

Transformation

TRANSFORMATION SOUTH AFRICA

Transformation in the South African mining industry is governed by the provisions of the Mineral and Petroleum Resources Development Act (MPRDA) and the Broad-based Socio-economic Empowerment Charter (the Charter). It is a requirement of the MPRDA that mining companies must convert their old order mining and prospecting rights to new order rights, and they are required to meet certain conditions before the applications for conversion are granted by the Department of Minerals and Energy (DME). The Charter sets out these conditions, and a Mining Scorecard, drawn up by the DME, lists the key elements of these.

Applications for mining rights conversions must be accompanied by social and labour plans (SLPs) setting out the company's detailed proposals for meeting targets set out in the Charter within five and 10 years from date of submission.

DRDGOLD SA has made good progress in the conversion process: Blyvoor's completed SLP was lodged with the DME in July; ERP's SLP is scheduled for completion in August; an application for a mining right in respect of the Top Star dump in Johannesburg has been submitted; and Crown's SLP is scheduled for completion in October.

Progress made at each operation in meeting Charter targets is outlined in the sections that follow.

HUMAN RESOURCES DEVELOPMENT

Has the company offered every employee the opportunity to become functionally

literate and numerate, and are employees being trained?

An Adult Basic Education and Training (ABET) programme is available at all DRDGOLD SA operations. The programme is regularly marketed to employees, largely through formal education and employment equity structures established with the National Union of Mineworkers (NUM) at all operations as well as through the company newsletters. At ERP, the programme is marketed to community members through the local district council and through local media advertisements. At all three operations the possession of an ABET Level 4 qualification or equivalent is a prerequisite for entry to the company's career development programmes.

At Blyvoor, ABET classes from Level 1 to Level 4 are available on a part-time basis to employees and the surrounding community (ABET levels are defined by the National Qualifications Forum). The Department of Labour appointed Masithuthuke, a company subcontracted by the University of South Africa (Unisa), to provide ABET to communities. As part of this initiative, Masithuthuke approached Blyvoor with a request for a venue where community members could be trained. The company made a venue available and mine employees will also be trained as part of this programme. Masithuthuke is supplying the education materials for those taking ABET Level 1 to Level 4 classes and for the teachers.

Nine Blyvoor employees completed ABET facilitation training during the year under review.

Other noteworthy developments during FY07 include the provisional Mining Qualifications

NUMBER OF EMPLOYEES INCLUDING CONTRACTORS

Operation	FY06	FY07
Blyvoor	4 520	4 623
Crown	925	1 165
ERP	2 020	2 139
Corporate and regional	43	44
Total	6 390	7 971

ABET

(includes full- and part-time participants)

Numbers who have enrolled on the programme since inception – excluding FY07			
	Blyvoor	Crown	ERP
Level 1	257	14	N/A
Level 2	187	18	N/A
Level 3	127	12	N/A
Level 4	115	6	N/A
TOTAL	686	50	N/A

ABET

(includes full- and part-time participants)

Numbers enrolled on the programme in FY07			
	Blyvoor	Crown	ERP
Level 1	36	10	47
Level 2	32	7	5
Level 3	18	5	7
Level 4	11	2	0
TOTAL	97	24	59

ABET (Future plans and target levels)

Blyvoor	Crown	ERP
Establish individual development plans (IDPs) for all existing ABET students in order to expand existing talent pools.	Crown will conduct a literacy and numeracy assessment in 2007 to determine future ABET needs.	In terms of ERP's workplace skills plan, the target is to enrol 120 full-time ABET learners per year from 2007 to 2011.

Authority (MQA) accreditation received by Blyvoor's training centre. This covers the ABET programme and the Competent Persons A and B workplace training required by legislation. Personnel in the relevant occupations at Blyvoor have all completed Competent Person A and B training.

At Crown, full-time ABET classes (Level 1 to Level 4) are available to all employees on company premises, with some 20 learners enrolled per year. Participation is on a voluntary basis. The facilitator has applied for MQA accreditation.

At ERPM, the ABET centre was established in October 2006. Four trained facilitators, all ERPM employees, offer full-time and part-time ABET classes to employees and the surrounding community.

In future the centre will include computer training and will offer tuition in Grade 12 subjects to help the community. The mine will assist the centre until it can function on its own – the cut-off is 2010.

Has the company implemented career paths for historically disadvantaged South African (HDSA) employees, including skills development plans?

Detailed career paths and skill development plans are in place for all employees. The DRDGOLD SA Career Development and Transformation Committee was established during FY07. Membership comprises senior regional management and the general manager and human resources manager of each operation. The committee meets monthly and reviews the progress of the identified talent pool at each site.

DRDGOLD SA

Career Development Programme 2007

	Blyvoor	Crown	ERPM
Learnerships	10	6	12
Graduates	10	3	5
Lesedi programme	N/A	N/A	7

During the year under review, the three operations embarked on a major drive to foster talent in the organisation. Applications for learnerships – to be completed through a combination of theoretical and practical learning – were invited from existing employees and surrounding community members. On completion of their studies, the learners (10 from Blyvoor, 12 from ERPM and six from Crown) will be fast-tracked into the HDSA talent pool in the mining, engineering, metallurgical and mineral resources management disciplines. The first group of six learner miners at ERPM graduated from the learnership programme in June 2007. Some of the 10 learners at Blyvoor are due to complete their studies in May 2008 and the rest in September 2009. The company has launched a recruitment drive for 10 graduates to be placed at each operation.

At Crown and ERPM, employees are assisted on request, through an interest-free loan or study support, to pursue part-time study in their respective fields. Plans are in place to introduce this scheme, on a merit basis, at the other two operations as part of the career development and succession planning process.

At ERPM, seven students in mining and related fields gained practical experience during the year. The students were sponsored by the Lesedi Trust, established in 2002 by Khumo Gold.

During the year under review, a total of R4 million (FY06: R3.15 million) was spent on skills development and training.

Has the company developed systems through which empowerment groups can be mentored?

Mentorship programmes are in place at all DRDGOLD operations. Mentors have been identified, trained and assigned to protégés. At Blyvoor, 13 mentors have been trained.

EMPLOYMENT EQUITY

Has the company published its employment equity plan, and is it reporting on progress?

Blyvoor, Crown and ERPM have all submitted employment equity plans to the Department of Labour. Progress is reported quarterly at employment equity and training and development forums.

Has the company identified a talent pool and is it fast tracking it?

IDPs have been established in respect of all trainees and protégés. Plans are reviewed regularly with mentors, line managers and the Career Development and Transformation Committee.

At Blyvoor, 27 employees have been identified as having the potential to move into management positions in time.

Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years, and is it implementing the plan?

Plans to achieve this target within five years of submission of the relevant operation's SLP are in place at all operations. As noted earlier, SLPs have been submitted to the DME in respect of Blyvoor and as part of the application to mine the Top Star dump, and are scheduled to be submitted for ERPM and Crown during the first half of FY08.

HDSAs IN

MANAGEMENT* POSITIONS

Progress against 40% target

	FY06	FY07
Blyvoor	15.6%	16.7%
Crown	27.8%	38%
ERPM	30%	30%
Regional and corporate	37.5%	21.2%**

*It should be noted that a standard definition of management (equating to foreman level or Paterson C-Upper) has now been agreed, replacing the previous definition which equated to Paterson D-Lower.)

**Previously only the corporate figure was reported, current year includes regional figure.

Transformation continued

The current position is regularly monitored against targets.

Blyvoor has plans in place to achieve 40% HDSA compliance by 2011.

Has the company established a plan to achieve a target for the participation of women in mining of 10% within five years, and is it implementing the plan?

At Blyvoor plans are in place for upgrading change houses and facilities for female employees, at a budgeted cost of R1.7 million. Work is scheduled to begin in October 2007, with a targeted completion date of February 2008.

WOMEN IN MINING

Progress against 10% target

	FY06	FY07
Blyvoor	4.7%	6.6%
Crown	3.6%	6%
ERPM	3.5%	5.5%
Regional and corporate	25.6%	25.0%

ERPM is planning to build a change house for women at the reduction plant by June 2008.

All the operations have made good progress in the past year, and are more than half way towards achieving the 10% target.

MIGRANT LABOUR

Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?

Migrant employees – defined as non-South African citizens originating from a Southern African Development Community (SADC) country – constitute 35% and 30% of the total workforce at Blyvoor and ERPM respectively. The equivalent percentages in FY06 were 43% and 33%. There are no migrant employees at Crown.

DRDGOLD adheres to the various international agreements that are in place,

and does not discriminate against foreign migrant labour in any way.

COMMUNITY AND RURAL DEVELOPMENT

Has the company co-operated in the formulation of integrated development plans for communities where mining takes place, and for major labour-sending areas?

DRDGOLD is committed to contributing to the long-term economic well-being of the areas in which it operates and from which it draws its employees.

Blyvoor's SLP has been submitted to the DME. Representatives of the mine have regular and structured contact with the Merafong City Council, with the objective of identifying local economic development projects for support.

During the year under review, Blyvoor made available two buildings in the mine village, a former post office, which is being used as a library, and a redundant hospital, which will function as a hospice for the community. In addition to subsidising the running costs of the latter building, the mine extended the use of its facilities to hostel dwellers and for the holding of ABET classes.

Blyvoor has conducted an extensive drugs and alcohol awareness campaign into the community which culminated in the holding of a HIV/Aids awareness day.

The mine has helped to improve the local day care centre by upgrading a number of its facilities and by donating reading and educational material.

Crown representatives regularly participate in discussions with the Johannesburg Municipality. The mining rights application in respect of the Top Star dump includes a proposal to sponsor a nursery project operating from the site of a former hostel. Sponsorship to the value of R160 000 a year is envisaged if the mining right is granted. The broader Crown SLP, which is due to be submitted to the DME before the end of 2007, also includes proposals

in respect of a number of community training projects.

ERPM's SLP is also ready for submission to the DME. The operation continues to participate in the Ekurhuleni Mining Forum. ERPM's contribution to local community upliftment and development was acknowledged in 2007, when it was selected as a recipient of one of the awards presented by the Professional Management Review to business leaders in the Ekurhuleni Municipal District.

DRDGOLD SA has also held discussions with Teba regarding possible participation in a number of projects managed by the organisation on behalf of the mining industry in the rural labour-sending areas. Project focus areas include agriculture, education and health.

HOUSING AND LIVING CONDITIONS

Has the company established measures for upgrading hostels, converting hostels to family units, promoting home ownership options for mine employees, and improving company-provided nutrition?

Both Blyvoor and ERPM report declining numbers of hostel residents, with a greater number of employees opting to receive the living out allowance.

At Blyvoor, 1 995 employees reside in two hostels (FY06: 2 484), while 225 mineworkers reside with their families in three mine villages. In FY06, the mine embarked on a programme of upgrading hostel rooms to family accommodation. To date, 171 rooms have been completed at a cost of R695 000, with the conversion of 106 rooms still in progress. The total budgeted project cost is R1.2 million.

At ERPM, hostel occupancy declined to 161 from 258 in FY06. The majority of eligible employees (1 978 in the current year) continue to opt for the living-out allowance.

There is no hostel accommodation at Crown. The company assists eligible employees in

obtaining government housing subsidies. Catering at all company hostels is outsourced and overseen by qualified dietitians. An additional meal pack has been introduced for underground employees at Blyvoor.

PROCUREMENT

Are HDSA suppliers given preferred status? Has the company indicated a commitment to a progression of procurement from HDSA companies over a three- to five-year time frame in terms of capital goods, consumables and services, and to what extent has that commitment been implemented?

DRDGOLD has continued to make good progress in meeting targets in this area. At the end of the year under review, 54% of total procurement spend had been placed with suppliers with some degree of HDSA ownership, compared with 48% in FY06.

OWNERSHIP AND JOINT VENTURES

Has the mining company 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?

DRDGOLD SA is jointly owned by DRDGOLD Limited and its black economic empowerment (BEE) partner, Khumo Gold SPV (Pty) Limited, with respective holdings of 74% and 20%. The balance of 6% has been reserved as the foundation for an employee trust. This has ensured compliance with the Mining Charter's 10-year target for BEE equity participation.

BENEFICIATION

Has the company identified its current level of beneficiation?

DRDGOLD has a 50.25% stake in NetGold Services, an affiliate of GoldMoney.com, an Internet-based entity through which gold can be bought and sold through units of

account called goldgrams. (One goldgram represents a gram of gold, or 0.032 ounces.) Goldgrams are underwritten by physical gold stored in a secure vault in London in the form of London Bullion Market Association (LBMA) good delivery bars. Goldgrams can be used as a means of investing in gold or as an alternative to currency in making on-line payments.

During the year under review, gold held in storage for GoldMoney.com customers increased from 5.50 million to 6.38 million goldgrams, an increase of 16%. The additional gold bars that this increase brought into the system were all sourced from Rand Refinery Limited, in which DRDGOLD has a 4.1% shareholding. GoldMoney.com's total assets held in storage on behalf of customers is \$192 million.

REPORTING

Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?

Scorecard issues have been comprehensively reported in the last four issues of the company's annual report.