

SUSTAINABLE DEVELOPMENT

► SAFETY, HEALTH AND ENVIRONMENT

Safety and health are a key focus at all of DRDGOLD's operations where every worker's right to work in a safe and healthy environment is recognised. A number of initiatives are in place in terms of which employer and employee share responsibility when it comes to ensuring personal safety and health in the workplace. Instilling a culture of safety is proving effective in reducing the number of accidents and fatalities at the various operations.

► Safety

Regrettably, 10 people died in work-related incidents during the year. These fatalities were largely attributable to seismicity-related rockfalls. While seismic monitoring continues as an invaluable tool in the management of seismicity, management have reacted also by reviewing support standards, adjusting these where indicated, and by reinforcing with the workforce the importance of compliance.

FY05's Fatal Injury Frequency Rate (FIFR) is unchanged at 0.25, and while the Reportable Injury Frequency Rate (RIFR) declined slightly from 3.49 to 3.44, the Lost Time Injury Frequency Rate (LTIFR) increased from 8.99 to 9.55, pointing to the need for further management intervention and involvement by employees and their representatives.

In an effort to reduce injuries and to achieve a zero fatality rate, safety is a priority at all operations. Each has its own safety structures in place, as prescribed by legislation. In the South African context, these include shaft and plant safety committees and a joint health and safety committee.

Joint health and safety committees, comprising management, unions and various specialist employees, meet on a regular basis to discuss safety risks and agree on remedial action. At Blyvoor and ERPM a joint health and safety meeting is held once a month. At Blyvoor, "hotspot" visits take place once a month and involve a full safety audit, from which issues of

concern are immediately addressed.

Both formal and informal safety training is a pre-requisite at all of DRDGOLD's operations. Induction training is applicable for all new employees and those returning from leave. Thereafter, safety training takes place as the need arises. All full-time safety representatives undergo safety training. First aid training, a legal requirement, is undertaken by all employees.

In South Africa, new safety legislation requires Mining Qualifications Authority (MQA) accredited 'Competent Persons A & B' training for all underground workers to replace the previous 're-organisation of work' regulations. The new legislation, effective from 1 August 2005, applies to all underground employees and requires that Competent Person A has the necessary skills to make and declare working places safe while Competent Person B is experienced in installing and removing underground support.

Each operation also has in place its own safety campaign to entrench a safety mindset. Most are incentive-based schemes with rewards for good safety behaviour and disciplinary action, followed by dismissal where appropriate, for unsafe behaviour.

In March 2004, Blyvoor launched the 'Eagle and Snake Campaign', aimed at creating safety awareness in the workplace. Live raptors and snakes were present at the launch in order to demonstrate the analogies behind the campaign – the eagle and snake representing good and bad safety behaviour respectively.

ERPM continues with its 'Safety Horse Campaign' started in 2003, where a team's horse advances if no accidents occur within a period of a week and returns to the start in the event of an incident, however minor. A new safety initiative, implemented in January 2005, is the 'Blow Your Whistle to Safety Campaign', where underground crews down tools for a daily five to 10 minute break to re-assess safety risks and safe behaviour.

CGR's 'Good Housekeeping Campaign' is a quarterly assessment of best safety practice which identifies a section with the least hazards. As a surface operation comprising plant, reclamation and deposition, the main safety risk emanates from the use of chemicals and re-agents.

A pro-active management stance towards safety ensures that hazards are dealt with immediately. Testament to this is that Crown, which was awarded a platinum 4-star rating from the National Institute of Occupational Safety Association (NOSA) in 2004 for safety, health, environment and plant conditions, was likely to have retained this status had NOSA not been placed in liquidation in May 2005.

The year has been marked by a number of outstanding achievements at DRDGOLD's operations. Blyvoor had the distinction of winning the West Rand Mine Managers' Association Inter-mine Safety Competition for the seventh consecutive year. The competition, based on the LTIFR, recognises the best rate per million man hours in a calendar year.

Blyvoor's rate for calendar year 2004 was 6.94, achieved largely through commitment from management, workers and unions to a culture of working safely, as well as to the introduction of a behavioural change programme that rewards good safety behaviour and disciplines transgressors.

A number of operations achieved one million fatality free shifts (1MFFS) in financial year 2005. At Blyvoor, the metallurgical plant achieved 1MFFS on 30 May 2004; No. 5 Shaft on 30 August 2004 and No. 6 Shaft on 30 September 2004. Blyvoor's total mining operations achieved 1MFFS in June 2005. Crown Mines achieved 1MFFS in January 2005 and North West Operations (NWO) in February 2005.

Tolukuma performed satisfactorily in respect of safety in FY05, reporting a Disabling Injury Frequency Rate (DIFR) and Reportable Injury

“the Company initiates regular participatory meetings at each of the operations with community forums and other key stakeholders”

Frequency Rate (RIFR) of 2.10. No fatalities were reported; in fact, at year-end 941 days - 587 856 shifts - had been worked without fatality.

In FY05, however, there were five disabling injuries resulting in five reportable injuries. There were 156 dressing station cases, each of which was treated as a serious injury. Consequently, a full investigation into the circumstances of each was conducted. During the period, the best achieved in respect of lost time injury free days was 176, compared with 361 in FY04. This indicates that there can be no relenting in respect of the mine's efforts to improve safety performance.

While, generally, safety training is designed to achieve informed, responsible behaviour in the workplace, specific safety interventions are directed towards new employees at induction, and learner miners and machine/equipment operators. Basic first aid training with Cardio Pulmonary Resuscitation (CPR) is actively encouraged, while issue-specific refresher training - in self-rescuer application, for example - is mandatory for particular employee groups. Refresher safety training is conducted after any serious incident.

At year-end, an extensive review of all Standard Operational Procedures at Tolukuma was under way.

► Health

Provision of quality primary healthcare to all employees remains DRDGOLD's priority. Secondary healthcare is offered as an alternative where affordable and in instances where suitable infrastructure exists. At Blyvoor, ERPM and CGR operations in South Africa, healthcare services for employees are outsourced to reputable service providers.

At the NWO, now in provisional liquidation, the Company's Duff Scott Hospital provided an extensive range of sophisticated healthcare services to employees and to the surrounding community. The hospital is included in

the provisional liquidation process and continues to operate in the interim under the liquidators' control.

At the Company's Tolukuma mine in Papua New Guinea, healthcare is provided to employees through in-house facilities - primarily due to the mine's remote location.

Employee health in the workplace is a priority. Occupational diseases - in particular those related to exposure to dust in the workplace - together with tuberculosis (TB) and noise-induced hearing loss are addressed through close adherence to legislated requirements. Suitably qualified in-house staff and external service providers are used.

In respect of prevention, education modules form part of broader induction and annual refresher training initiatives. Protective equipment is provided at Company expense wherever necessary and orientation is given regarding the importance of compliance, correct application and care.

Surveillance for occupation disease and noise induced hearing loss form part of initial, annual, transfer and exit medical examinations. These facilitate early detection and appropriate treatment of occupation-related conditions, similarly at Company expense. Compensation for work-related incapacitation is awarded in accordance with legislated formulae.

In respect of DRDGOLD's South African operations as a whole, the incidence of employees presenting with dust-related conditions has increased year on year, an analysis of statistics indicating that most diagnosed have long service in the mining industry. Clearly, today's more rigorous regime of education, surveillance, early detection and treatment must provide better protection for younger generations of workers.

Encouragingly, the instance of tuberculosis among employees has declined year on year, pointing to the efficacy of education,

surveillance and directly observed treatment (DOT). It must be noted, however, most patients diagnosed with TB are also HIV positive, pointing to the established correlation between the two diseases.

The HIV/AIDS pandemic is addressed with similar rigour to occupational disease in DRDGOLD. Importantly, operational level committees representative of management and unions help to inform Company direction on key HIV/AIDS related issues. Wherever possible, internal resources are combined with those of the State and non-governmental organisations to deliver appropriate education, protection, and voluntary testing and counselling to employees and the communities in which DRDGOLD operates. Employees trained as peer group counsellors have been particularly successful in their interface with various groups at community level.

Employees have access to DRDGOLD's sponsored wellness programmes, a key feature of which are regimes to prevent opportunistic infections. In addition, Company funding to the extent of R10 a month per employee is intended to support employee access to the State's anti retroviral therapy (ART) programme currently being rolled out.

► Environment

Our Bill of Rights recognises a constitutional right to a clean and healthy environment. As a result, the management of environmental issues has become increasingly regulated through the introduction of new, and modification of existing legislative enactments. The challenge for mining companies, and particularly those who own predominantly mature assets such as DRDGOLD, is having to deal with the environmental consequences of an industry which has been around for longer than a century. The consequences of poor environmental practices of the past are as much a legacy of the past as every other legacy, which South Africa as a young democracy, has to deal with. Budgeting for the effective management of

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environmental issues, in the absence of an integrated programme involving financial and strategic cooperation from Government both on a regional, provincial and national level, present significant challenges to mines. The risk of the extensive responsibility for what are essentially historical environmental issues, is also becoming an increasingly important consideration in the assessment of the financial viability of any new mining projects, especially those involving dormant or aged assets.

Whilst DRDGOLD's various subsidiaries are ultimately individually responsible for ongoing environmental management and rehabilitation and closure costs involving their operations, DRDGOLD has launched various initiatives to co-ordinate and standardise these efforts and mitigate the "last man standing" view of contemporary legislation. This year we established a Regional Environmental Co-Ordination Committee which comprises of a representative from each operation and under whose auspices an internal and external audit of the environmental management standing of each operation is now conducted on a monthly basis.

The aim is to bring about environmental conformity at each of the South African operations through information-sharing and problem-solving. Further enhancing the move towards conformity, the Environmental Management Programme Progress Assessment (EMPPA), which formerly operated in isolation at each operation, is now to be incorporated into the Regional Environmental Co-ordination Committee.

In its commitment to transparency and open communication with surrounding communities on a range of environmental issues, DRDGOLD initiates regular participatory meetings at each of the operations with community forums and other key stakeholders. These include environmental co-ordinators; separate business unit (SBU) managers from each operation; government representatives – comprising the Department of Minerals and Energy (DME), Department of Water Affairs

and Forestry (DWAF), Gauteng Department of Agriculture, Conservation, Environmental and Land Affairs (GDACEL); councillors; and interested and affected parties.

► Environmental challenges at South African operations

Although programmes are in place at each of DRDGOLD's operations to manage the impacts of water, air, soil and surface pollution, they are not finite solutions to environmental problems created by both mining operations and the production process. Challenges in each respect are on-going and are accorded due attention as and when they arise.

Dust

Dust pollution remains a major challenge, particularly at CGR, ERPM and the discontinued Durban Deep mine. A special dust committee has been formed within the greater environmental committees, which meets at least once a month. A monitoring programme has also been established to measure the impact of dust deposition around these operations; Blyvoor will establish its monitoring programme during the course of calendar 2005.

Ridge ploughing and vegetation programmes for rehabilitation of dormant tailings dams are being speeded up to curb emissions of dust. At Blyvoor, vegetation is to resume this year on the slimes dams situated on the Doornfontein and Blyvoor sections. During the year at Durban Deep mine, where general rehabilitation continues in line with the closure programme, 39 hectares of new vegetation have been established. At CGR, where 4.5 hectares of land have been liberated for development, 8.3 hectares have undergone vegetation. ERPM is to grass Elsburg No. 1 slimes dam and a new irrigation system will be installed in the next financial year.

Community involvement is on-going and transparent regarding issues of dust deposits which impact on surrounding areas. A dust complaints register has been set up in order to log community

complaints, which are investigated and timeously addressed.

Water

Water management is a priority at all of the operations, involving monthly monitoring to determine water quality and discharge volumes. These results are reported to DWAF every three months. An incident reporting mechanism is also in place to record events and to ensure timeous remedial action; DWAF is kept apprised of incidents as they occur.

At Blyvoor, desilting of the return water dams is taking place to ensure separation of clean and dirty water. Regular monthly meetings are held with Potchefstroom Municipality regarding the quality of water discharges, in respect of which compliance has now been reached.

Two major water issues affecting DRDGOLD have arisen in this financial year:

West Wits Mine, a division of West Witwatersrand Gold Mines Limited, has entered into an agreement with two other companies which have interest in the region, for the establishment of a regional underground water management vehicle. The ultimate objective of this initiative is to collectively collect, process and report environmentally sensitive information relating to the impact of underground water seepage on to surface, to the Department of Water Affairs and Forestry (DWAF). It has set itself the objective of putting in place the requisite infrastructure and technology to establish a commercially self-sustainable entity to extract underground water, treat the same and to dispose of it either for commercial or agricultural use. Representations to DWAF to allow the treatment and disposal of water on commercial terms were favourably received.

An integrated water management process for this area is important, both from the perspective of optimising natural water resources, considering the predominantly dry climate of South Africa, and also from an

environmental perspective - a programme that captures and treats underground water before it decants into the Tweelopiesspruit area and the Krugersdorp Game Reserve (which is just upstream from the Sterkfontein Caves system) is considered a high priority. If the aforementioned initiatives fail and the ingress of water and the subsequent flooding into sensitive areas occur, and to the extent that liability is attributed to the Company, and not only to West Witwatersrand Gold Mines Limited, the amounts involved could be significant.

On 22 March 2005, Buffelsfontein Gold Mines Limited (the North West Operations), was placed under provisional liquidation after an earthquake knocked out its No. 5 Shaft. Buffelsfontein had, until the date of provisional liquidation, maintained the underground water levels in the area by pumping water from underground to surface at three of its own shafts, as well as at the Margaret Shaft of the neighbouring Stilfontein Gold Mines Limited. The latter arrangement occurred in terms of an agreement entered into in 1992 between Stilfontein and Hartebeestfontein Gold Mines Limited. Hartebeestfontein became a wholly owned subsidiary of Buffelsfontein when Buffelsfontein subsequently acquired Hartebeestfontein.

When pumping operations ceased, AngloGold Ashanti brought urgent proceedings before the High Court of South Africa for an order to compel DRDGOLD to continue with the pumping operations previously conducted by Buffelsfontein. Relief was also sought against various government departments to either assume responsibility for, or contribute to the pumping of underground water. These proceedings were postponed after the DWAF issued various directives under Section 19 of the Water Affairs Act against DRDGOLD, the provisional liquidators of Buffelsfontein, Harmony Gold, AngloGold Ashanti and Stilfontein Gold Mines to continue with pumping operations and to contribute to pumping costs in equal shares. A total of three directives have been issued, the

last of which will expire on 31 October 2005, when the DWAF proposes to issue final directives allocating proportionate responsibility to each of the surrounding mines. The apportionments are to be made with regard to the mines' respective past contributions to underground water management and the future benefit they will derive from keeping underground workings dry.

In the meantime, AngloGold Ashanti is also pursuing its relief, but no longer on an urgent basis. DRDGOLD envisages a possible obligation to contribute to the costs of the pumping of underground water in the region in terms of DWAF directives and an amount not exceeding one quarter of the total pumping costs (approximately R1.2 million per month).

If AngloGold Ashanti is successful in its legal proceedings against DRDGOLD however, DRDGOLD may be held responsible for the entire costs of pumping underground water which were formerly conducted by Buffelsfontein.

DRDGOLD has since entered into an Agreement of Sale with Simmer and Jack Limited in terms of which Simmer and Jack purchases DRDGOLD's entire shareholding in Buffelsfontein on condition that a scheme of arrangement proposed under Section 311 of the Companies Act is adopted by the High Court of South Africa and approved by Buffelsfontein's major creditors. DRDGOLD agreed to sell these shares for a nominal amount of R1 on condition that Simmer and Jack also assume full responsibility for any liability that may result from directives issued by the DWAF, as well as any obligation resulting from an order or award given by the High Court of South Africa pursuant to the proceedings instituted by AngloGold Ashanti. The proposed scheme of arrangement is also conditional upon DWAF agreeing to substitute DRDGOLD with Simmer and Jack to the extent that DWAF envisaged imposing further responsibility on DRDGOLD.

Radiation

Radiation is monitored at all sites by

a radiation protection specialist, an outsourced Black Economic Empowerment (BEE) company. No contamination of material has been reported. All operations have received their National Nuclear Regulator (NNR) certificate of registration.

Rehabilitation of the defunct acid, uranium and gold recovery plants at NWO is continuing in line with NNR-approved procedures.

► Awards and achievements

Crown once again demonstrated excellent environmental management with the re-awarding of its NOSA 4 Star rating in May 2005. Another milestone this financial year was approval granted by DWAF for the diversion of two rivers, namely Bosmanspruit and Russell Stream, effectively ending the threat of prosecution by DWAF after the Mooifontein return water dam overflowed last year.

Blyvoor was awarded a draft water license from DWAF – one of only two mines in the Kromdraai area – due both to transparent conduct and following proper procedure during the application process.

ERPM was saved from certain closure this financial year with the reinstatement of a government pumping subsidy, following a DME audit of the mine's closure liability and its environmental management programme (EMP). Had pumping not resumed, the resultant flooding would have effectively put paid to any future mining prospects at ERPM, where there are still valuable gold deposits. A geo-hydrological investigation is, in the meantime, being conducted by Groundwater Consulting Services.

The pumping subsidy, together with a government-funded plugging project at its South East Vertical (SEV) and Far East Vertical (FEV) shafts, will allow operations at ERPM to continue well into the future. The DME approved an amount of R6.9 million this financial year for the first phase of the three-phase, 44-month project.

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Rehabilitation funds

In accordance with the Minerals and Petroleum Resources Development Act, DRDGOLD, its subsidiaries and associates make annual contributions to Environmental Trust Funds to carry the costs of monitoring, maintenance and post closure management, if required, once operations cease to exist. Current rehabilitation funds for each mine are as follows: Blyvoor R16.6 million; CGR R6.4 million; ERPM R1.6 million (with increased monthly funding of R200 000 as agreed by the DME); West Wits R12.2 million; and DRD, R14.1 million. Liabilities at Blyvoor, CGR and ERPM far exceed that of the current financial provision for rehabilitation, standing at R33 million, R88 million and R40 million respectively. After the provisional liquidation of the NWO the whole of the Buffelsfontein Rehabilitation of approximately R104 million was transferred to the DME. This fund may only be applied toward the closure and the rehabilitation obligations of the NWO.

At Tolukuma, environmental monitoring follows guidelines contained in the Environmental Management and Monitoring Programme (EMMP).

At the request of the Papua New Guinea Department of Environment and Conservation (DEC), the reporting of compliance results has been changed. Previously reported quarterly in the form of a forum, they are now reported electronically to and analysed by the DEC on a quarterly basis. The results are reported by Tolukuma on an annual basis in an Annual Environmental Report, the latest edition of which is currently in production.

Results of monitoring of filterable metals, total suspended solids, water quality and sediment loading at the GS1 monitoring site for the year ended 30 June 2005 showed the mine to be in full compliance with government-approved regulatory limits. The results have been transmitted electronically to the DEC for assessment and a response is awaited.

A study of bed sediments, sediment deposition and transport conducted by DY environmental consultants on behalf of Tolukuma during the year showed the mine to be in compliance.

An Aquatic Fauna Survey of the Auga/Angabanga river system conducted in May 2005 showed that faunal assemblage had not changed. Seasonal differences in the abundance of various species known to migrate upstream were responsible for minor variations in catch statistics at the different sampling sites.

In terms of tissue metal contents of the aquatic biota, little difference was found when results were compared with those of previous years. A more comprehensive study incorporating a human dietary survey, sediment dynamics and fish tissue analysis is planned for 2006.

Stream gauging stations previously operated jointly by the mine and the DEC are being re-surveyed for re-establishment. The stations, along the Auga/Angabanga rivers are expected to be operational before the end of 2005.

▶ CORPORATE SOCIAL INVESTMENT

Group

Last year, DRDGOLD reported that it had embarked upon an analysis of its current Corporate Social Investment (CSI) activities, with the intention of replacing an essentially mine-specific and ad hoc approach with something more co-ordinated and formal.

This intervention was put on hold in the light of pressing operational requirements, but it remains DRDGOLD's intention to establish a CSI corporate fund, with clear terms of reference and scope of activity. It is envisaged that such a fund, to be managed by a board of trustees with a degree of independent representation, would streamline CSI activity across all DRDGOLD's operations, both in South Africa and internationally.

In South Africa, notwithstanding the difficulties of FY05, assistance in cash and kind was provided to various causes and organisations - notably, sponsorship of an SABC television fun day at Gold Reef City, which ultimately led to the donation of new books to the library at Rocklands Primary School at Blyvoor; and the provision of premises at a nominal rental at Durban Deep mine to CLAW, an animal welfare, community development and HIV/AIDS support organisation active in under-privileged communities in the area.

Some of the activities undertaken by DRDGOLD at operational level during the year under review are summarised below.

▶ SOUTH AFRICA ▶ Blyvooruitzicht Gold Mine

Local employees comprise some 12% of the operation's complement. The mine has donated a number of facilities for the benefit of employees' families and the broader community. Harmony House, two mine houses converted at a cost of some R200 000, offers a safe haven for some 20 orphaned children.

A primary health care clinic has also been established, staffed by the Department of Health. Three schools, providing education to Grade 7, have been built by the mine.

In all cases, the mine absorbs the cost of rates, electricity and water. A number of recreational and sporting facilities, formerly operated by the mine, have been outsourced to local entrepreneurs.

As a general criterion, the mine seeks to ensure optimal maintenance and utilisation of assets no longer required. Where third parties lease or make use of mine premises for health- or education-related projects, the mine ensures the facilities are appropriately maintained.

The mine aims to encourage entrepreneurial skills, and allows employees to operate suitable small businesses from home.

► **North West Operations (until 22 March 2005)**

Until the end of 2004, the mine donated approximately R20 000 a year to local township schools and churches. In 2003, the mine sponsored a scholar for one year in a private school in Stilfontein.

► **East Rand Proprietary Mines (ERPM)**

Assistance is given mainly in kind, under the broad headings of education, training, health and beneficiation.

The New Comet School, which caters for 700 pupils to Grade 7, is situated on mine property and ERPM carries all running costs and pays the salary of one teacher. The operation also provides IT support.

An independent beneficiation project, the Intsika Skills group, operates a jewellery design and manufacturing workshop in premises made available by ERPM at its South East Vertical Shaft. ERPM carries the cost of water, electricity and security.

In terms of broader community involvement, ERPM, CGR and Khumo Bathong Holdings (KBH) jointly funded the Ekurhuleni Goodwill Games to the extent of R85 000.

► **Crown Gold Recoveries (CGR)**

A number of non-core activities, such as canteen and garden services, have been outsourced to former employees.

► **AUSTRALASIA**

As reported last year, DRDGOLD is committed to the broader socio-economic developments of the communities surrounding its Tolukuma Gold Mine (TGM) in Papua New Guinea.

Tolukuma believes that improving the health and well-being of its workforce is one of the keys to business success. It also believes that the provision of healthcare for the communities in which it operates is part of its responsibility as an employer.

The mine's commitment is demonstrated by the direct health services it provides, by a number of

health-related surveys it has undertaken, and by the ongoing health awareness and education programmes it has instituted.

Direct services include the Community Aid Post and mine medical centre. Situated in Tolukuma Village, the aid post is staffed by community health workers and operates six days a week. On the day the post is closed, staff travel to neighbouring villages conducting health checks and dispensing medicine.

The medical centre is staffed by a fully-qualified doctor and two health extension officers. Complicated cases or emergencies identified at the aid post are referred to the medical centre for treatment or – if necessary – evacuation to Port Moresby.

On the educational front, school buildings have been provided for local children, with teachers' salaries paid by the mine. Tolukuma is also proposing to extend its commitment to education through student sponsorship for secondary education, training of teachers, nurses and doctors, and vocational technical education. The sponsorships will be offered first to landowners and affected communities, then to the wider district and eventually to the rest of the country. A joint forum has been established to regulate dealings with the local community, and has proved extremely successful.

A range of agricultural projects have been established, which will provide viable employment after mining operations cease. The area surrounding the mine is ideally suited for growing coffee, but distances from the coast have, in the past, made transport prohibitively expensive. The mine pays for the transport of locally produced coffee to Port Moresby for export.

Tolukuma is also investigating the feasibility of establishing a local coffee producing plant. When the study is complete, and subject to the findings being positive, the mine will present a proposal to international coffee producers for the establishment of a coffee producing plant in the Woitape district.

► **MINING CHARTER**

The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry was adopted in October 2002, following a collaborative development process between the industry and the South African Government.

To monitor progress made by mining companies regarding the socio-economic elements covered by the Charter, a Mining Scorecard has been developed by the Department of Minerals and Energy (DME). Mining companies are required to report progress by answering questions on the elements listed below.

- Human resource development (comprising literacy training and skills development)
- Employment equity
- Migrant labour
- Mine community and rural development
- Housing and living conditions
- Procurement
- Ownership and joint ventures
- Beneficiation
- Reporting

Operational climate during year under review

It is important to note that DRDGOLD's progress in meeting targets set by the Scorecard has been negatively affected by a difficult business climate during the year under review. Substantial retrenchments have been necessary at Blyvoor and ERPM, while Buffelsfontein Gold Mines (Pty) Limited, (better known as North West Operations or NWO) was placed in provisional liquidation on 22 March 2005. The operations concerned (Buffelsfontein and Hartebeestfontein Mines) were placed under the jurisdiction of three liquidators appointed by the High Court of South Africa.

The decisions to retrench and to curtail operations were taken with reluctance, but with the operating viability of DRDGOLD as the foremost consideration. North West Operations in particular had become an unsustainable drain on DRDGOLD's resources, and removing

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this drain has provided a platform for recovery and future growth.

Other measures taken have included a 30% reduction in DRDGOLD's corporate headcount, a 50% cut in corporate costs and the sale of DRDGOLD's corporate office in Johannesburg.

Total employees at the South African operations as at the end of June 2005 are summarised below.

▶ THE SCORECARD: PROGRESS TO DATE

▶ Human resource development (HRD)

Human resource development (HRD)

In respect of HRD the Scorecard asks whether DRDGOLD has:

- ▶ offered every employee the opportunity to be functionally literate and numerate by the year 2005;

- ▶ implemented career paths for historically disadvantaged South Africans (HDSAs); and
- ▶ developed systems through which empowerment groups can be mentored.

Literacy training

Literacy training is provided through the Group's Adult Basic Education and Training (ABET) programme. ABET levels are defined by the National Qualifications Forum (NQF). The relationship between the various ABET levels and formal school and tertiary education is summarised in the table below.

Through the ABET programme, all DRDGOLD employees at the South African operations have the opportunity of achieving functional literacy and numeracy. The only exception to this is

ERPM, where the planned literacy audit was suspended because the mine was in closure mode at the time. Closure plans were subsequently reversed, and management intends to revisit this issue in the coming year through the newly-expanded training centre at Blyvoor.

At Blyvoor, ABET courses are offered on a part-time basis. The classrooms and facilities have recently been upgraded at a cost of some R150 000, which has increased the centre's capacity by 400 students. Some 285 students have been trained to date. Courses are presented by the Department of Education, who fund the cost of books and teachers' salaries. Courses are offered up to ABET Level 3.

During the year under review, eligibility for the ABET programme has been extended (at no charge to participants)

▶ NUMBER OF EMPLOYEES: SA OPERATIONS

OPERATION	EMPLOYEES AS AT 30 JUNE 2005 (including contractors)
Blyvooruitzicht	3 445
North West Operations*	–
Crown Gold Recoveries	925
ERPM	2 020
TOTAL	6 390

* North West Operations excluded.

▶ ABET TRAINING: FINANCIAL YEARS 2004 AND 2005

LEVEL	YEAR	NWO*	BLYVOOR	CROWN	ERPM**
Level 1	2004	148	115	4	–
	2005	–	51	7	–
Level 2	2004	118	84	2	–
	2005	–	47	6	–
Level 3	2004	80	43	–	–
	2005	–	34	6	–
Level 4	2004	97	115	4	–
	2005	–	–	1	–
Total	2004	443	357	10	–
	2005	–	132	20	–

* No numbers provided for ERPM in view of pending literacy audit

** North West Operations excluded.

to the wives and families of employees who reside in the vicinity, either in mine married accommodation or hostels that have been converted to family units.

At CGR, a full-time ABET facilitator is employed by the operation. The programme, which employees attend on a full-time basis while continuing to receive full pay, takes between three and four months.

It is offered twice a year, with each intake generally numbering approximately 10.

On application, CGR also assists employees who wish to complete Grade 12 studies. Employees are provided with an advance to cover full study costs, which they are only required to repay if they are not successful.

The table on page 28 summarises ABET training completed at the various operations during the course of the year under review, and totals to the end of the previous year from the inception of the programme.

Literacy levels achieved to date at the various operations are as follows:

- ▶ Blyvoor: 36% (Levels 1 to 3), 3.5% Level 4
- ▶ CGR: 70% levels 1 to 4
- ▶ ERPM: literacy audit pending

Skills development training

DRDGOLD had previously established a central Skills Development Centre at NWO. This forms part of the assets placed under liquidation, and

the existing training centre at Blyvoor is being expanded to take its place. The necessary procedures to apply for MQA accreditation are in place.

Career paths for HDSAs

Formal programmes are in place at all South African operations to identify and fast track historically disadvantaged South African (HDSA) employees with the appropriate potential.

DRDGOLD intends to provide candidates identified as having high potential with development opportunities through short-term secondments to its international operations in Papua New Guinea and Fiji. This system has already been successfully implemented in the reverse direction, with employees from Tolukuma Gold Mine in Papua New Guinea gaining experience in South Africa.

At present, career planning is handled primarily at operational level, in line with operational skill requirements and succession plans. From management levels (Paterson D Lower and above), manpower planning is managed on a group basis.

During the year under review, a total of R9.5 million was spent on skills development training at DRDGOLD's South African operations.

Blyvoor

Career progression is aligned to the operation's skill requirements. Through psychometric testing, employees with

potential to progress to mid-management levels have been identified. With effect from October 2004, a group of 10 employees is being fast-tracked (through what is referred to as the Titans' programme), with a career path planned to Paterson D Band level. Progress thereafter is a function of vacancies and performance.

CGR

At CGR, three metallurgical trainees and one junior engineer are either currently in or have completed learner training programmes. One of the metallurgical trainees has been appointed to foreman level. Three apprentices – of whom two have been appointed as artisans – have completed trade tests. A number of employees are also being assisted with part time B.Com degree studies.

▶ ERPM

A number of students sponsored by the Lesedi Initiative are obtaining practical experience at ERPM. The Lesedi Initiative, established by Khumo Bathong Holdings (KBH), sponsors the studies of three HDSA students in mining and related fields.

Mentorship programmes

Informal mentorship programmes are in place at all operations. It is planned to place these on a more formalised footing over the course of the next year, with assessors and mentors receiving the required accreditation through the new group training centre to be based at Blyvoor.

▶ HISTORICALLY DISADVANTAGED SOUTH AFRICANS in management positions: progress towards 40% target

	2004	2005	TARGET
Blyvoor	10.34%	15.60%	40%
North West*	15.38%	–	40%
ERPM	17.86%	27.00%	40%
Crown	15.38%	30.00%	40%
Corporate	28.57%	35.00%	40%
DRDGOLD	19.79%	28.58%	40%

* North West Operations excluded.

▶ WOMEN IN MINING: progress towards 10% target

	2004	2005	TARGET
Blyvoor	1.22%	1.60%	10%
North West*	1.41%	–	10%
ERPM	2.90%	3.20%	10%
Crown	5.20%	4.90%	10%
Corporate	28.57%	25.00%	10%
DRDGOLD	1.86%	2.69%	10%

* North West Operations excluded.

SUSTAINABLE DEVELOPMENT

► Employment equity

The Scorecard asks whether DRDGOLD has published its employment equity plan and reported on its annual progress in meeting that plan. Companies must put plans in place for 40% of management positions to be filled by HDSA employees, and 10% of total complement to be filled by women. These targets are to be achieved within a five-year period.

All operations have developed comprehensive employment equity plans, and progress on these is reported to the Board on a quarterly basis.

It must be noted that, while DRDGOLD remains committed to meeting and indeed exceeding its Scorecard targets, its ability to do so has been negatively affected by the difficult operating and financial conditions of the preceding year.

Due to significant downsizing and limited opportunities for new entrants, the only new recruits in the past year have been recalled ex-mineworkers. Where any new recruitment takes place, DRDGOLD's recruitment policy takes account of Scorecard targets.

► Migrant labour

The Scorecard poses the following question in respect of migrant labour:

- Has DRDGOLD subscribed to Government and industry agreements to ensure non-discrimination against foreign migrant labour?

Approximately 47% of the DRDGOLD's employees in South Africa are migrant workers from neighbouring countries. DRDGOLD does not discriminate against foreign migrant labour in any way, and adheres to the relevant inter-governmental agreements that are in place. In terms of the social plan agreed at Blyvoor during the downsizing exercise of October 2004, DRDGOLD provided skills training for all employees who opted for this, including foreign citizens. This of course meant that DRDGOLD was not able to access the usual Department of Labour subsidies in respect of these former employees, and carried the total cost of the training.

► Community and rural development

The Scorecard poses the following question:

- Has DRDGOLD co-operated in the formulation of integrated development plans and is DRDGOLD co-operating with the government in the implementation of these plans for communities where mining takes place and for major labour sending areas?

In the words of its published Code of Ethics, DRDGOLD "recognises that we all share a very real responsibility to contribute to local communities."

DRDGOLD is at various stages of developing a social and labour plan at each of its operations. These plans involve the establishment of a 'future forum', comprising representatives from management, employees and organised labour. The scope of these forums covers three phases:

- early detection of business or operational circumstances likely to lead to job losses, and avoidance of these losses where possible;
- the retrenchment phase; and
- analysis of skills needed in the local community, and appropriate training and development for retrenched employees.

The intention is for such training to be completed before the employee's retrenchment from the mine.

At Blyvoor, of 1 619 retrenched employees 350 volunteered to participate in the training offered. To date, 120 have completed courses in a range of skills ranging from basic business management to brick-laying and electrical work. Courses are offered by accredited service providers under the auspices of the Department of Labour.

At NWO, DRDGOLD has assisted the provisional liquidation process with a contribution of R45 million during FY05. Of this, R9 million has been allocated to the social plan for NWO. When the liquidation process is complete, the number of employees to

be retained by the new operators will be confirmed. The remaining employees will be eligible for skills training in terms of the social plan, the cost of which will be covered by the R9 million referred to above. Prior to liquidation, some 3 000 employees had been retrenched over a two-year period. Of these, approximately 500 mainly local employees opted to attend the skills training offered. The Department of Labour meets 50% of the cost of such training, providing approved service providers are used.

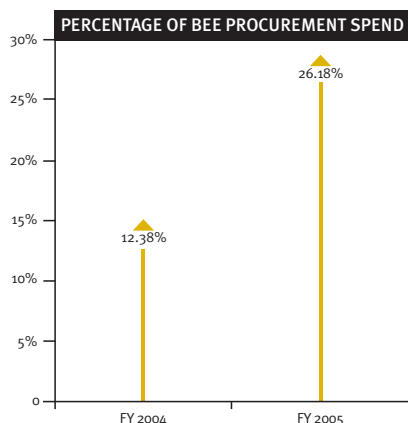
CGR recognises the possibility of closure in December 2008 and is therefore actively pursuing the implementation of its social and labour plan.

ERPM participates in the Ekurhuleni Mining Forum, a broad-based initiative for communication and consultation with local communities on safety, health and environment-related issues, impact of mine closure and job-creation opportunities.

In the major labour sending areas, DRDGOLD is exploring the possibility of co-operating with TEBA, which has a well-developed infrastructure of facilities and staff in the rural areas, in the development of appropriate community initiatives.

► Housing and living conditions

The Scorecard poses the following questions regarding housing and living conditions:



- ▶ For Company provided housing, has the mine, in consultation with stakeholders, established measures for improving standards of housing, including hostel upgrading, hostel conversion to family units, and promotion of home ownership?
- ▶ Has the mine established measures for improving Company-provided nutrition?

Hostel residents at the DRDGOLD's operations are as follows:

▶ Blyvoor:	1 806
▶ ERPM	300
▶ Total	2 106

At Blyvoor, the programme of hostel upgrading has continued. Some 108 hostel rooms were converted to family accommodation, and 47 units of visiting wives' accommodation are in place. Some 275 employees have opted to take the living-out allowance.

At NWO, prior to liquidation, one of the mine's four hostels had been converted to family accommodation at a cost of some R1.2 million.

At ERPM, the South West hostel was closed during the year. The majority of employees have opted for the living-out allowance, with only 300 employees accommodated in the remaining hostel. A housing forum has been established, and several meetings have been held with relevant stakeholders to explore a number of low-cost housing options. The operation is also exploring the possibility of employees being allowed to buy mine houses, currently subject to surface rights permits.

Comprehensive sporting and entertainment programmes, run by employees and local entrepreneurs, are in place at all hostels.

Insofar as nutrition is concerned, catering is outsourced to local companies at all hostels. The outsourcing contracts provide for menu plans to be overseen by qualified nutritionists. All hostels operate on a

three-meal cycle, and mid-shift supplements are also provided. Monitoring committees, on which hostel residents are represented, are in place.

There is no hostel accommodation at CGR, but 178 employees (out of a total complement of 406) participate in a local low-cost housing initiative. DRDGOLD assists employees in obtaining the relevant Government housing subsidies. Three individuals have taken occupation of their houses so far, and the necessary formalities are expected to be completed shortly in respect of the remainder.

▶ Procurement

The Scorecard poses the following questions in respect of procurement:

- ▶ Has DRDGOLD given HDSAs preferred supplier status?
- ▶ Has DRDGOLD identified the current level of procurement from HDSA companies (capital goods, consumables, services?)
- ▶ Has DRDGOLD indicated a commitment to progression of procurement from HDSA companies over 3-5 years (capital goods, commitments and services) and to what extent has this commitment been implemented?
- ▶ Is any training/capacity building provided to HDSA supplier companies?

At year-end, 22% of total procurement was spent with BEE companies, compared with 12% at the end of 2004.

▶ Ownership and joint ventures

The Scorecard poses the following question in respect of ownership and joint ventures:

- ▶ Has DRDGOLD achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% in HDSA hands within five years and 26% within 10 years?

After the 2005 financial year-end, DRDGOLD announced that it had signed a Memorandum of Understanding

(MOU) with its Black Economic Empowerment (BEE) partner, Khumo Bathong Holdings (Pty) Limited (KBH) in terms of which KBH will acquire 15% of DRDGOLD's South African operations, with an option to lead a BEE consortium in the acquisition of a further 11%. Fulfilment of the terms of the MOU will mean that DRDGOLD will have met in full the 10 year, 26% equity target stipulated by the Scorecard.

▶ Beneficiation

The Scorecard poses the following questions in respect of beneficiation:

- ▶ Has DRDGOLD identified its current level of beneficiation?
- ▶ Has DRDGOLD identified its baseline level of beneficiation and indicated the extent that this will be grown in order to qualify for the offset?

DRDGOLD has a 50.25% stake in NetGold Services, a subsidiary of GoldMoney.com, an internet-based gold marketing entity. GoldMoney.com grew its account-holders by 59% in the year under review to 21 762, spread throughout 102 countries. Gold held in storage for GoldMoney.com customers increased by 110% to 3 738 910 grams, and the number of London Bullion Market Association (LBMA) good delivery bars held in London vaults increased from 142 to 298.

Of the 156 additional bars, 146 (or 94%) were sourced from South Africa's Rand Refinery Limited (RRL), in which DRDGOLD is a 10.6% shareholder. RRL recently became the first refinery worldwide to secure Dubai Good Delivery accreditation, thus gaining invaluable access for one of the largest retail gold and jewellery markets in the world.

▶ Reporting

Mining Scorecard issues have been reported on in the last two issues of DRDGOLD's annual report.