

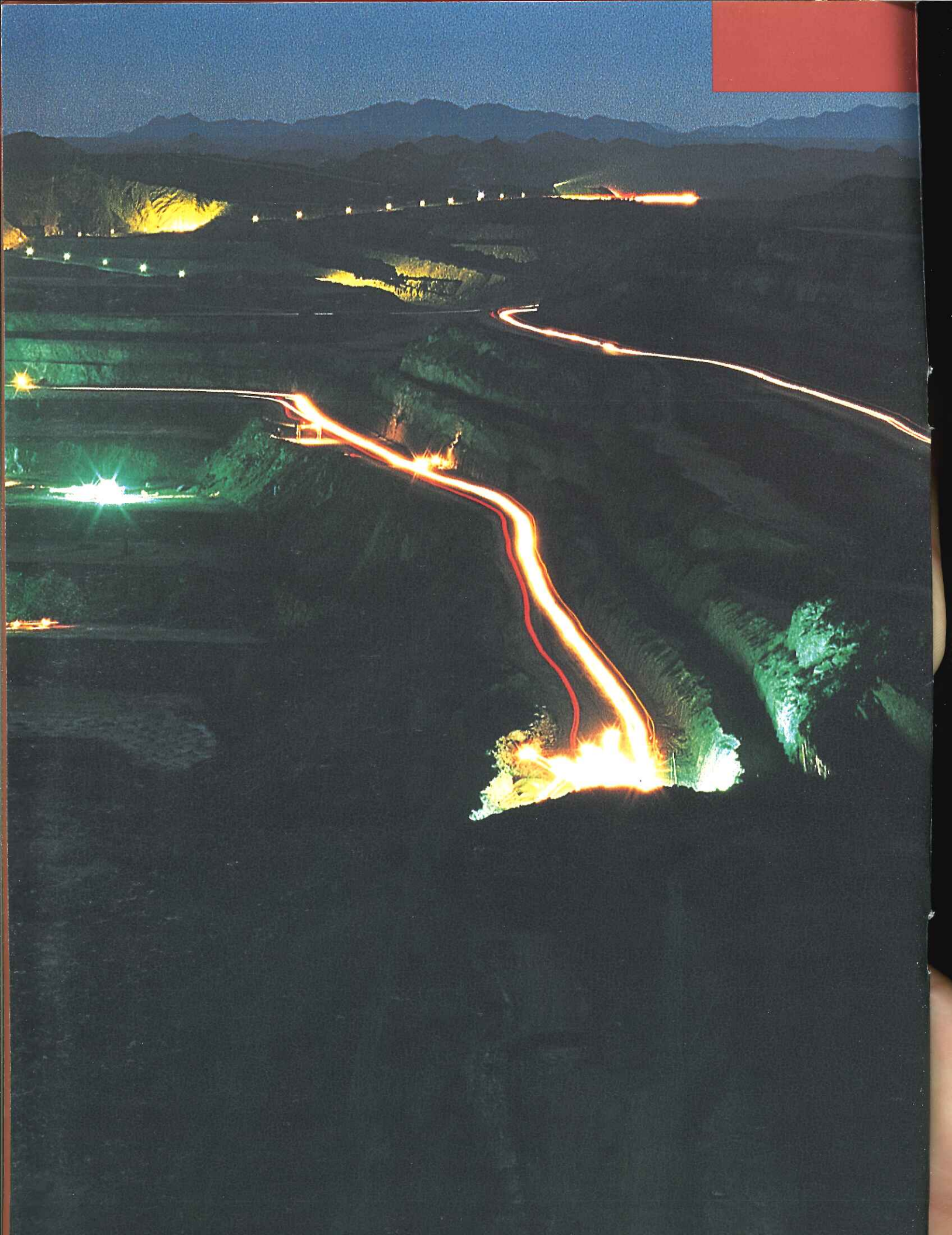
REVIEWING



Rössing

1 9 9 7



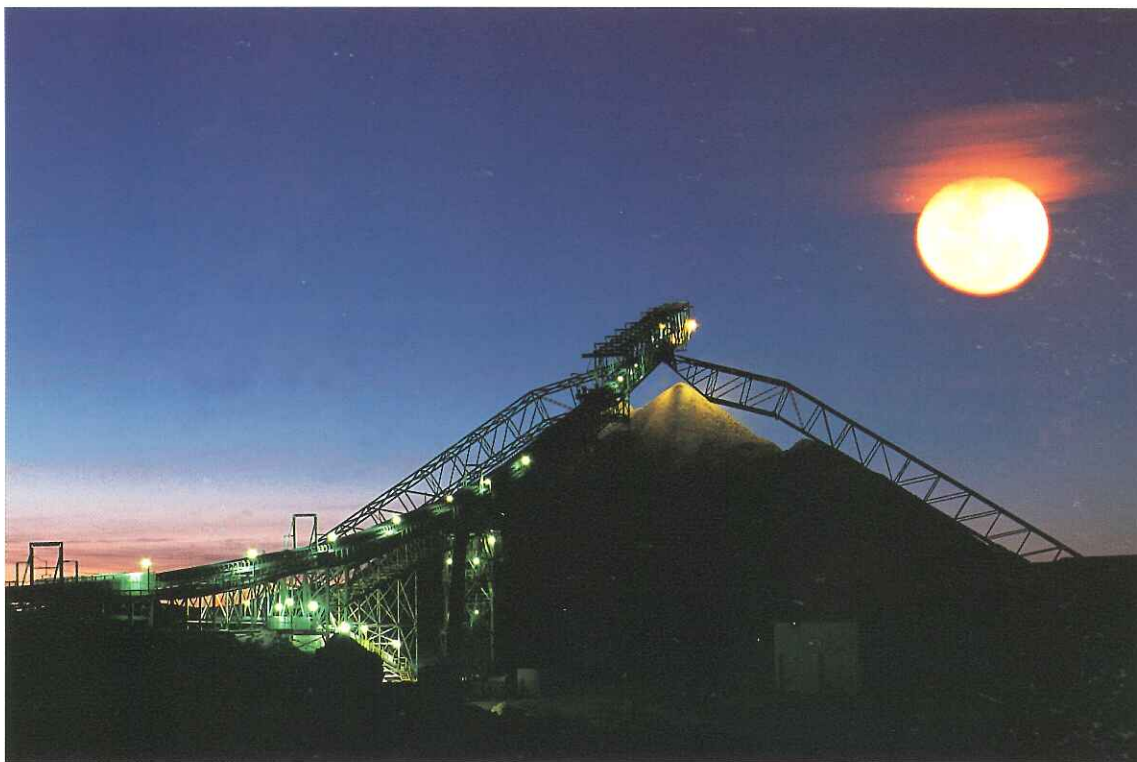


CONTENTS



| | |
|---|----|
| Introduction | 2 |
| Market Review | 5 |
| Production Overview | 10 |
| <i>Operations</i> | 10 |
| <i>Human Resources</i> | 14 |
| <i>Health, Safety and the Environment</i> | 16 |
| Communities Relations | 18 |
| <i>Mine Programmes</i> | 18 |
| <i>Rössing Foundation</i> | 19 |
| Historical Information | 20 |
| <i>The Rössing Background</i> | 20 |
| <i>Geology of the Rössing Deposit</i> | 20 |
| Other Facts and Figures | 21 |

INSIDE COVER PHOTOGRAPH TAKEN BY ANDREW O'SHANN, RÖSSING: THE OPEN PIT AT NIGHT.
This photograph won the Environmental Category in the Annual Mining Industry Photographic Competition.



PHOTOGRAPH : ANDREW O'SHANN, RÖSSING

The mine stockpile at dusk. It won the Process / Metallurgical Plant Category in the Annual Mining Industry Photographic Competition and was placed third in the overall competition.

INTRODUCTION

For Rössing 1997 was a challenging but overall successful year. Whilst production and sales both increased, weaker market conditions led to the decision to delay the return to production at full design capacity for at least the next two years. The increase in production in 1997 of 18%, whilst less than originally planned, brought our uranium oxide production to 3 425 tonnes, which is approximately 75% of capacity. Tonnes mined increased by 41% to nearly 27 million tonnes including a significantly higher level of waste stripping.

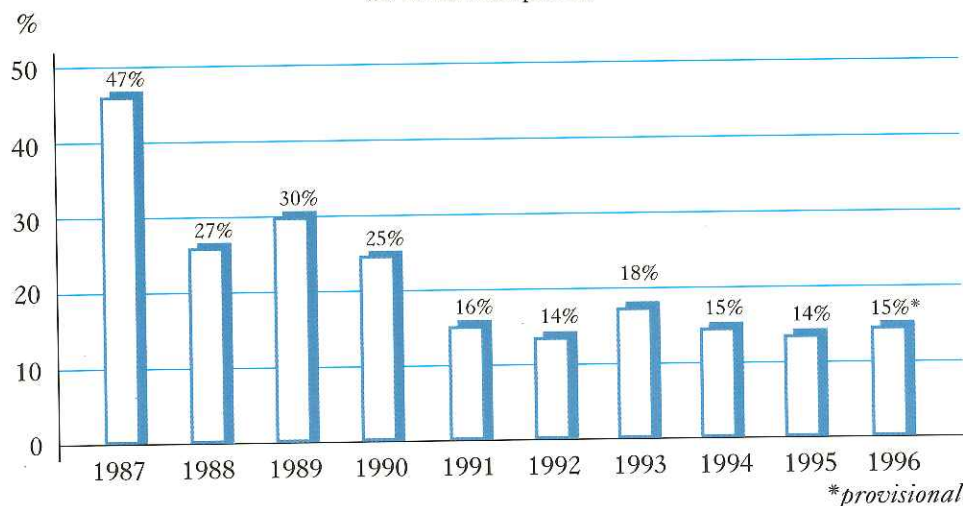
Safety performance was good with the company successfully qualifying for its twelfth consecutive NOSCAR award for excellence in health, safety and environmental management. All five site contractors achieved the NOSA (National Occupational Safety

Association of South Africa) five star rating for the first time during the year demonstrating their full commitment to Rössing's safety programme.

Major investment programmes designed to ensure the long term cost competitiveness of the business continued. Whilst this resulted in short term pressure on cost performance, these programmes represent an important investment in our future. It is Namibia's political and social stability and sound economic management since Independence that have allowed Rössing to proceed with a high level of investment and to plan with confidence for the future.

Essential investment programmes in 1997 included the delivery and successful commissioning of six new Haulpak 730E haultrucks, which met

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





PHOTOGRAPH: ANTHONY BANNISTER

One of the new 190 tonne Haulpak 730E haultrucks pauses under scanning bridge to have its ore load assessed for quality.

all performance targets. Among other initiatives launched was the Business Systems Project (BSP) which, through the installation of the SAP R/3 integrated computer system, is designed to facilitate a step change in business effectiveness.

The Company made a similar contribution to the economy of Namibia in 1997 as in 1996, in particular by generating some 15% of export earnings. Employee salaries, taxes and the

purchase of local goods and services paid, totalled over N\$300 million.

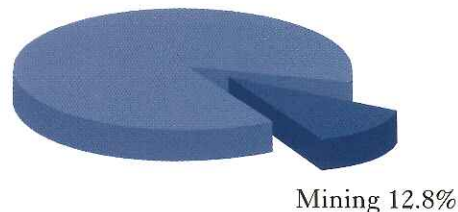
In 1997 the Rössing Foundation directly invested over N\$9 million in its important work of social upliftment. The Foundation managed a further N\$9 million in projects on behalf of other Non Government Organisations who recognise the value of the organisation as a facilitator of development programmes.

INTRODUCTION

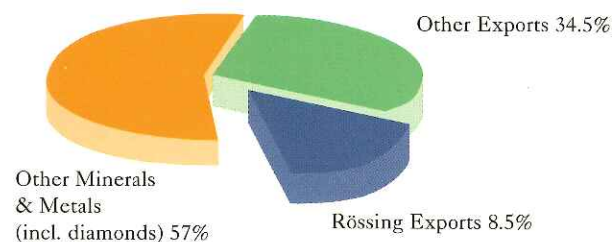
During 1997 Mike Leech, previously Administration Manager succeeded Alan De'ath as Financial Director. In addition David Godfrey, Executive Director of the Rössing Foundation for the last 18 years, moved to Rio Tinto in London. David made an enormous contribution to the Rössing Foundation and therefore a positive difference to the lives of many thousands of Namibians.

Our principal shareholder, formerly RTZ-CRA was renamed Rio Tinto, a name that reflects the heritage of both RTZ and CRA. From its former geographic focus, the Company was reorganised on product lines and Rössing became part of Rio Tinto Energy comprising the coal and uranium interests of the Group. Rössing continues to benefit from the support of the world's largest mining group in terms of access to managerial, technical and financial resources. Rio Tinto's corporate focus on the development and implementation of responsible environmental and social

CONTRIBUTION OF MINING TO GDP – 1996
Source: Central Statistics Office



CONTRIBUTION OF RÖSSING'S EXPORTS TO TOTAL EXPORTS – 1996
Source: Central Statistics Office



policies is fundamental to its success and Rössing has since its inception been at the forefront in this field.

Programmes designed to ensure cost effective operation including the investments in capital and systems initiated in 1997, will ensure that Rössing remains a competitive and reliable supplier to the nuclear electricity industry world wide to the benefit of its employees, customers, shareholders and the people of Namibia.



Chairman,
Charles Kauraisa



Managing Director,
Andrew Hope



General Manager,
Werner Haymann



Financial Director,
Mike Leech



Managing Director, Rio
Tinto Mineral Services Ltd,
Mike Travis



Following the strong market conditions and heavy contracting activity of 1996, the uranium market weakened in 1997. Restricted market uranium prices slipped from \$14.70 per lb U_3O_8 in December

1996 to a low of \$10.20 in August 1997, before recovering to end the year at \$12.05. The unrestricted market price moved down from \$13.75 to a low of \$9.45 during the year.

Spot price per lb of U_3O_8

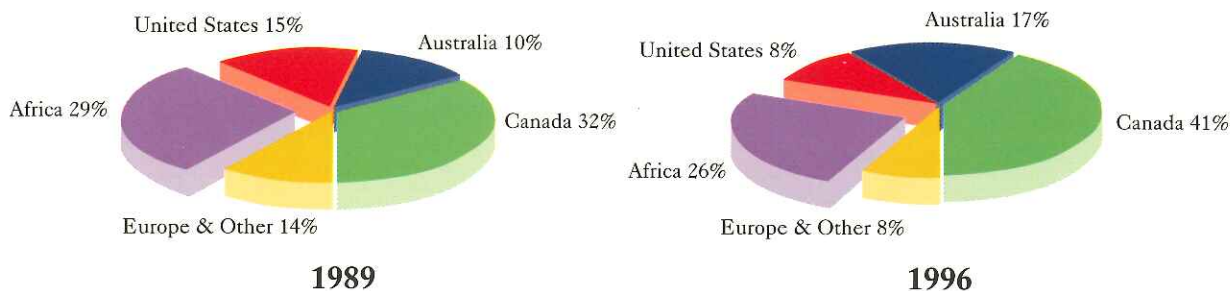
| | 31/12/95 | 31/12/96 | | 31/12/97 | |
|--------------|----------|----------|------|----------|------|
| Restricted | \$12.20 | \$14.70 | +20% | \$12.05 | -18% |
| Unrestricted | \$10.00 | \$13.75 | +38% | \$9.65 | -30% |

(Source: NMR Exchange Value)

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

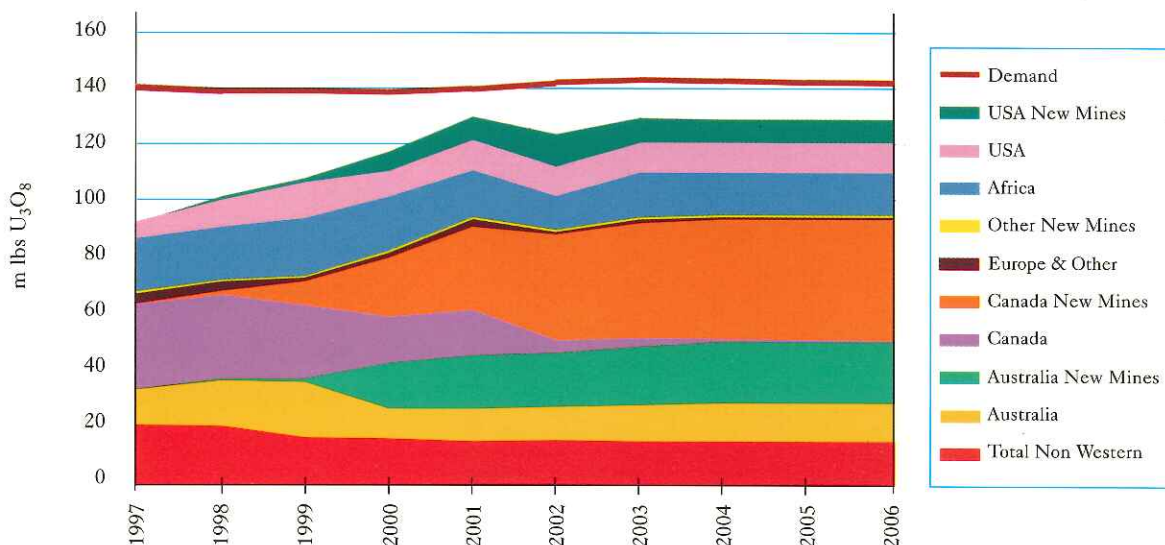
WESTERN WORLD URANIUM PRODUCTION BY REGION

Source: ERI



EXISTING AND PLANNED MINE SUPPLY BY COUNTRY

Source: UX Consulting

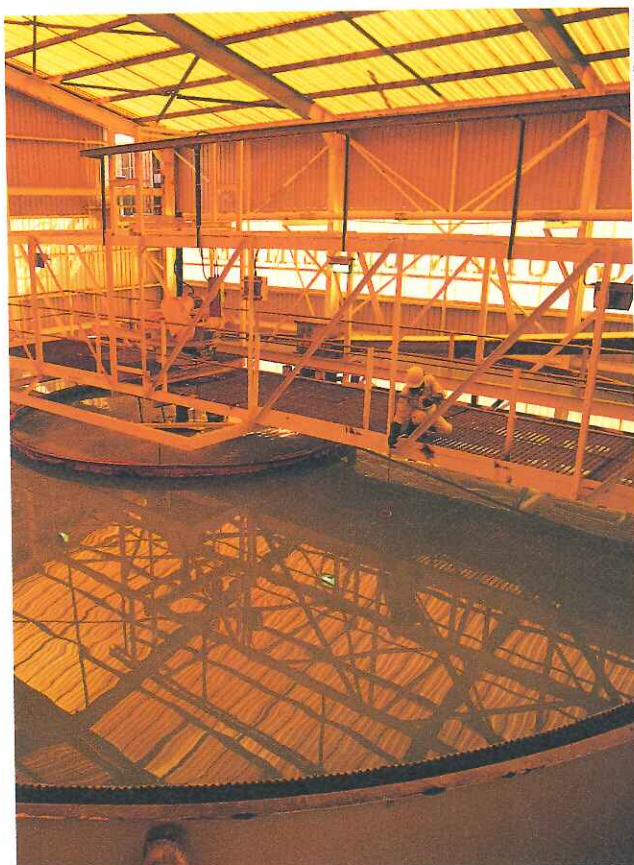


Currency: All \$ refer to US dollars unless stated otherwise.

MARKET REVIEW



Because utility requirements for 1997 had been largely covered by purchases in 1996 and as some purchasers awaited the two auctions by the US Department of Energy and Northeast Utilities, there was very little buying in the first half of the year. This caused the downward drift in the spot price, with commentators lowering their monthly price estimates on the basis of a very limited number of transactions. Buying was mainly undertaken by utilities, with producer and trader activity much less in evidence than in 1996. In the second half of the year volumes picked up leading to a partial recovery in prices.



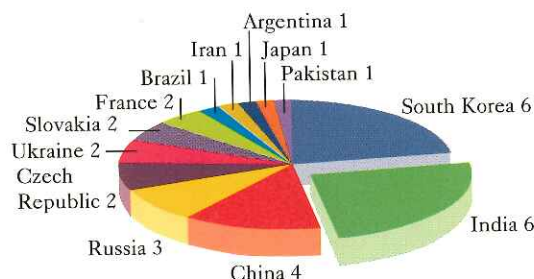
Yellow cake thickener – product recovery

NUCLEAR REACTORS UNDER CONSTRUCTION

TOTAL = 32

NOVEMBER 1997

Source: Uranium Institute



A significant amount of off-market activity was witnessed this year, making it difficult for analysts to obtain accurate figures for traded volumes. Consequently, estimates have varied considerably dependant on the commentator. *Ux Consulting* quote 9 300 tonnes U_3O_8 , slightly higher than the 9 000 tonnes traded in 1996, but about half the volume traded in 1995. *TradeTech*, however, quote 16 300 tonnes U_3O_8 for the year, double the 8 000 tonnes traded in 1996 and a slight fall from 1995 levels.

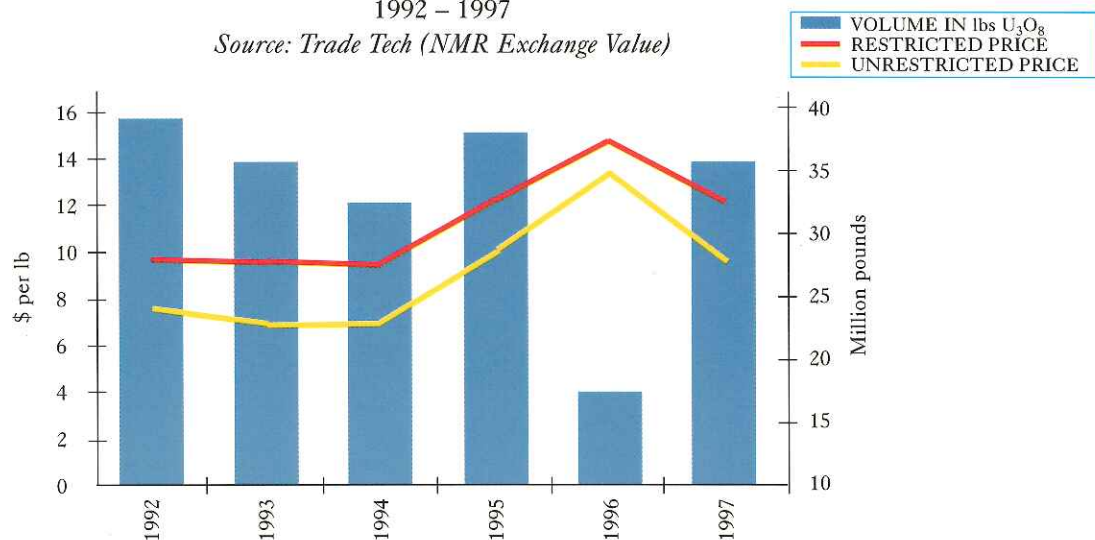
In the long term market contracting volume was lower at 36 000 tonnes U_3O_8 in 1997, down 20% from 1996 but similar to 1995 levels. Most of the activity was in the Asia Pacific area but there was also some contracting in the US and Europe.

PHOTOGRAPH: HASSNER PEPLER, ROSSING

ANNUAL SPOT PRICE AND VOLUMES

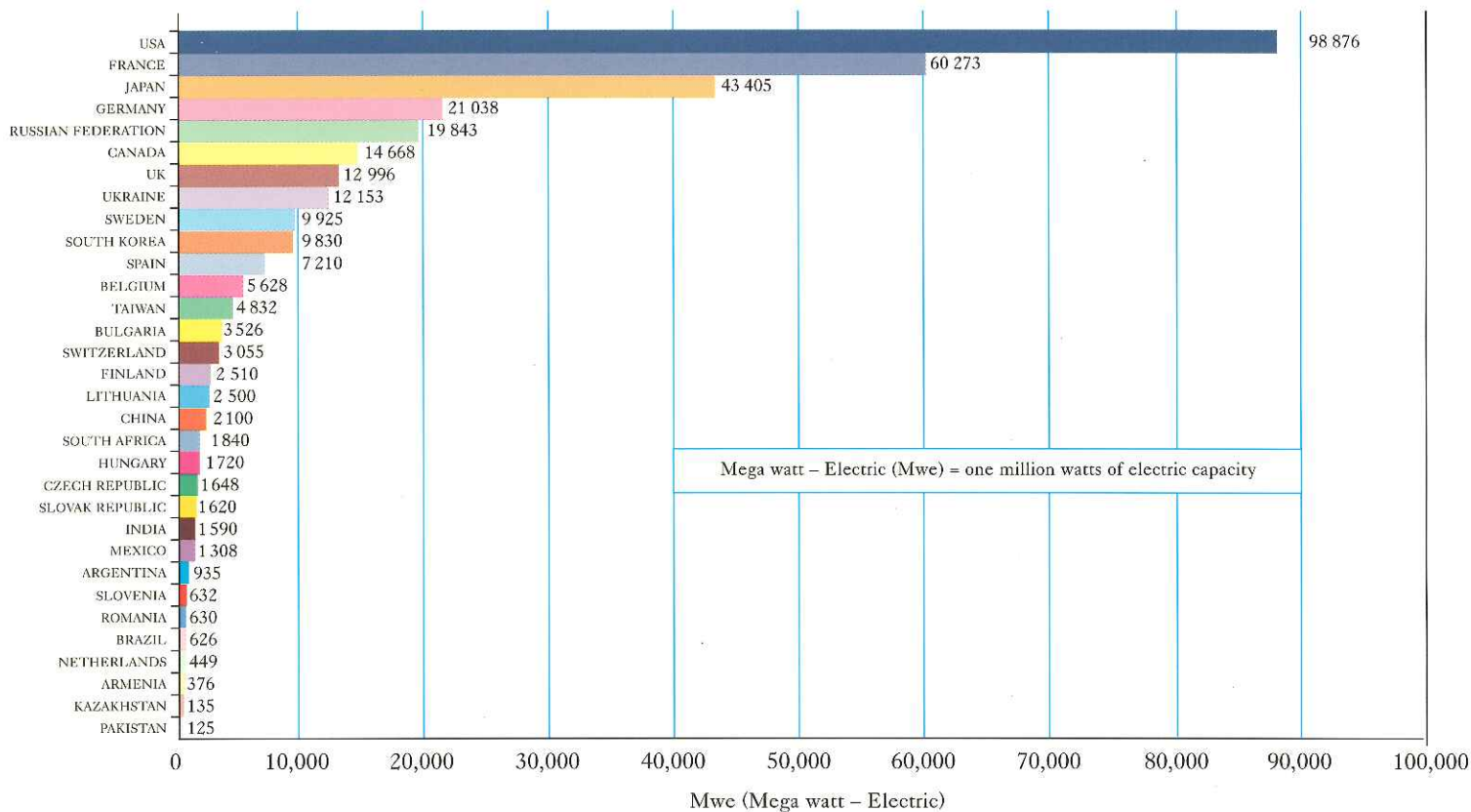
1992 – 1997

Source: Trade Tech (NMR Exchange Value)



GENERATING CAPACITY OF OPERATIONAL REACTORS IN Mwe 1997

Source: Uranium Institute



MARKET REVIEW

In 1997 the Company was able to secure additional contracts extending well into the next decade. Deliveries increased from 1996 levels by 21% and shipments were made to all Western conversion facilities.

The market outlook remains uncertain. Demand still outweighs primary supply. Declining global inventories suggest that mined production will need to increase, and that the market will witness a move from the inventory led price seen in recent years to a cost (capital and operating) dictated price. In the long run this should provide price stability,

but in the short term the consequence may be market volatility. This may coincide with a time when the electricity industry in many parts of the world will be experiencing deregulation and require predictable long term prices.

Recent weak market conditions and environmental considerations have led to the postponement or delay of a number of new projects. In addition there remains significant uncertainty surrounding the single most important source of non-mined uranium, namely the blending down and sale of the feed from Russian Highly Enriched Uranium (HEU).



PHOTOGRAPH: HASSNER PEPLER, RÖSSING

Product drum specifications being painted onto each drum at Final Product Recovery.



PHOTOGRAPH: HASSNER PEPLER, RÖSSING

Employees taking resin bead levels for a resin inventory check at CIX.

Worldwide nuclear generating capacity in 1997 was 350GWE and this is forecast to grow to 375GWE by 2005. This increase in capacity represents an increase in uranium requirements of over 9 000 tonnes U_3O_8 per annum by 2005.

Vitally important in enabling the Company to start production in 1976 were its long term relationships with nuclear utilities. Since then, the philosophy to develop and maintain close commercial

dialogue and relationships with existing and potential customers has been paramount in achieving Rössing's objectives.

As a well-established and competitive primary producer with available operational capacity Rössing is very well placed to meet market demand for long term contracts. With substantial ore reserves the Company has the potential to provide a secure source of supply in an increasingly concentrated uranium mining industry.

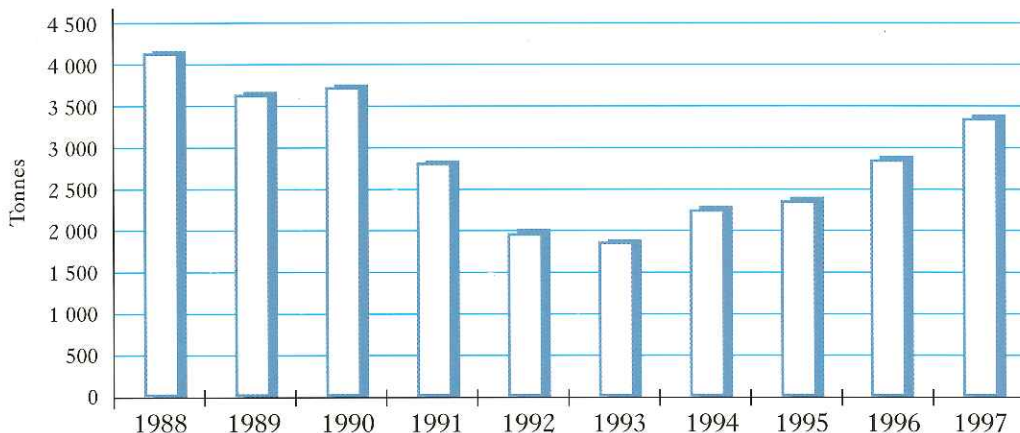
PRODUCTION OVERVIEW

OPERATIONS

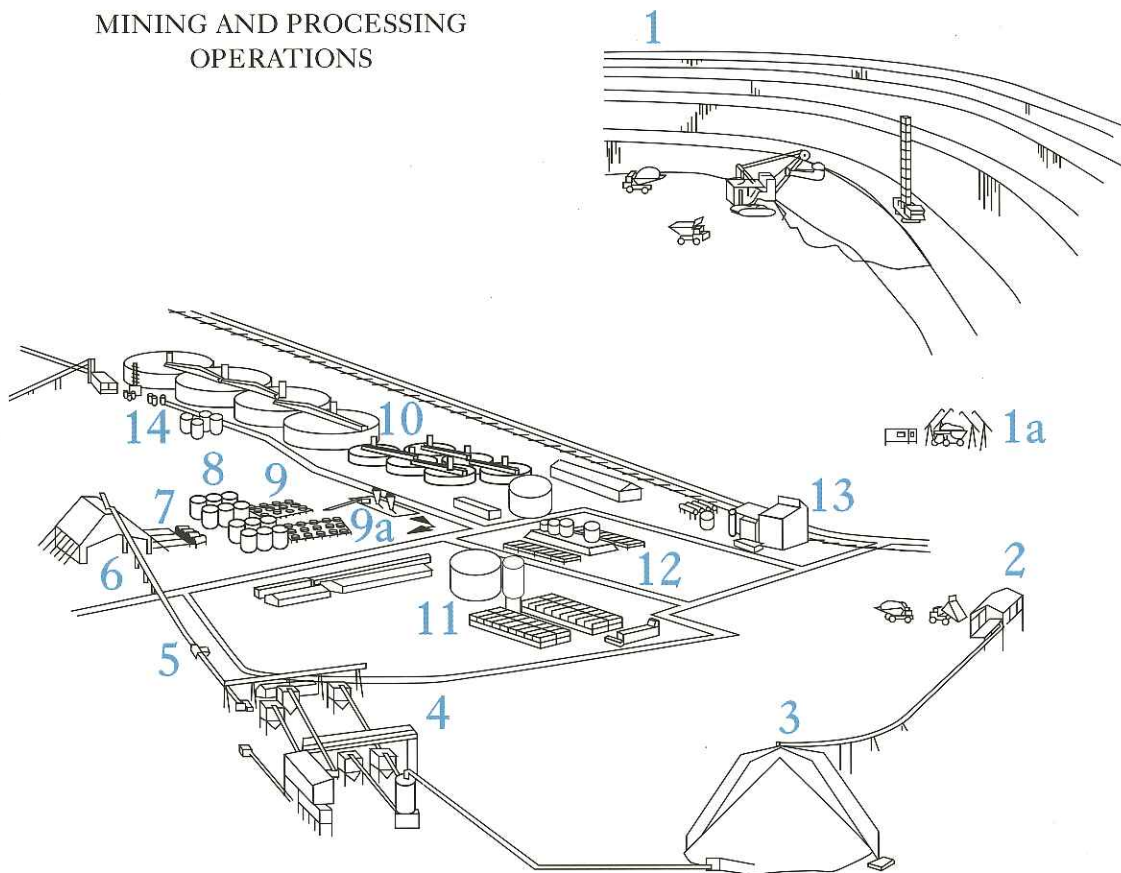
During the year 3 425 tonnes of U_3O_8 were produced, 18% more than in 1996.

Tonnes mined and tonnes milled increased by 41% and 28% respectively compared to 1996.

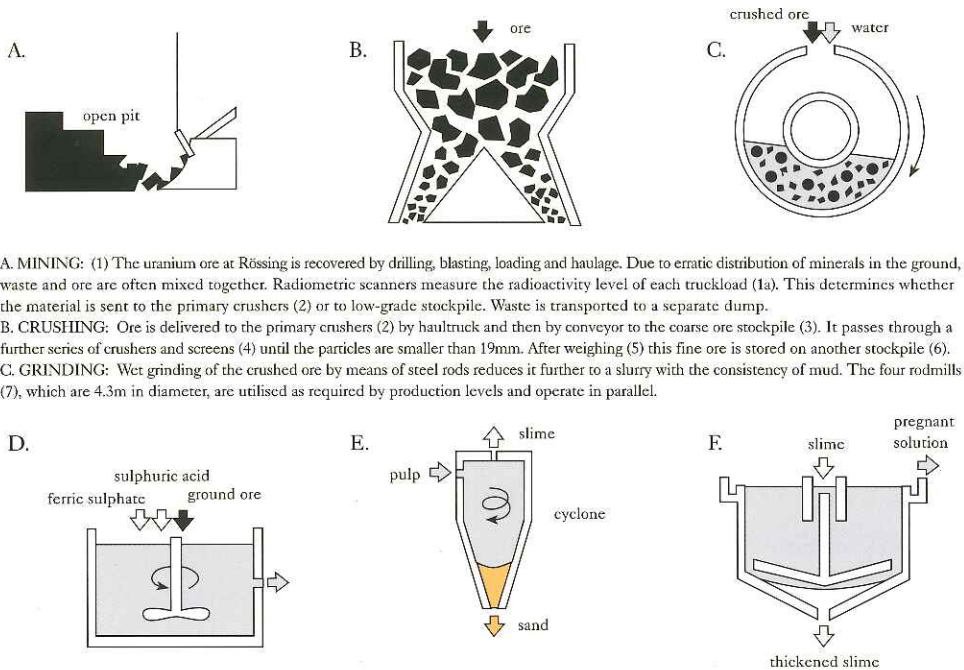
URANIUM OXIDE PRODUCTION AT RÖSSING 1988 – 1997
(metric tonnes per annum)



MINING AND PROCESSING OPERATIONS



MINING AND PROCESSING OPERATIONS



A. MINING: (1) The uranium ore at Rössing is recovered by drilling, blasting, loading and haulage. Due to erratic distribution of minerals in the ground, waste and ore are often mixed together. Radiometric scanners measure the radioactivity level of each truckload (1a). This determines whether the material is sent to the primary crushers (2) or to low-grade stockpile. Waste is transported to a separate dump.

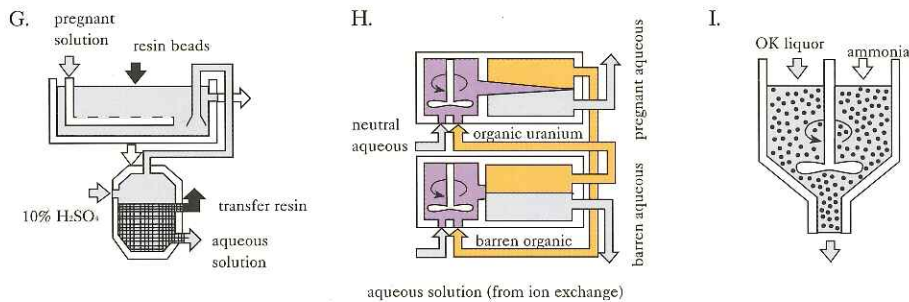
B. CRUSHING: Ore is delivered to the primary crushers (2) by haultruck and then by conveyor to the coarse ore stockpile (3). It passes through a further series of crushers and screens (4) until the particles are smaller than 19mm. After weighing (5) this fine ore is stored on another stockpile (6).

C. GRINDING: Wet grinding of the crushed ore by means of steel rods reduces it further to a slurry with the consistency of mud. The four rod mills (7), which are 4.3m in diameter, are utilised as required by production levels and operate in parallel.

D. LEACHING: A combined leaching and oxidation process takes place in large mechanically agitated tanks (8). The uranium content of the pulped ore is oxidised by ferric sulphate and dissolved in a sulphuric acid solution. Sulphuric acid is produced through a pyrite-roasting process on site (14).

E. SAND/SLIME SEPARATION: The product of leaching is a pulp containing suspended sand and slime. Cyclones separate these components and, after washing in Rotoscoops (9) to remove traces of uranium-bearing solution, the sand is pumped through a pipe (9a) to a tailings disposal area.

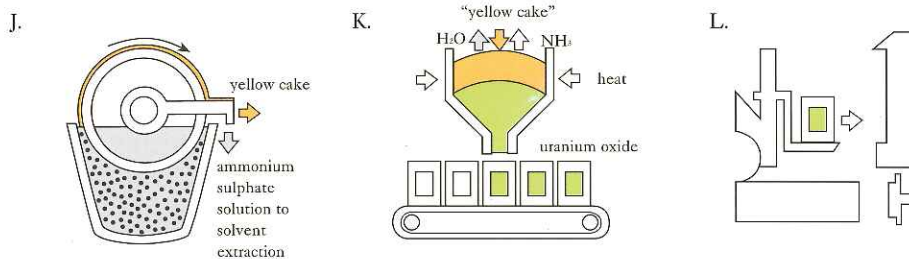
F. THICKENING: Counter-current decantation thickeners (10) wash the slimes from previous stages. A clear uranium-bearing solution ('pregnant' solution) overflows from No. 1 thickener, while the washed slime is mixed with the sands and pumped to the tailings area (9a).



G. CONTINUOUS ION EXCHANGE: CIX(11) The clear pregnant solution now comes into contact with beads of specially-formulated resin. Uranium ions are absorbed onto the resin and are preferentially extracted from the solution. Beads are removed periodically to elution columns where a strong acid wash removes the uranium from the beads. The resulting eluate is a purified and more concentrated uranium solution.

H. SOLVENT EXTRACTION: SX(12) The acidic eluate from the ion exchange plant is mixed with an organic solvent which takes up the uranium bearing component. In a second stage, the organic solution is mixed with a neutral aqueous ammonium sulphate solution which takes up the uranium-rich 'OK liquor'. The acidic 'barren aqueous' solution is returned to the elution columns.

I. PRECIPITATION: (13) The addition of gaseous ammonia to the 'OK liquor' raises the solution pH, resulting in precipitation of ammonium diuranate, which is then thickened to a yellow slurry.



J. FILTRATION (13) The ammonium diuranate is recovered on rotating drum filters as yellow paste-'yellow cake'.

K. DRYING AND ROASTING (13) Final calcining drives off the ammonia, leaving uranium oxide. The product is then packed into metal drums. Neither ammonium diuranate nor uranium oxide are explosive substances.

L. LOADING AND DESPATCH (13) The drums of uranium oxide are loaded and exported to overseas customers for further processing. At full capacity, the plant can produce 5 000 short tons of uranium oxide each year.

PRODUCTION OVERVIEW

The open pit production pattern moved during the course of the year from 3 shifts a day, 5 days a week to 3 shifts a day, 7 days a week in support of the increased production rate and to accelerate development of the South and East Cuts. Increased waste stripping facilitated a smooth transition to a new more efficient and potentially longer life of mine plan and increased the ability of the company to respond quickly to any changes in market conditions.

Assembly and commissioning of the six new Haulpak 730E haultrucks was successfully concluded during the early part of the year. These units performed as expected and have contributed significantly towards achieving the higher production targets.

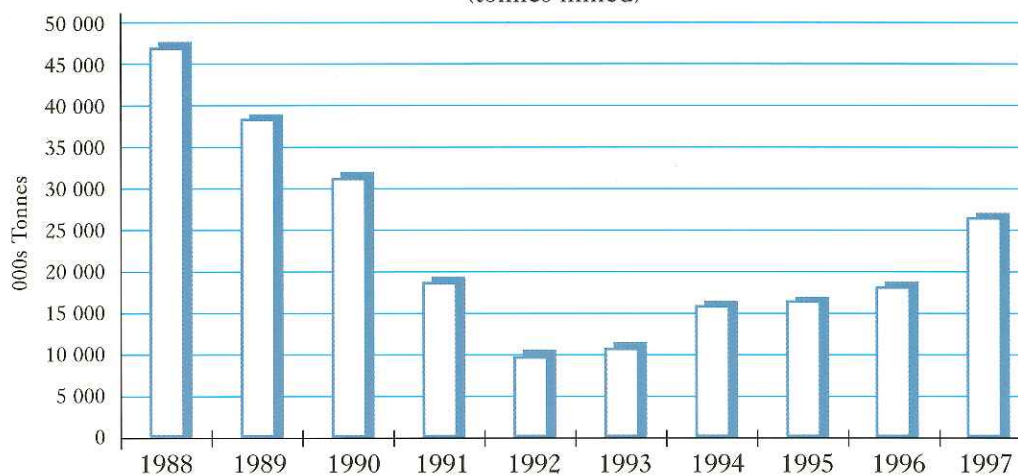
In the processing area some of the best production rates since the plant

scaled down production in 1991 were achieved. On two occasions the all-time daily mill throughput record of 49 465 tonnes, achieved in January 1981, was beaten with a new record of 49 860 tonnes per day now established.

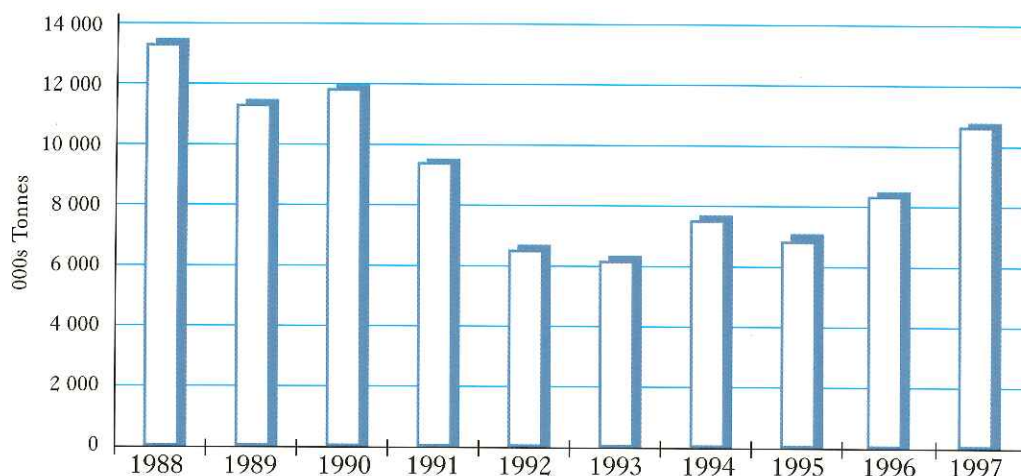
Improved uranium ore recovery of 84,2% was achieved, due to raised leach temperatures, more favourable ore type and control mechanisms. Further improvements are targeted in the years ahead.

Investment in a pre-screening facility was approved during the year. This is designed to improve the throughput capacity of the Fine Crushing Plant, by removing under-size material from the bulk. The under-size material by-passes fine crushing and passes directly to the fine ore pile. In addition the pre-screening plant offers the potential for radiometric ore sorting on the coarser rock fraction in the future.

RÖSSING MINE PRODUCTION 1988 – 1997
(tonnes mined)



RÖSSING MILL THROUGHPUT 1988 – 1997 (total tonnes milled)



Major benefits may be achievable by avoiding the processing of low-grade material.

Purchased pyrite supplies to the acid plant continued to be erratic throughout the year necessitating sulphur imports to guarantee the production of sufficient volumes of sulphuric acid. Use of this sulphur made possible a 36% increase in on site produced acid and reduced the requirement for more expensive imported acid.

Ongoing efforts to reduce water losses through evaporation resulted in very good consumption rates at a total of 2,86 million cubic metres for 1997. Recycling efficiencies have increased by approximately 30% compared to 1996.

A major initiative, the Business Systems Project (BSP) was launched during the year. The process involves critically reviewing current practices and creating an environment of “necessary change” at

all levels in the organisation. This project has set the scene for major business improvements in 1998 and beyond.

Underpinning the BSP project is the implementation of the computer system SAP/R3 designed to facilitate this improved business effectiveness. This work is progressing well. It is envisaged that the entire system will be running by the end of 1998.



PHOTOGRAPH : HASSNER PEPLER, RÖSSING

One of four rod mills in the Processing plant.

HUMAN RESOURCES

Rössing employed 1 249 people at the end of 1997, a 5% increase compared to 1 189 at the end of 1996. This increase was a result of the introduction of the fourth panel shift in the open pit. Reductions in

employee numbers continued in other departments across the site. Productivity as measured by uranium output per person, increased by a further 11%. 93% of employees are Namibians.

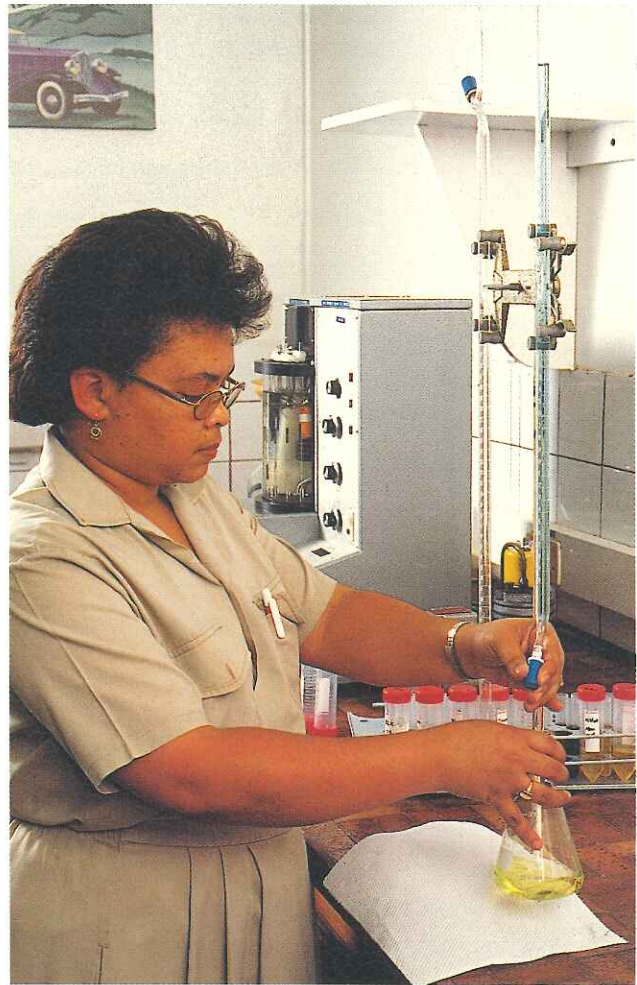


PHOTOGRAPH: HASSNER PEPLER, RÖSSING

Employee at work in the plate shop.

The main focus of training and development activities during 1997 was on developing business skills through teambuilding programmes. In addition, technical training, computer and literacy training and communication and interpersonal skills courses were given priority. In total 1 067 employees participated in internal and external courses during the year. At the neighbouring Namibian Institute of Mining & Technology the Company supports 46 apprentices at present.

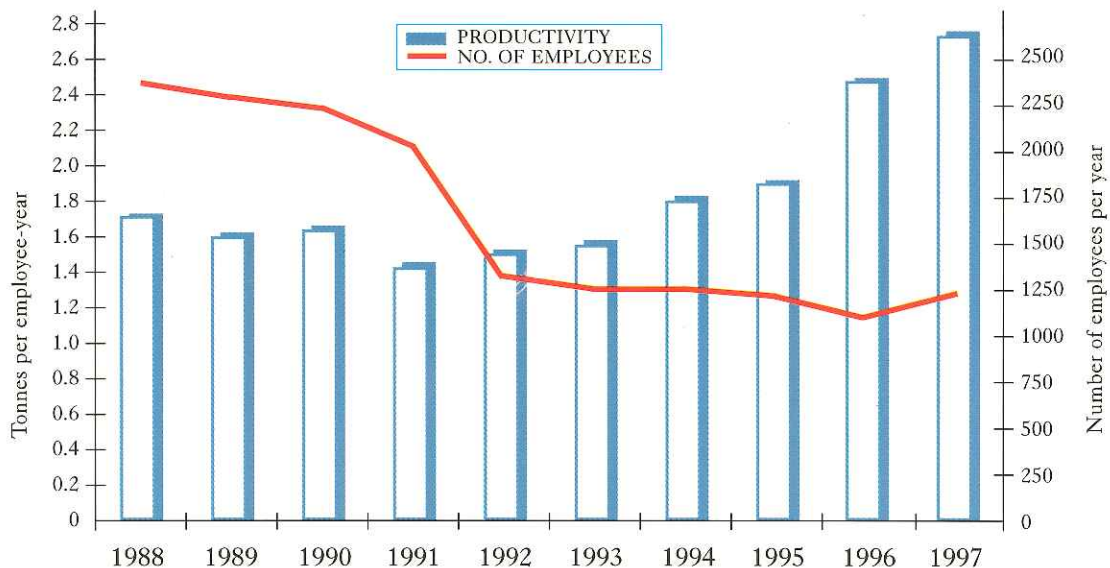
A total of 141 employees received awards for 20 years service during 1997. About 60% of employees have now been with the company 15 years or more and staff turnover remains very low.



PHOTOGRAPH : HASSNER PEPLER, RÖSSING

Employee at work in the on-site laboratory.

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



HEALTH, SAFETY AND THE ENVIRONMENT

Rössing's leadership in the field of safety was once again demonstrated when the Company was awarded its twelfth consecutive NOSCAR.

There were twelve lost time accidents during the year, down from 14 in 1996 and the overall lost time frequency injury rate was 0.63, a level further improved from the 0.82 for 1996. This highlights the consistent effort of all employees towards achieving excellence in safety by building on the benefits of current programmes in operation.

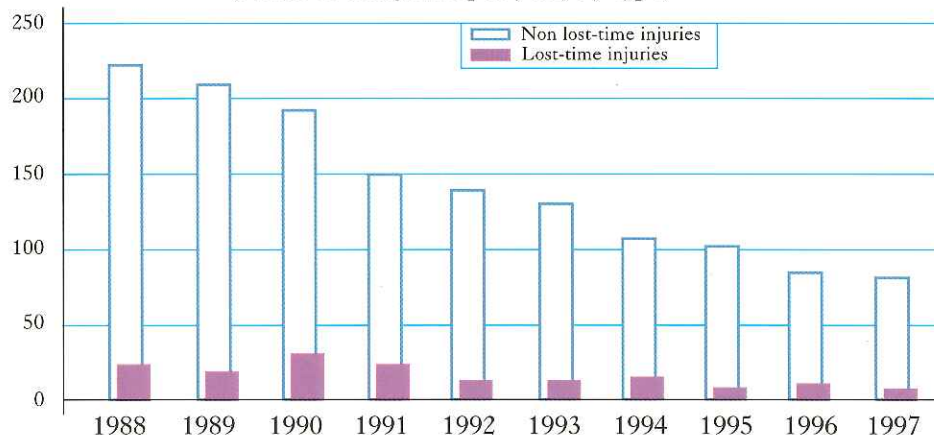
Environmental audits were successfully completed for the entire site during the year and the Company will adopt the Rio Tinto audit guidelines for HSE Assessments. This will include Verification Audits, Reviews and Reporting procedures to enhance current Audit programmes and as part of the development of an integrated Environmental Management System.

Full medical examinations, including physical examinations, blood tests, lung function tests and electro-cardiograms are routinely completed for all employees. Other tests performed are X-Rays (when required), urine and kidney examinations. An information system has been developed to capture all data generated through medical surveillance.

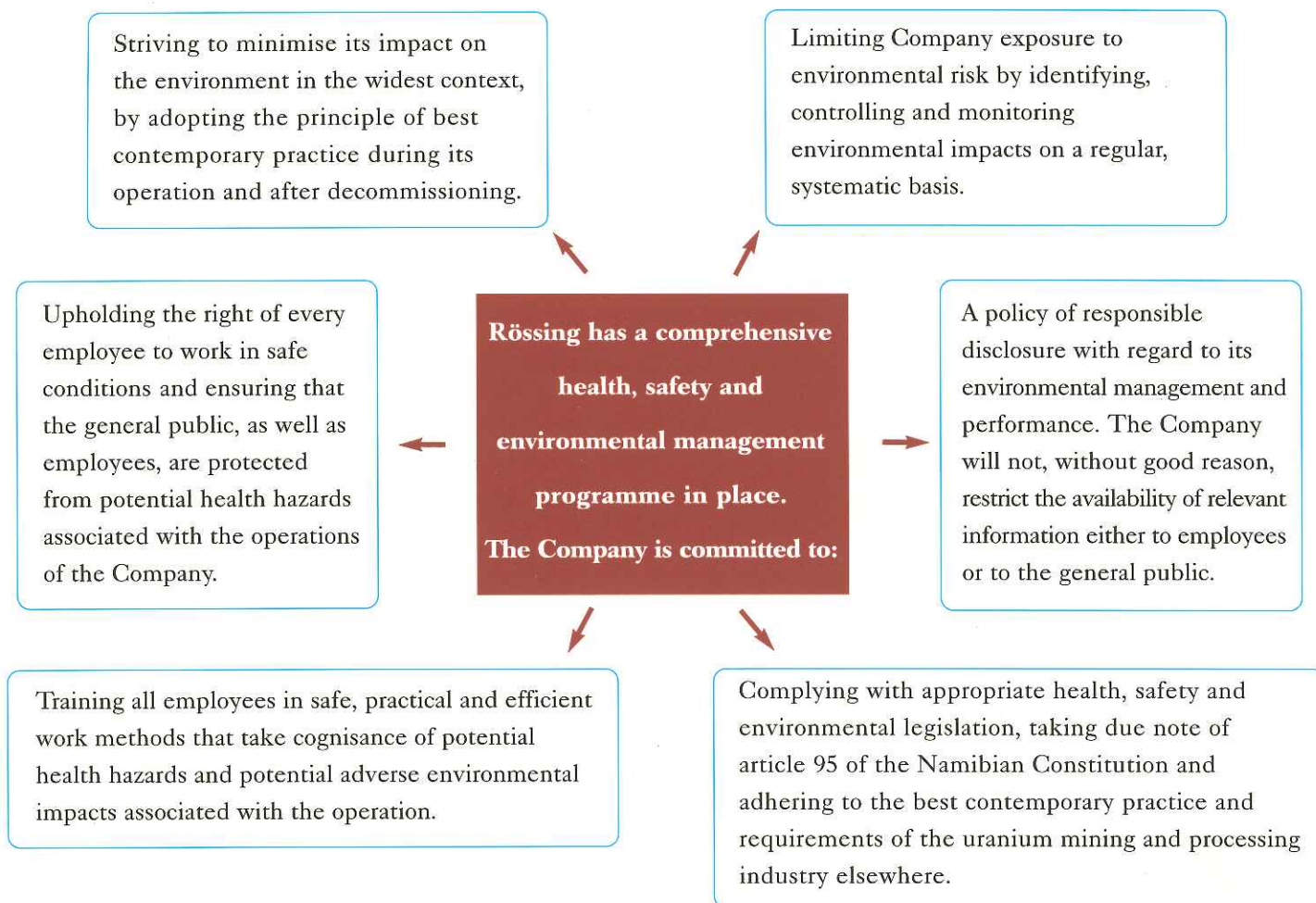
The "Wellness in the Workplace Programme" has been successfully implemented and in particular the AIDS Peer Educators programme is performing extremely well both on the mine and in the local community.

In pursuit of its health, safety and environmental policy, the Company has developed systems and functions at the mine to ensure compliance with all health, safety and environmental standards and regulations, building on the law of the land and the practices and requirements of the uranium industry worldwide.

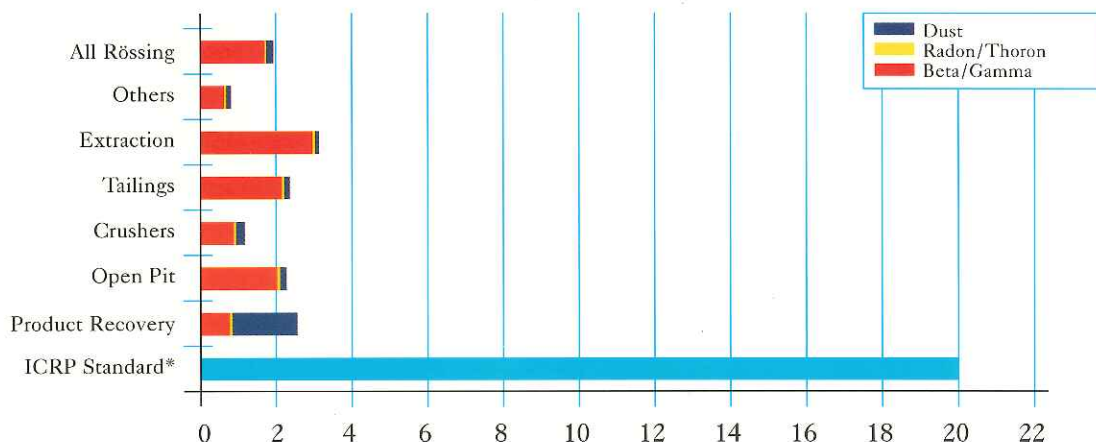
HISTORY OF INJURY RATE AT RÖSSING
(Number of injuries per year, by type)



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



AVERAGE ANNUAL EXPOSURE LEVELS
(mSv per annum)



* International Commission for Radiological Protection



MINE PROGRAMMES

Rössing's visitors' programme continues to play a vital role in maintaining good relations with neighbouring communities as well as supporting communications with Government officials, the diplomatic corps, customers and potential customers worldwide. Nearly 4000 visitors came to view our operations in 1997.

During the year the company joined the Swakopmund Chamber of Commerce, invested in sporting facilities in Arandis and initiated discussions for the use of surplus single quarters facilities as a refuge centre for homeless and abused children.

An Environmental Impact Assessment (EIA) was initiated on the possibility of constructing an Aquifer Recharge Scheme in the neighbouring Khan river area.

This project aimed to capture floods through a dam and use this lower quality "saline" water in Rössing's production process. The associated consultation process in compliance with local regulations resulted in an increased understanding of the water situation at the coast. It also provided an appreciation of the concerns of the communities regarding broader issues related to water security in the area. The feedback received from the public consultation process will assist in shaping further development of future relations with our local communities. However, in the light of market conditions facing the uranium industry and lower water demand from Rössing it was decided not to proceed with the scheme.

In addition, the Company actively participated in discussions on the proposed water desalination plant at the coast.



PHOTOGRAPH: ANTHONY BANNISTER

Rural women earning a living making wire mesh fencing for the Shankara Agricultural Project by the Rössing Foundation.

RÖSSING FOUNDATION

The Rössing Foundation, which was established in 1978, is administered by a full time Director who is responsible to an independent Board of Trustees. The organisation is funded by donations received both from Rössing and a number of foreign Non Governmental Organisations and foreign aid institutions.

During 1997 significant progress was made in redesigning and configuring its objectives and planning mechanisms.

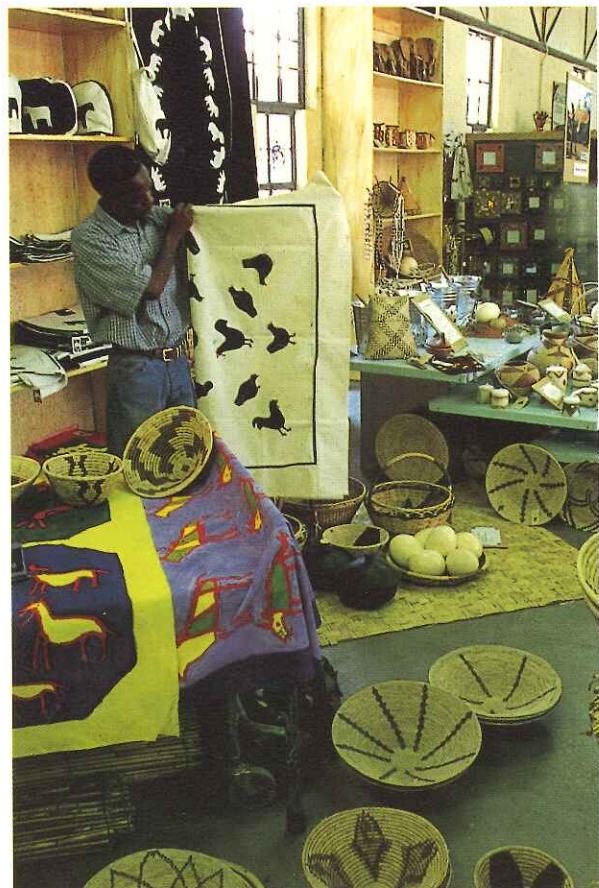
The central challenges to the Foundation have been identified in three strategic areas and these are: Focus on Core Tasks, Co-operation not Competition, and Full Accountability. To address these challenges the Foundation has consolidated its programmes in four key areas of operation which are: human resources and organisational development, natural resource management, enterprise development and networking and support.

At its various centres situated in different parts of the country a total of 100 000 Namibians benefited from activities managed by the Foundation. Of these, 80 000 directly benefited on a monthly basis from the Drought Relief Programme. An additional 20 000 had access to educational programmes and income generating activities.

The Namibia Craft Centre

The highlight of the year's activities was the opening of the Namibia Craft Centre, under the management of the Foundation. The marketing of crafts is now well established under *Mud Hut Trading* as an arm of the craft development section of the Foundation. Development and training support is also given to a number of projects.

Through the marketing initiatives of the *Namibia Craft Centre* and *Mud Hut Trading* the turnover for the year was an estimated N\$2 million for the 25 stall-holders and N\$250 000 for the Mud Hut Trading. This programme benefits about 4 000 Namibians.



PHOTOGRAPH: ANTHONY BANNISTER

An exhibition in Windhoek of Namibian Crafts.



THE RÖSSING BACKGROUND

Rössing, one of the largest open pit uranium mines in the world, is situated in Namibia. It lies 65 kilometres inland from the coastal town of Swakopmund, in the Namib Desert. This region is characterised by limited vegetation, rocky outcrops and gravel plains. The average rainfall around the mine is about 30 mm per year.

Radioactive pitchblende was discovered in the late 1920's by Captain Peter Louw, a mineral prospector working in the Namib Desert. It was only in 1966, however, that Rio Tinto South Africa Ltd, a subsidiary of the RTZ Corporation (*now Rio Tinto plc*), negotiated an option on the 1 000 square kilometre concession. A team from RTZ then established an exploration camp in the Namib Desert. An extensive programme of geophysical and geological surveys commenced, followed by a detailed feasibility study. The ore body was found to be an economical high tonnage deposit of low-grade uranium occurring in granitic rocks termed as alaskite.

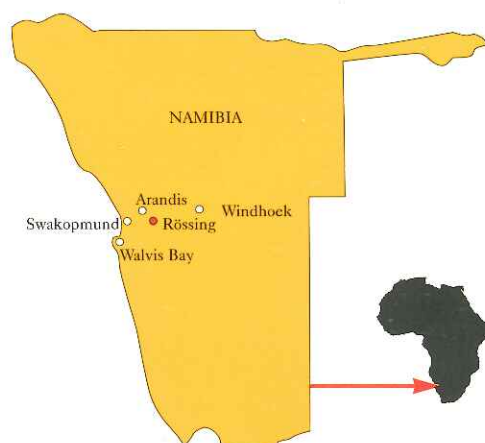
A decision to go ahead with the mining project was made in August 1973. The plant and mine were designed to produce 4 500 tonnes of uranium oxide per year

and began operating in March 1976 and reached full-scale production for the first time in 1979.

GEOLOGY OF THE RÖSSING DEPOSIT

The Rössing deposit is one of the largest known deposits of primary uranium occurring in granite. It has a geological history dating back some 1 000 million years to when the Namib Desert formed part of the ocean. Layers of sediments were deposited in the shallow water. As the sea bed subsided, an accumulation of sediments sank deep into the earth's crust and underwent complex folding. High pressures and temperatures of depth further caused partial melting of crustal rocks and assimilation of upper mantle material. The molten granitic material forced its way upward to become embedded in the folded metasediments. This granitic rock, termed alaskite, contains uranium minerals mainly as microscopically small crystals of uraninite or easily seen yellow crystals of beta-uranophane.

Namibia's surface area is 824 000 square kilometres with a population of **1,65** million and a population growth rate estimated at **2,7%**.



STATISTICAL DATA - RÖSSING & NAMIBIA

Source: Central Statistics Office and Rössing

| NAMIBIA | UNITS | 1996 |
|--|------------------------|--------|
| Gross Domestic Product (current prices) | N\$millions | 13 886 |
| GDP per capita | N\$ | 8 452 |
| Total Exports of goods (current prices) | N\$millions | 6 840 |
| Total Mineral Exports (incl. diamonds) | N\$millions | 3 347 |
| Current Account Surplus (deficit) | N\$millions | n/a |
| Net Lending as % of GDP at market prices | % | 3.2 |
| Total Government Revenue (incl. grants) | N\$millions | 4 370 |
| Total Mining Taxes (incl. diamonds) | N\$millions | 140 |
| Inflation Rate | % | 8.00 |
| Consumer Price Index | 1990=100 | 188.2 |
| Total Water Consumed | million m ³ | 102.4 |
| Total Electricity Produced | million kWh | 828 |
| GDP Growth Rate (constant prices) | % | 2.2 |

Most of 1996 figures above are provisional

| RÖSSING URANIUM MINE | UNITS | 1996 | 1997 |
|----------------------------------|------------------------|-------|---------------|
| Uranium Production | tonnes | 2 892 | 3 425 |
| Contribution to World Production | % | 7 | * |
| Rank Amongst Principal Producers | | 6 | * |
| Contribution to Mineral Exports | % by value | 15.2 | not available |
| Total Tonnes Mined | million t | 18.98 | 26.81 |
| Total Tonnes Milled | million t | 8.33 | 10.67 |
| Number of Employees | | 1 189 | 1 249 |
| Productivity per Employee-year | | 2.49 | 2.74 |
| Fresh Water Purchased | million m ³ | 2.47 | 2.86 |
| Electricity Purchased | million kWh | 170 | 208.7 |

* = provisional for 1996 and 1997