

Uraniumletter INTERNATIONAL

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URANIUM MINING IN NAMIBIA

Political stability favourable for mining

Namibia celebrated its 20th anniversary of independence on March 21, 2010. The country has a low political risk (regular multi-party elections). Hifikepunye Pohamba was re-elected for a second five-year term as head of state in the presidential and national assembly elections held in November 2009. Mr. Pohamba gained a 75% share of the 812,000 votes cast, while the ruling South West African people's Organisation (SWAPO), which has governed Namibia since independence, retained its two-thirds majority in national assembly.

Namibia's population totals some 2.2 million; one third is urbanized. The country has a total GDP of approximately US\$ 10 billion and a BBB-sovereign credit rating.

In 2010, the local economy recorded a GDP growth of 6.6%, in contrast to a contraction of 1% in 2009. The forecasted growth for 2011 and 2012 is 3.8% and 4.2%, respectively.

Mining's role is growing

The Ministry of Mines and Energy was established in 1990 to act as custodian of Namibia's rich endowment of mineral and energy resources and to create an environment in which the mineral and energy sector could prosper

Namibia's mining sector has rebounded in 2010 by approximately 15% real growth after a 48% contraction in 2009, caused mainly by substantially reduced diamond mining operations by Namdeb Diamond and the temporary closure of Namibia's copper mines.

In the medium term, the Bank of Namibia expects uranium to replace diamonds, the previous motor of the economy, as the main generator of GDP growth and source of new jobs.

In April 2011, Namibian government announced that its state-owned mineral exploration company, Epan-gelo Mining, would have exclusive control over new strategic minerals developments, including uranium. However, it appears that this does not apply retrospectively or amount to materialization of existing mines and leases.

On August 17, 2011, the Finance Minister of the country said that Namibia has decided not to go ahead with its plan to raise the mining tax for companies in the non-diamond sector to 44% after the industry expressed concerns.

In stead, the current rate of 37.5% to operate in conjunction with a formula-based surcharge to capture additional mining revenue during better economic periods, is proposed.

Huge economy boost from uranium mining

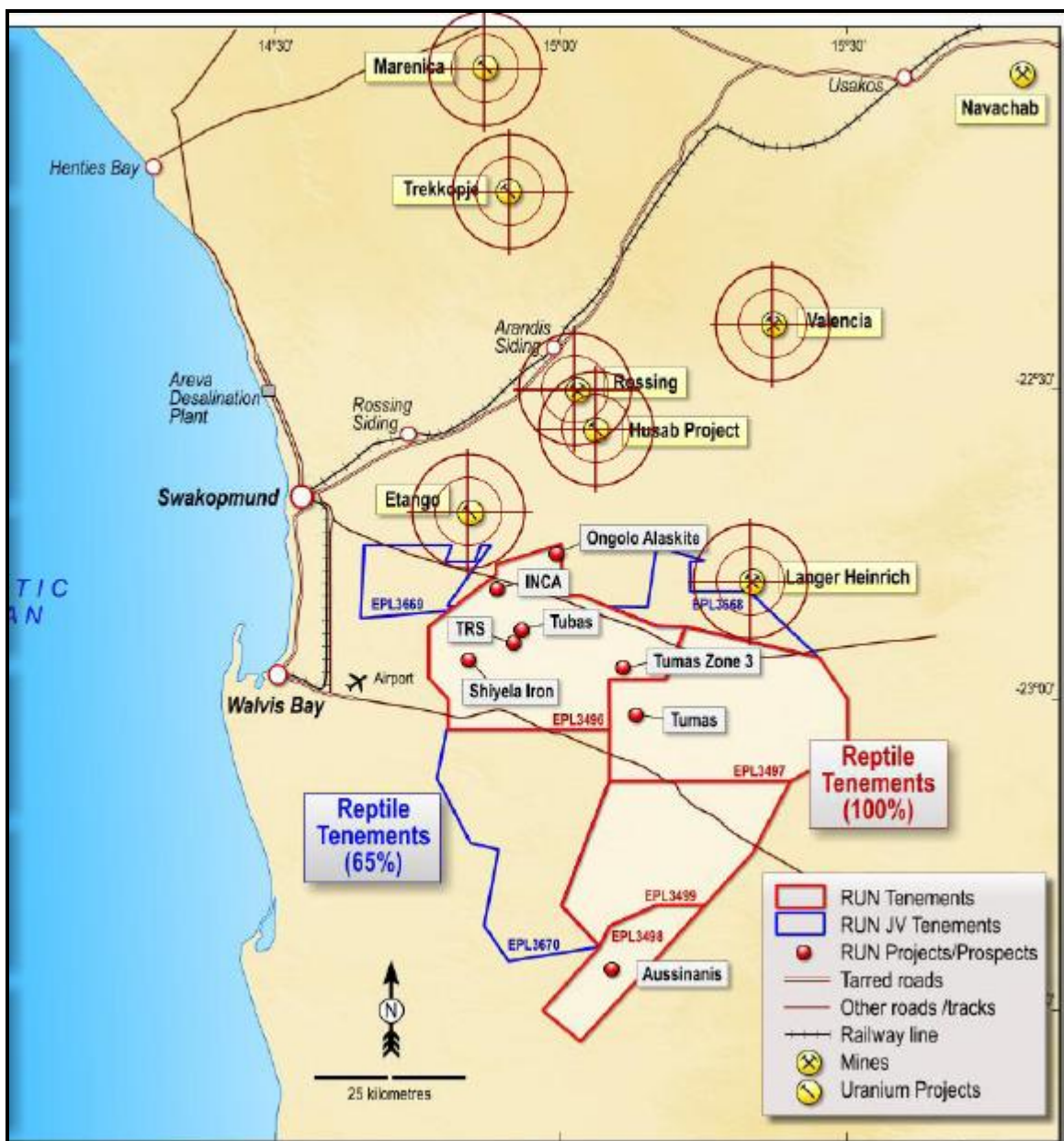
Namibia is poised for a huge boost to its economy, exports, government revenues and employment from the expansion of new uranium operations.

This will materially assist Namibia in achieving the cost-economic development goals of the current 5-year third national development plan (NDP3), 2007/08-2011/12, and objectives of the longer term aims to transform the country into an industrial society.

In 2010, uranium production topped 5,816 tonnes, followed by an estimated decline to 4,217 tonnes in 2011, but is expected to increase to 4,486 tonnes in 2012.

This is owed to the Langer Heinrich Mine completing its third expansion phase.

Depending on the number of new uranium mines brought into production, with the government's expected scenario being between 5 and 7 mines by 2020, some 4,000 to 6,000 new jobs would be created, almost doubling the current mine employment level, representing about 25% of Namibia's formal workforce.



Current uranium mining

Uranium was discovered in the Namib Desert in 1928, but not until intensive exploration got underway in the late 1950s that much interest was shown in Rössing.

Rio Tinto discovered numerous uranium occurrences and in 1966 took the rights over the low/grade Rössing deposit, 65 kilometres inland from Swakopmund.



Paladin Energy (PDN – ASX) bought the **Langer Heinrich Mine** in 2002. The mine is located 50 km south/southeast of Rössing in the Namib Park, and 80 km from the coast.

The open/pit mine commenced operation late in 2006 with 1,000 tonnes U per year capacity. The ore occurs over 15 kilometres in a palaeochannel system some 50 metres deep.

Some vanadium is present in the carnotite mineral.

There is a conventional hard rock mill with an alkaline leaching circuit.

Production in 2009 was 1,108 tonnes U and steadily improving to reach nameplate capacity in October. Stage 2 development boosted production to 1,430 tonnes U per year in 2009, and Stage 3 will take production to 2,000 tonnes U per year from late 2011 at a cost of US\$ 100 million.

A heap leach to produce about 400 tonnes U per year from low-grade ore by mid-2014 is proposed for Stage 4, in moving towards 3,850 tonnes U per year production level.

AMEC Minprop is undertaking a Definitive Feasibility Study on this.

Reserves at Langer Heinrich are 46,500 tonnes U at 0.01% U cut-off (JORC and NI 43-101 compliant) plus 5,100 tonnes U in stockpile.

In 2010, most of the 2008 Inferred resources were upgraded with infill drilling. A further 12,000 tonnes U will end up in low-grade stockpile at the end of mining and may be recovered then.



Rio Tinto has mined the Rössing deposit from 1976 as a large-scale open pit in very hard rock. Rössing has nominal capacity of 4,000 tonnes uranium per year and to the end of 2010 had supplied 98,482 tonnes of uranium.

In 2010, it produced 3,083 tonnes U (2009: 3,519 tonnes U), making it the third largest uranium mine in the world.

Rössing's reserves at the end of 2009 were 7,650 tonnes U proven and 51,800 tonnes U probable, at 0.031% U. Its uranium is sold to power utilities in Central Europe, North America and South-East Asia, including China.

After three years evaluation it was decided in 2005 to invest US\$ 112 million to further develop the Rössing mine, extend its life to 2016 and increase the output to 3,400 tonnes U per year.

In 2007, Rio Tinto proposed a further expansion to 3,800 tonnes uranium per year and extending mine life.

The first phase extended mining in 2008 to a new small ore body and commissioned a new 1,200 tonnes per day sulfur-burning acid plant also producing 9.5 MWe net of electricity.



Areva Resources (NYSE Euronext Paris - ISIN code FR0011027143)

Areva Resources' **Trekkopje Uranium Mine** will become Namibia's third uranium mine and is located some 70 km north-east of Swakopmund.

Trekkopje is the next Areva open pit mine to be developed in Southern Africa and will be the largest of its type. Its deposit is a very large, shallow, high tonnage, low-grade uranium deposit hosted by calcretised palaeochannels. The main mineralization covers an area of approximately 14 km x 3 km.

Areva Resources Namibia (ARN) was established following Areva's acquisition of UraMin and its portfolio of advanced stage exploration projects in Africa for US\$ 2.5 billion in July 2007.

This included the Trekkopje Project which UraMin Namibia had brought to the feasibility stage, along with South African and Central African Republic uranium projects.

A mining licence for Trekkopje was granted by the Namibian government in February 2009. The total estimated capital cost and its associated desalination plant at Wlotzkastaken is US\$ 956 million, making it one of the largest mining developments to date in Namibia.

It will be an open-cast mine, exploiting a shallow, high tonnage, low-grade deposit with an innovative treatment method of alkaline heap-leaching, the first time that this process will be used to produce uranium oxide on such a large scale.

Construction is on a phased basis; full production of 3,000 tonnes per year U3O8 over a 12-year period is expected to be reached in 2013, with a total workforce of approximately 1,200 people (more than 90% will be Namibian).

The total resource of Trekkopje is an estimated 1.13 million tonnes of low-grade ore (approximately 120 ppm U3O8).



Extract Resources (EXT – TSX) principal asset is the 100%-owned **Husab Uranium Project**, which contains the world's fourth largest uranium only deposit. Extensive exploration potential also exists for new uranium discoveries in the region. On November 30, 2011, Extract announced that the Ministry of Mines and Energy has provided to Swakop Uranium, a wholly-owned subsidiary of extract, a notice of preparedness to grant a Mining Licence for the Husab Uranium Project.

Husab is on course to become one of the three largest uranium mines in the world, producing 15 million pounds of U3O8 per annum via conventional open pit mining and a proven process flow sheet, as demonstrated by the Definitive Feasibility Study completed in the first quarter of 2011 and completed within three years of discovery.

The ore grade has increased from 497 ppm to 518 ppm U3O8.

After a reserve upgrade, the initial mine life has been upgraded from 16 years to 20+years.

Husab's total resource is 513 million pounds of U3O8, of which a Measured resource of 84 million pounds U3O8 and Indicated resource of 274 million pounds of U3O8 in Zones 1 and 2 and 130 million pounds U3O8 in Zones 1+2+3+3+5 and the remainder resource from the Middle Dome and Salem prospects.

A further resource upgrade is expected in the first half of 2012.

Extract's major shareholders are: Kalahari Uranium (42.74%), Rio Tinto (14.2%) and Itochu of Japan (10%).

On March 7, 2011 CGNPC of China announced a \$ 1.2 billion bid for Kalahari Minerals, which was not followed up on until October 10, 2011 when it was announced that Kalahari and CGNPC-URC had recommenced discussions.

On December 8, 2011, Taurus Minerals, an entity owned by CGNPC-URC and the China-Africa Development Fund (CAD Fund) announced a recommended cash offer for Kalahari at a price of 243.55 pence per Kalahari share.

The offer represents a premium of 16% to the average closing price of 209.7 pence per Kalahari share for the six months prior to and including March 4, 2011, being the latest practicable business day prior to the first announcement by CGNPC-URC of a possible offer for Kalahari; and a discount of approximately 1.0% to the closing price of 246 pence per Kalahari share on October 7, 2011, being the latest practical business day prior to the commencement of the Offer period.

The Taurus announcement included a proposal to make a downstream cash offer to Extract shareholders of A\$ 8.65 per Extract share, if Taurus received acceptance of the Kalahari offer in respect of more than 50% of the voting rights in Kalahari.



Deep Yellow (DYL – ASX)

Through its flagship Omahola Project in **Namibia**, Deep Yellow, through its 100%-owned subsidiary Reptile Uranium Namibia (RUN) is one of the world's top-10 uranium development and exploration companies.

Its objective is to develop the Project to a 2.2 million pounds per annum operation, with a minimum 12 year mine life and commence uranium production by the end of 2014.

On December 13, 2011, Deep Yellow announced that the **MS7 Alaskite Deposit** JORC Compliant resource has more than doubled to 5.4 million tonnes at 470 ppm for 5.6 million pounds U3O8 at a 250 ppm cut-off. Almost 60% of the 5.6 million pounds resource is classified in the Indicated category. The high grade Inferred resource (540 ppm U3O8) reflects recent deep high grade intersections open to depth, which will be targeted in 2011.

The total Omahola resource base, including the INCA, MS7 and Ongolo deposits, now total 40.7 million pounds U3O8 at an average grade of 413 ppm U3O8 and Deep Yellow's resource base is now in excess of 110 million pounds U3O8.

RUN, as operator of the Nova Energy Joint Venture with Toro Energy and Sixzone Investment has completed approximately 10,000 metres of RC drilling. Overall results were disappointing by Deep yellow's standards.

Deep Yellow has also identified significant magnetite iron mineralisation at its Shiyela Iron Project in Namibia with core samples yielding high-grade magnetite (68-70% Fe) which could produce concentrate with very low impurities and no deleterious elements. Shiyela has the potential to rapidly become a standalone 2 million tonne per year iron export project and is located near existing infrastructure, including only 45 kilometres from the deep sea port of Walvis Bay.

Deep Yellow's near term objectives in Namibia are focused on testing the potential of a low capex, rapid development option for its Tubas Red Sand Deposit as a standalone project, continuing its exploration efforts along the high grade INCA-Ongolo trend and completing maiden JORC compliant resource estimates and a Scoping Study on its Shiyela Iron Project.

In **Australia**, Deep Yellow's major projects are its 100%-owned Napperby Uranium Deposit in the Northern Territory, with a 7.4 million pounds U3O8 Inferred resource (at a 200 ppm cut-off) and its Mount Isa District tenement holdings in Queensland with a 4.8 million pounds U3O8 Indicated and Inferred resource (at a 300 ppm cut-off).



Forsys Metals' (FSY – TSX) main focus is bringing the fully-licensed **Valencia Uranium Project**, located in central-west Namibia, into production. The Company is also focused on increasing its uranium resources through an exploration program currently underway at the **Namibplaas Uranium Project**, which is located 7 km from the Valencia licence area.

In February 2010, Forsys updated its initial feasibility studies, pit nominalization, metallurgical environment and economic studies for the development of Valencia.

Compared to the technical report of June 2009 an 18% increase in reserves to 60.5 million pounds U3O8, grading 156 ppm, with a cut-off of 67 ppm, was reported.

The Valencia ore is amenable to heap leaching and the project supports a 17-year mine life.

On September 15, 2011, Forsys reported the results of its initial NI 43-101 resource statement for its 70%-owned Namibplaas Project consisting of an Inferred ore resource of 88 million tonnes containing 25 million pounds of U3O8 at a 100 ppm cut-off grade. The Company confirmed that the mineralization type is similar to that found at Valencia and that there were a number of significant high-grade zones.

Forsys acquired the remaining 30% interest in Namibplaas on October 24, 2011. Consideration for this acquisition is 13 million new common shares and 2 million common share purchase warrants of the Company, exercisable for two years at Cdn\$ 1.10.

Forsys is undertaking reviews of the process plant and associated design. The Company is also evaluating the potential upside of consolidating the Valencia reserves with the Namibplaas Inferred resource and is considering developing the preliminary design of an expanded consolidated project that could produce up to 6.0 million pounds of U3O8 annually from the consolidated Valencia and Namibplaas deposits.

The Company's objective is to commence project development in 2013 and commence production in 2015.



Bannerman Resources' (BMN – ASX) Etango Uranium Deposit, located immediately adjacent to Rio Tinto's Rössing Uranium Mine, comprises Measured and Indicated resources of 149 million pounds U3O8 and Inferred resources of 64 million pounds U3O8. 70% of the 6 km Deposit is within 200 metres of surface.

Based on Feasibility Study estimates the Etango Uranium Project is expected to produce an average of 5-7 million pounds U3O8 per annum over a +20 year mine life.

A Definitive Feasibility Study is expected to be completed by the end of March 2012 quarter.

The Project is expected to be commissioned in 2015.



Marenica Energy's (MEY – ASX) 75%-owned Marenica Uranium Project, located 30 km northwest of Areva's Trekkopje Uranium Mine. Areva acquired a 9.4% equity stake in the Company by purchasing the shareholding held by Polo Resources.

In the second half of 2010, Marenica entered into a strategic funding arrangement and alliance with Hanlong Energy, a subsidiary of the privately-owned, China-based Sichuan Hanlong Group. Pursuant to this agreement a total of \$ 5 million of debt and equity funding was secured.

On December 21, 2011, Marenica announced that the upgrade potential of an independent metallurgical evaluation of the Project dismissed heap leaching as a process option with the preferred process option now being tank leaching of the beneficiation product.

In conjunction with the metallurgical evaluation, Marenica has also completed an update to the Mineral resource estimate constrained by a 20 ppm grade envelope for the purpose of ongoing feasibility studies for the Deposit.

The updated resource totals 276 million tonnes grading 94 ppm U3O8 comprising an Indicated resource of 26.5 million tonnes grading 110 ppm U3O8 and an inferred resource of 249.6 million tonnes grading 92 ppm U3O8 for a combined total of 57 million pounds of contained U3O8.

The upgraded resource estimate forms party of an ongoing study of the project economics, in conjunction with the revision of the metallurgical and engineering scoping parameters, due for completion during 2012.

Overview of uranium companies focused on Namibia

December 30, 2011	<i>Trade symbol</i>		<i>Share price</i>		<i>Change</i>	<i>12 months</i>		<i>Net shares</i>	<i>Market</i>
			<i>current</i>	<i>year-end</i>	<i>in %</i>	<i>H</i>	<i>L</i>	<i>issued</i>	<i>cap.</i>
				<i>2010</i>				<i>million</i>	<i>million</i>
Namibia									
Producers:			A\$	A\$		A\$	A\$		A\$ mln
Paladin Energy	PDN	ASX	1.37	4.93	-72	5.61	1.11	835.4	1,144.5
Development / Exploration:			A\$	A\$		A\$	A\$		A\$ mln
Extract Resources	EXT	ASX	8.48	9.40	-10	10.80	5.90	251.2	2,130.3
Deep Yellow *	DYL	ASX	0.13	0.33	-61	0.39	0.11	1,128.7	146.7
Bannerman Resources	BMN	ASX	0.20	0.71	-72	0.91	0.20	272.4	54.5
Marenica Energy	MEY	ASX	0.02	0.09	-78	0.11	0.02	498.6	10.0
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$ mln
Forsys Metals	FSY	TSX	0.73	3.03	-76	3.50	0.50	96.9	70.7
Xemplar Energy	XE	TSX.V	0.04	0.20	-80	0.24	0.04	119.6	4.8