

Enrichment
This step increases the concentration of the isotope U²³⁵ from its naturally occurring level of 0.7% to higher levels required for nuclear reactors - about 3%.

Precipitation
The addition of gaseous ammonia to the 'OK liquor' raises the solution pH, resulting in precipitation of ammonium diuranate, which is then thickened to a yellow slurry.
## Performance Data Table

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2006 Target</th>
<th>2007 Target</th>
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<td><strong>The Employees of Rössing Uranium</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Number of Employees</td>
<td>793</td>
<td>820</td>
<td>833</td>
<td>860</td>
<td>939</td>
<td>1,108</td>
<td>1,089</td>
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<td>Payments benefiting employees (N$'000)</td>
<td>136,761</td>
<td>115,910</td>
<td>173,672</td>
<td>204,800</td>
<td>245,593</td>
<td>176,244</td>
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<td>0</td>
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<td>1</td>
<td>8</td>
<td>6</td>
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<td>New cases of pneumoconiosis</td>
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<tr>
<td>New cases of dermatitis</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
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<tr>
<td>New cases of hearing loss</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>New cases of chronic bronchitis</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Rössing Uranium – The Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Ore processed ('000 tonnes)</td>
<td>8,769</td>
<td>8,347</td>
<td>10,972</td>
<td>12,027</td>
<td>12,008</td>
<td>11,900</td>
<td>12,756</td>
</tr>
<tr>
<td>Waste rock removed ('000 tonnes)</td>
<td>13,015</td>
<td>10,434</td>
<td>8,139</td>
<td>7,483</td>
<td>16,835</td>
<td>10,279</td>
<td>18,206</td>
</tr>
<tr>
<td>Ratio of ore processed to waste rock removed</td>
<td>0.67</td>
<td>0.8</td>
<td>1.35</td>
<td>1.61</td>
<td>0.71</td>
<td>1.16</td>
<td>0.7</td>
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<tr>
<td>U₃O₈ produced (tonnes)</td>
<td>2,751</td>
<td>2,374</td>
<td>3,582</td>
<td>3,711</td>
<td>3,617</td>
<td>3,582</td>
<td>4,049</td>
</tr>
<tr>
<td>Source dust levels at Fine Crushing Plant (mg/m³)</td>
<td>0.80</td>
<td>0.38</td>
<td>1.03</td>
<td>1.12</td>
<td>1.49</td>
<td>0.70</td>
<td>1.00</td>
</tr>
<tr>
<td>Capital acquisitions (N$'000)</td>
<td>54,357</td>
<td>35,264</td>
<td>10,346</td>
<td>25,874</td>
<td>272,667</td>
<td>312,709</td>
<td>699,385</td>
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<tr>
<td>Profit after tax (N$ million)</td>
<td>254</td>
<td>-140</td>
<td>-75</td>
<td>34</td>
<td>304</td>
<td>130</td>
<td>1,169</td>
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<tr>
<td><strong>Rössing Uranium in the Erongo Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Payments to regional suppliers¹ (N$'000)</td>
<td>54,422</td>
<td>77,640</td>
<td>100,000</td>
<td>278,000</td>
<td>489,900</td>
<td>No target</td>
<td>No target</td>
</tr>
<tr>
<td>Fresh water consumption ('000 m³)</td>
<td>2,175</td>
<td>2,468</td>
<td>3,003</td>
<td>3,170</td>
<td>3,315</td>
<td>3,055</td>
<td>3,120</td>
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<tr>
<td>Fresh water per tonne of ore processed (m³/t)</td>
<td>0.25</td>
<td>0.30</td>
<td>0.27</td>
<td>0.27</td>
<td>0.28</td>
<td>0.23</td>
<td>0.26</td>
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<tr>
<td>Ratio of fresh water to total water</td>
<td>0.25</td>
<td>0.35</td>
<td>0.33</td>
<td>0.37</td>
<td>0.35</td>
<td>0.32</td>
<td>0.33</td>
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<tr>
<td>Seepage² water collected ('000 m³)</td>
<td>2,001</td>
<td>1,963</td>
<td>2,381</td>
<td>2,018</td>
<td>2,736</td>
<td>2,719</td>
<td>2,935</td>
</tr>
<tr>
<td>Energy use on site (Gj x 1,000)</td>
<td>999</td>
<td>915</td>
<td>1,096</td>
<td>1,152</td>
<td>1,366</td>
<td>No target</td>
<td>No target</td>
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<tr>
<td>Energy use per tonne of ore processed (MJ/t)</td>
<td>114</td>
<td>109</td>
<td>100</td>
<td>95.8</td>
<td>113.7</td>
<td>91</td>
<td>108</td>
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<tr>
<td>CO₂ emission (kt CO₂ equivalent)</td>
<td>139.9</td>
<td>127.5</td>
<td>155.7</td>
<td>161</td>
<td>181.2</td>
<td>No target</td>
<td>No target</td>
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<tr>
<td>CO₂ emission per unit of production (t/t U)</td>
<td>50.9</td>
<td>53.7</td>
<td>43.4</td>
<td>43.4</td>
<td>50.1</td>
<td>42</td>
<td>47.6</td>
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<td><strong>Rössing Uranium in Namibia</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Companies tax paid (N$ million)</td>
<td>241.5</td>
<td>3.5</td>
<td>-20.6</td>
<td>0</td>
<td>158.0</td>
<td>45.6</td>
<td>667.8</td>
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<tr>
<td>Payments to Namibian suppliers except in Erongo Region (N$'000)</td>
<td>97,892</td>
<td>261,417</td>
<td>310,000</td>
<td>329,700</td>
<td>458,900</td>
<td>No target</td>
<td>No target</td>
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<tr>
<td>Value of charitable gifts (N$’000)</td>
<td>107</td>
<td>61</td>
<td>9</td>
<td>104</td>
<td>171</td>
<td>No target</td>
<td>No target</td>
</tr>
<tr>
<td>Value of community investments (N$’000)</td>
<td>322</td>
<td>5,442</td>
<td>4,131</td>
<td>4,717</td>
<td>8,600</td>
<td>No target</td>
<td>No target</td>
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<tr>
<td>Value of commercial initiatives (N$’000)</td>
<td>0</td>
<td>196</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>No target</td>
<td>No target</td>
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<tr>
<td>Donation to Rössing Foundation (N$’000)</td>
<td>9,066</td>
<td>0</td>
<td>0</td>
<td>1,827</td>
<td>15,103</td>
<td>3,906</td>
<td>59,515</td>
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<tr>
<td><strong>Rössing Uranium’s Product and Customers</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uranium spot market price (US$/lb)</td>
<td>9.88</td>
<td>11.56</td>
<td>20.43</td>
<td>36.25</td>
<td>72</td>
<td>–</td>
<td>–</td>
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</tbody>
</table>

¹ Regional refers to the Erongo Region and includes payments to suppliers and service providers from Arandis, Swakopmund and Walvis Bay.

² “Seepage” is contaminated water flowing out of the tailings facility.
VERIFICATION OF 2005 REPORT TO STAKEHOLDERS

In the past, mining companies were often reluctant to talk about their environmental impact, either fearing for the company’s reputation if they admitted to environmental incidents or thinking that the information might be misunderstood. This lack of openness made people suspect the worst, creating rumour and mistrust. These days everyone is more aware of environmental issues, and international reporting requirements ensure that accurate information about a mine’s social, economic and environmental performance is made available to the public.

The main purpose of the annual Report to Stakeholders is to provide an accurate overview of Rössing’s activities and its engagement with stakeholders during a specific year of operation. It is Rössing’s sincere intention to provide a fair and accurate reflection of our activities and performance. Independent feedback from stakeholders, that we have succeeded in the purpose of our reports, provides an important basis for continuous improvement. To assist us in actively raising our standards in all our operations and activities, we asked various stakeholders to verify the 2005 report.

In line with and in support of Rio Tinto’s commitment to conduct its business with integrity, and in accordance with the laws and regulations to which its activities are subject, Rössing rolled out the Compliance Training Modules to all its managers at the end of 2005 and to superintendents during 2006. In 2007, it will be mandatory for all first line managers to complete these modules, which cover a wide range of topics such as Rio Tinto: The way we work; Safety standards; Health standards; Environmental standards; Human rights guidance; Antitrust Policy and Guidance – to mention but a few.

Glynis Labuschagne
Manager: Compliance
Company Secretary

“I think within the whole mining industry the emphasis is on good corporate governance. It is very important, because if something goes wrong with one operation, it affects all of us. And I think so far, in terms of corporate governance, we as an industry have done well. Certainly, Rössing has been excellent in terms of corporate governance. They say actions speak louder than words and I’m sure Rössing’s actions are evidence of this. When you talk of corporate governance, you also talk about issues of transparency and adhering to all sorts of standards, including safety standards, and I think it’s all there to see. Rössing has achieved excellent safety standards. It makes the Chamber of Mines very proud of their achievements.”

Veston Malango
General Manager: Chamber of Mines of Namibia

I, the undersigned, am in agreement that the 2005 Report to Stakeholders of Rössing Uranium achieved its stated purpose, namely that the report aims to give Rössing Uranium’s stakeholders a review of January to December 2005 as well as of the company’s interaction with society, the economy and the environment.

<table>
<thead>
<tr>
<th>NAME</th>
<th>ORGANISATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr SS Nuuyoma</td>
<td>Governor of the Erongo Region</td>
</tr>
<tr>
<td>Ms R Hoabes</td>
<td>President, Association of Local Authorities and Mayoress of Swakopmund</td>
</tr>
<tr>
<td>Mr E Demasius</td>
<td>Chief Executive Officer, Swakopmund Municipality</td>
</tr>
<tr>
<td>Mr E Katiti</td>
<td>Chief Executive Officer, Walvis Bay Municipality</td>
</tr>
<tr>
<td>Mr A von Wietersheim</td>
<td>Chairman, Namibia Chamber of Commerce and Industry, Swakopmund Branch</td>
</tr>
<tr>
<td>Mr Sebby Kankondi</td>
<td>Managing Director, Namibian Ports Authority</td>
</tr>
<tr>
<td>Mr P Shilamba</td>
<td>Chief Executive Officer, NamPower</td>
</tr>
<tr>
<td>Mr V Malango</td>
<td>General Manager, Chamber of Mines</td>
</tr>
<tr>
<td>Mr E Mueller</td>
<td>Chairman, Namibia Qualifications Authority and Director, Namibia Institute of Mining and Technology</td>
</tr>
<tr>
<td>Mr L Nipare</td>
<td>Senior Manager, Water Supply Central Namib, NamWater</td>
</tr>
</tbody>
</table>
List of references

The way we work  
Our statement of business practice.
The way we buy  
Our statement of procurement practice.
Human rights guidance  
Guidance for managers on implementing the human rights policy in The way we work.
Compliance guidance  
This document provides programme guidance and guidelines for Group managers on implementing the Group's policies including those contained in The way we work; Rio Tinto's statement of business practice.
Business integrity guidance  
This document offers guidance to group managers implementing the policies on business integrity and political involvement set out in The way we work, Rio Tinto's statement of business practice.
Corporate governance guidance  
This document offers guidance to Group managers on Rio Tinto's corporate governance policies and procedures.

Antitrust Policy and Guidance  
Our key relationships
Sustainable Development  
Corporate standards – Safety
Corporate standards – Occupational health  
Corporate standards – Environment
Corporate standards - Communities  
Corporate standards - Closure

The documents are available electronically from the Rio Tinto website www.riotinto.com or by writing to Rio Tinto, 6 St. James's Square, London, SW1Y 4LD, England.

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In the spirit of developing a common vision for a sustainable future, please approach Rössing Uranium or The Rössing Foundation with your comments and opinions. Contact details are provided on this page.