



Press Release

PRELIMINARY ECONOMIC ASSESSMENT CONFIRMS POTENTIAL FOR HEAVY RARE EARTH MINE AT LOFDAL

- **Capital costs of US\$156M for 2,500 tpd open pit mine**
- **Annual production of 1,500 t REO over 7 year LOM**
- **After tax cumulative cash flow of US\$257M**
- **After tax NPV_{10%} of US\$147M**
- **After tax IRR of 43% with payback in 1.7 years**
- **Recommended to move to prefeasibility stage and extend LOM**

Halifax, Nova Scotia October 1, 2014 - Namibia Rare Earths Inc. ("Namibia Rare Earths" or the "Company") (TSX:NRE) (OTCQX:NMREF) is pleased to report the positive results of the NI 43-101 compliant *Preliminary Economic Assessment on the Lofdal Rare Earths Project, Namibia* ("the PEA") which confirms the technical and economic potential of the Lofdal Heavy Rare Earth Project ("Project") in northwestern Namibia.

The PEA concludes that the Project currently has the potential to produce an average of 1,500 tonnes per annum of separated rare earth oxides ("REO") which would generate after tax cumulative cash flow of US\$257M with a net present value_{10%} ("NPV") of US\$147M and an internal rate of return ("IRR") of 43%. The PEA indicates that there is considerable potential to expand the current mineral resource and recommends that additional drilling be carried out to provide for an extended mine life in conjunction with a six month Prefeasibility Study ("PFS") program. Financial sensitivities of the Project are summarized in Table 1, financial highlights in Table 2, mineral resource estimates in Table 3, capital costs in Table 4, operating costs in Table 5 and REO pricing in Table 6.

Donald Burton, President of Namibia Rare Earths stated "*This Preliminary Economic Assessment provides shareholders and investors with the first indications of the economic potential of Lofdal. The PEA confirms the strengths of the Project in terms of its favourable rare earth distribution and amenability to conventional mining and processing, and demonstrates its financial strengths in terms of the low capital costs and significant cash flows. The PEA provides a clear path forward for development of the Project. Management believes that there remains considerable upside to the Project as we move towards prefeasibility and feasibility studies. Together with on-going metallurgical optimizations, we will target additional drilling to significantly expand mineral resources and to establish mineable reserves thereby extending the life of mine. The Company will aggressively pursue the most expeditious path towards development of Lofdal through all available options.*"

TABLE 1 - Financial Sensitivities Summary

Discount Rate (%)	Pre-Tax NPV (US\$)	After Tax NPV (US\$)
8	264,068,000	164,960,000
10	238,227,000	147,385,000
12	214,912,000	131,455,000

	Pre-Tax	After Tax
IRR (%)	53	43
Cumulative Cash Flow (US\$)	400,954,000	256,971,000

TABLE 2 - Financial Highlights

Initial Capital Costs (US\$)	92,056,000
Total Capital Costs (US\$)	155,735,000
Total Operating Costs per Tonne Mined(US\$)	91.07
Total Operating Costs per kg TREO Produce (US\$)	49.95
Basket Price per kg TREO Produced (US\$/kg)	105.77
Life of Mine (years)	7.25

The PEA should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the Project has not been demonstrated at this time. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Furthermore, there is no certainty that the PEA will be realized.

The Company will hold a webcast on Friday, October 3, 2014 at 11:00 a.m. EST to discuss the results of the PEA. Call-in details are provided at the end of this press release.

The MDM Group, South Africa was the principal consultant responsible for the preparation of the PEA which is co-authored by The MSA Group, South Africa and MineTech International Limited, Canada.

PROJECT OVERVIEW

Mineral Resource Estimate

The PEA utilized the initial 43-101 compliant mineral resources for the Area 4 deposit at a cut-off grade of 0.1% total rare earth oxides ("TREO") which provides 2.88 Mt of Indicated mineral resources yielding 9,230 t of REO, of which 7,050 t are estimated to be Heavy Rare Earth oxides ("HREO") and 3.28 Mt of Inferred mineral resources yielding 8,970 t of REO, of which 6,700 t are estimated to be HREO (Table 3). These REO and HREO tonnages are

rounded to the nearest 10 t but are shown as originally calculated in Table 3. The remainder of the REO is made up of Light Rare Earth oxides ("LREO").

TABLE 3 - In-Situ Mineral Resources¹ for the Area 4 Deposit within the >0.1% TREO Envelope with effective date 31 July 2012

In-situ Indicated Mineral Resource

Cut-Off %TREO	Tonnes million	LREO %	HREO %	TREO %	REO Tonnes	HREO Proportion
0.1	2.88	0.08	0.24	0.32	9,234	76.3%
0.2	1.62	0.09	0.37	0.45	7,358	80.9%
0.3	0.90	0.09	0.53	0.62	5,594	85.6%
0.4	0.58	0.09	0.69	0.78	4,477	88.3%
0.5	0.39	0.09	0.84	0.93	3,673	90.3%
0.6	0.28	0.09	1.00	1.09	3,039	91.8%
0.7	0.20	0.08	1.18	1.26	2,524	93.5%

In-situ Inferred Mineral Resource

Cut-Off %TREO	Tonnes million	LREO %	HREO %	TREO %	REO Tonnes	HREO Proportion
0.1	3.28	0.07	0.20	0.27	8,973	74.7%
0.2	1.80	0.08	0.30	0.37	6,748	79.3%
0.3	0.75	0.08	0.47	0.56	4,180	85.1%
0.4	0.42	0.08	0.64	0.72	3,071	88.8%
0.5	0.27	0.08	0.81	0.89	2,377	90.9%
0.6	0.21	0.08	0.91	0.99	2,049	92.1%
0.7	0.16	0.07	1.03	1.10	1,717	93.5%

¹ Mineral resources which are not mineral reserves do not have demonstrated economic viability

Mining and Processing

Mining will be by conventional open pit methods utilizing an owner operated mine fleet at a mining rate of 2,500 tpd (840,000 tpa) with the ultimate pit reaching a vertical depth of 200 meters. A total of 6.04 MT of mineralized material at a diluted grade of 0.28% TREO will be provided to the primary crusher over the 7¼ year life of mine ("LOM").

Following secondary and tertiary crushing the feed is delivered to x-ray technology ("XRT") and x-ray fluorescent ("XRF") sorters to eliminate internal waste thereby reducing volume to the ball mill for fine grinding. Ball mill product slurry is fed to the rougher magnetic separator with tails going through three scavenger magnetic stages. The magnetic concentrate product is subjected to a cleaner flotation circuit and then passes through a concentrate thickener prior to the acid leach circuit.

The leach circuit utilizes a four stage hydrochloric acid ("HCl") leach to dissolve the carbonate minerals. A gangue leach centrifuge circuit provides for a primary acid water wash to remove the entrained dissolved calcium chloride solution and a secondary potable water wash with a second centrifuge for solid-liquid separation. The resultant solids are filtered in a filter press for final concentrate bagging and shipping to a hydrometallurgical facility which is proposed to be located at the deep water port of Walvis Bay.

Concentrate batches of 29 tonnes each will be shipped in containers over a distance of 375 kilometers to the hydrometallurgical facility for caustic cracking and washing. The caustic cracking plant is designed for the purpose of breaking or "cracking" the phosphate component of the rare earth mineral xenotime in order to access the contained thorium for removal by subsequent HCl leaching. Following the caustic cracking stage the washed residue is transferred to the HCl digestion tank to leach the thorium. Subsequent precipitation steps will produce a thorium hydroxide product for storage and a rare earth hydroxide product to be combined with the HCl digestion residue as a final product for drying and drumming.

The Project is not of sufficient scale to support capitalization for a separation plant and it is envisioned that the final product will be delivered to a third party facility and subject to an offshore treatment charge.

Capital Costs

The total capital costs for the Project are estimated at US\$155,735,000 and include direct capital costs for mining, mill site processing facilities, cracking plant processing facilities, tailings storage facility and camp allowance; sustaining capital; closure costs; indirect costs and contingency (Table 4). Indirect costs, including EPCM, owner's costs, first fills and spares have been estimated at 30% of direct costs. The contingency has been estimated at 20% of the total of direct costs plus indirect costs.

TABLE 4 – Total Capital Costs Summary (US\$)

Direct Mining Costs	25,710,000
Direct Mine Site Processing Costs	48,059,000
Direct Cracking Plant Processing Costs	15,887,000
Direct Tailings Storage Facility Costs	2,400,000
SUB TOTAL INITIAL CAPITAL COSTS	92,056,000
Sustaining Capital Mining	5,580,000
Sustaining Capital Processing	4,385,000
Mine Closure Costs	2,163,000
Indirect Costs	27,617,000
Contingency	23,935,000
TOTAL CAPITAL COSTS	155,735,000

The Project initial capital requirements are estimated at US\$92,056,000.

Operating Costs

Operating costs include the costs of the owner operated mine fleet, processing at the mill site and cracking plant facility, transportation costs for concentrates from the mine site to Walvis Bay and from port to an offshore treatment facility for separation. Technology Metals Research of the United States has indicated that a tolling charge of US\$15-20/kg of finished REOs would be a reasonable estimate for the processing (outside of China) of an intermediate concentrate with a rare earth element distribution similar to the one associated with the Lofdal project to commonly required purity levels and finished forms. A separate cost has therefore been estimated for the offshore treatment cost and is considered as part of the total operating costs which are summarized in Table 5.

TABLE 5 – Total Operating Costs Summary

Description	Cost per Tonne Mined (US\$/t)	Cost per kg TREO Produced (US\$/kg)
Mining	23.49	12.88
Processing (Mill Site and Cracking)	29.02	15.92
Tailings Storage Facility	0.5	0.27
Offshore Treatment Charge	38.06	20.88
Total Operating Costs	91.07	49.95

Rare Earth Pricing

A price deck has been developed for 2017 by Technology Metals Research and Core Consultants, based on REO supply/demand projections and pricing models for that year, which would be a reasonable approximation of when Lofdal might be expected to enter production. The nature of the REE market is such that it does not lend itself to traditional models for commodity forecasting. In analysing potential future prices, consideration is given to the likely relative surplus or deficit of REEs available to the market, in order to gain a sense of price direction. Two key assumptions made in the price projections are that China maintains its production targets of 100,000 – 105,000 tonnes in the near to medium term, and that there are no sudden or unexpected policy changes in China that would shock the export market as occurred in 2010/2011. The resulting 2017 FOB China export price projections for REOs are shown in Table 6.

The projected REO distribution for Lofdal concentrates is also presented in Table 6. The projected basket price of US\$105.77 is calculated from the REO distribution and the projected 2017 FOB China prices.

TABLE 6 – Projected 2017 FOB China Export Prices for REOs and Projected REO Distribution for Lofdal Concentrate (average 17.3% TREO from Mintek studies)

	REO Price (US/kg)	Grade (%)	Distribution (% TREO)	Value (US\$/kg)
La oxide	5	0.081	0.47	0.02
Ce oxide	4	0.135	0.78	0.03
Pr oxide	95	0.014	0.08	0.08
Nd oxide	73	0.056	0.32	0.24
Sm oxide	8	0.089	0.51	0.04
Eu oxide	750	0.092	0.53	3.99
Gd oxide	47	0.609	3.52	1.65
Tb oxide	870	0.197	1.14	9.91
Dy oxide	530	1.573	9.09	48.20
Ho oxide	55	0.352	2.04	1.12
Er oxide	75	1.089	6.30	4.72
Tm oxide	1,000	0.162	0.94	9.37
Yb oxide	55	0.961	5.56	3.06
Lu oxide	1,250	0.135	0.78	9.76
Y oxide	20	11.752	67.94	13.59
Total		17.297	100.00	105.77

Basket Price

105.77

Economic Analysis

The economic analysis assumes that the Project will be 100% equity financed and uses parameters relevant as of September 2014, under conditions likely to be applicable to project development and operation and analyzes the sensitivity of the Project to changes in the key Project parameters. All costs have been presented in United States Dollars (US\$) and wherever applicable conversion from South African Rand (ZAR) has utilized an exchange ratio (ZAR/US\$) of 10.70 based on July 2014 exchange rates.

Mining and treatment data, capital cost estimates and operating cost estimates have been put into a base case financial model to calculate the IRR and NPV based on calculated Project after tax cash flows. The scope of the financial model has been restricted to the Project level and as such, the effects of interest charges and financing have been excluded.

For the purposes of the PEA, the evaluation is based on 100% of the Project cash flows before distribution of profits to the equity owners. Both pre-tax and after tax cash flows have taken 5% royalty payments into account.

At a discount rate of 10% the Project is anticipated to yield a pre-tax IRR of 53% with a NPV of US\$238,227,000, and an after tax IRR of 43% with a NPV of US\$147,385,000. Cumulative cash flows are US\$400,954,000 pre-tax and US\$256,971,000 after tax over the seven year LOM (Table 1).

The Project is expected to pay back initial capital within the first two years.

Socio-Economic and Environmental Impact

The presence of the mine will have significant positive impacts on the local population of Khorixas as job opportunities and indirect economic opportunities will be created. The location of the hydrometallurgical facility in Walvis Bay will provide similar opportunities to the local population of that area. It is estimated that the mining activities will require a workforce of approximately 230 people.

The details regarding the cracking process at Walvis Bay need to be confirmed and the proposed management options of the radioactive waste assessed to determine the environmental and social impacts. An Environmental Impact Assessment has not yet been undertaken, however, the PEA indicates that the Project can be developed in an environmentally responsible manner. A comprehensive environmental management system will be developed to facilitate and control the environmental and social aspects during the development and operation of the Project.

The predominant environmental impacts associated with the mining activities are associated with surface and groundwater quantity, dust contamination and the potential side effects of radioactive thorium. It is proposed that the baseline monitoring of surface water, groundwater, dust fallout and radiological background levels be undertaken. With the implementation of effective mitigation and management measures, any negative environmental and social impacts can be avoided, reduced and managed to ensure there are minimal long term or adverse impacts.

CONCLUSIONS

The PEA has been modelled on the available NI 43-101 mineral resources for the Lofdal Area 4 rare earth deposit at a 0.1% TREO cut-off. There are no mineral reserves estimated for the Project. Mining by open pit at a rate of 840,000 t/a provides just over seven years of mine life. The available resource is modelled to a vertical depth of 200 meters and the geological potential to increase the resource, as evidenced by deeper exploration drilling to over 300 vertical meters, is considered high.

The PEA has concluded that the Lofdal Area 4 heavy rare earth deposit can be easily mined by open pit and treated by conventional grinding, magnetic separation, gangue acid leach and cracking processes. Similar facilities are currently in operation locally in Namibia. The plant design was based on the results of the initial metallurgical test programme completed on deposit samples, which showed the suitability of sorting technology, magnetic separation, flotation and gangue acid leach treatment. The plant feed will be delivered to the mine site processing plant from the open pit mine using conventional mining practices and equipment suitable to this type of recovery. Hydrometallurgical cracking will be accomplished at a separate facility in Walvis Bay. The mixed REO concentrate must then be treated for separation at a suitable facility offshore.

An Environmental Impact Assessment has not yet been undertaken, however, the PEA indicates that the Project can be developed in an environmentally responsible manner with significant economic benefits to the town of Khorixas and the local communities, and to Walvis Bay. A comprehensive environmental management system will be developed to facilitate and control the environmental and social aspects during the development and operation of the Project. A number of recommendations are made to implement baseline environmental monitoring in advance of Environmental Impact Assessment.

The capital costs are estimated at US\$155,735,000 and the economic model has concluded that the Project is positive based on the projected REO price deck which assumes a basket price for the heavy enriched Lofdal concentrates of US\$105.77/kg. The costing estimates for the study were prepared in mid-2014 and based to a large extent on South African supply and installation rates, which are believed to be comparable with local Namibian rates.

The financial analyses are based on the scenario of 100%-equity financing for the project. The base case model assumes a constant price of US\$105.77 per tonne of separated REO and at a 10% discount rate generates a pre-tax IRR of 53% with a NPV of US\$238,227,000 and a post-tax IRR of 43% with a NPV of US\$147,385,000. Cumulative cash flows are US\$400,954,000 pre-tax and US\$256,971,000 post tax over the seven year LOM. The forecast capital payback time is within two years.

RECOMMENDATIONS

The PEA makes recommendations that Namibia Rare Earths:

- Complete current test work in order to confirm the proposed process route;
- Undertake additional drilling to expand the current resource and to upgrade the quality of the resource in order to derive mineable reserves and to extend the life of mine;
- Obtain a representative bulk sample from the deposit suitable for pilot plant scale test work;
- Carry out a six month preliminary feasibility study ("PFS") to further develop the engineering design of the plant and recognise value engineering where possible;
- Revisit the capital cost estimates in general for possible savings due to optimising the cost estimates from $\pm 50\%$ to $\pm 10\%$.

QUALIFIED PERSONS AND 43-101 TECHNICAL REPORT

A NI 43-101 compliant report entitled *Preliminary Economic Assessment on the Lofdal Rare Earths Project, Namibia* ("the Report") will be filed on SEDAR within 45 days. The MDM Group is the principal author under the supervision of David S. Dodd, B. Sc (Hon) FSAIMM who is a Qualified Person in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects.

Sections of the Report dealing with property description and location, accessibility, climate, local resources, infrastructure and physiography, history, geological setting and mineralisation, deposit types, exploration, drilling, sample preparation, analyses and security and data verification were completed by The MSA Group under the supervision of Peter Roy Siegfried, MAusIMM (CP Geology) who is a qualified person in accordance with NI 43-101 – standards of disclosure for mineral projects.

The section of the Report dealing with mineral resource estimates was completed by The MSA Group under the supervision of Michael R. Hall, B.Sc (Hons), MBA, MAusIMM,

Pr.Sci.Nat, MGSSA who is a Qualified Person in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects.

Sections of the Report, dealing with the tailings storage facility design, capital and operating costs were completed by MineTech International Limited under the supervision of Patrick Hannon, M.A.S.C., P. Eng. who is a Qualified Person in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects.

Sections of the Report, dealing with mineral reserve estimates, mining methods and mine capital and operating costs were completed by MineTech International Limited under the supervision of William Douglas Roy, M.A.Sc., P.Eng. who is a Qualified Person in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects.

Donald M. Burton, P.Geo. and President of Namibia Rare Earths Inc., is the Company's Qualified Person and has reviewed and approved this press release. Each of David S. Dodd, Peter Roy Siegfried, Michael R. Hall, Patrick Hannon and William Douglas Roy has also reviewed and approved the technical disclosure in this press release.

CONFERENCE CALL AND WEBCAST

Senior management of Namibia Rare Earths, together with principal authors of the PEA, will be hosting a conference call and webcast to discuss the results of the PEA and to provide an opportunity for questions and answers.

Call in details for the conference call and webcast to be held on Friday, October 3, 2014 at 11:00 a.m. (Eastern Standard Time) are:

North American toll-free: 1-888-390-0546
Standard International dial-in: 1-416-764-8688

The live webcast and slide presentation will also be available at:

<http://event.on24.com/r.htm?e=857460&s=1&k=A078410DBEA1EE81CDD9294B940C0853>

A replay of the conference call will be available from Friday, October 3, 2014 at 1:00 p.m. (Eastern Time) to Friday, October 10, 2014 11:59 p.m. (Eastern Time) by dialing:

Toronto or international: (+1) 416-764-8677
Toll Free North America: 1 888-390-0541
Playback Passcode: 262269#

The webcast will be posted for one year on Namibia Rare Earths' website at www.namibiarareearths.com.

About Namibia Rare Earths Inc.

Namibia Rare Earths Inc. is developing a portfolio of mineral exploration projects in Namibia and is currently focused on the accelerated development of the Lofdal Rare Earths Project in northwestern Namibia. The common shares of Namibia Rare Earths Inc. trade on the Toronto Stock Exchange under the symbol "NRE" and in the United States on the OTCQX International under the symbol "NMREF".

For more information please contact -

Namibia Rare Earths Inc.

Don Burton, President

Tel: +01 (902) 835-8760

Fax: +01 (902) 835-8761

Email: Info@NamibiaREE.com

Web site: www.NamibiaRareEarths.com

Cowen Securities LLC

(Principal American Liaison)

OTCQX International Market (U.S.)

Christopher Weekes / Stephen Nash

Tel: +1 (212)-372-5766

No regulatory authority had approved or disapproved the adequacy or accuracy of this release. The foregoing information may contain forward-looking information relating to the future performance of Namibia Rare Earths Inc. Forward-looking information, specifically, that concerning future performance, is subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in the Company's filings with the appropriate securities commissions.