

Aug / Sept  
2003

# North West closure review

On 25 August, management of DRD unveiled its plan to avoid the closure of the company's North West Operations (NWO), following an announcement on 21 July 2003 that, in light of the continued weakness of the gold price in Rand terms, and following extensive management actions, the company would be forced to enter into a 60-day review of the NWO near Klerksdorp.

The proposal comes just one month into the 60-day review and indicates:

- a reduction in gold output of approximately 20%;
- the mothballing of some infrastructure; and
- a possible reduction in manpower of approximately 4500.

Having invited inputs from organized labour and other stakeholders, the company will continue to assess and develop its proposal in response to such inputs. It will also seek to reach agreement in principle on certain working practices, which it considers essential for the development of its rescue plan, including the following:

- full calendar operations (FULCO);
- winter months practices to reduce power consumption; and
- the 'early starter' concept to stagger shift times.

Management is confident that the present mine life of 15 years can be preserved and the recommissioning of certain medium grade areas carried out should economic conditions improve, the continued strength of the Rand and its impact on operating margins notwithstanding. Current capital investment of R47million has been budgeted, with the aim of fast tracking development into identified higher grade areas of the mine.

The presentation of management's proposal was preceded by nine communication and rescue strategy meetings held by committees established at mine level between the representatives of organized labour and management, as well as two facilitation meetings under the auspices of the Council for Conciliation, Mediation and Arbitration in terms of the provisions of the Labour Relations Act.

Other stakeholders, including the Department of Labour, the Department of Minerals and Energy, and the national executive of labour unions and associations have also been informed and asked to comment. DRD retained consultants SRK (technical) and PricewaterhouseCoopers (financial) immediately after announcing the review to independently monitor the process and verify the data on which its proposals are based. Shareholders will be kept informed of the process, specifically as and when material changes occur.



## Wage settlement reached

Durban Roodepoort Deep, Limited is pleased to report that the company's wage negotiations with the National Union of Mineworkers (NUM) were concluded on Monday, 18 August 2003, with settlement reached on a 24-month wage deal. The company announced at that time its intention to introduce an employee equity participation scheme.

DRD has granted its employees an average increase in basic wages in year one for category 3-8 employees of 11,5% at its Blyvooruitzicht and Buffelsfontein operations, while its Hartebeestfontein operation – part of the North West group of mines, and currently subject to a 60-day review – has received a staggered increase of 7,3% as of 1 July 2003 plus an extra 2% with effect from 1 January 2004.

continued on page 3...

# DRD, INVESTEC strike share option agreement

## Proceeds' purpose includes growth: Wellesley-Wood

On 25 August 2003, Durban Roodepoort Deep, Limited (DRD) announced that it had entered into an agreement with the Investec Group in terms of which Investec has secured an option to acquire 18 million new fully paid up DRD ordinary shares.

The option is an American-style call option with a strike price in US Dollars equal to 95% of the trade-weighted average price of DRD American Depository Receipts (ADRs) trading on NASDAQ for the 30 days prior to the exercise date. The option carries an expiry date of 3 October 2003.

On the assumption that the option is exercised, DRD will apply the proceeds towards its general corporate funding requirements, including growth, according to Chairman and CEO Mark Wellesley-Wood.

"We are very pleased to have reached an agreement

of this nature with a local institution such as Investec," he said. "Together with the success of our convertible rights offer in the United States late last year and strong institutional demand generally for DRD stock in the past quarter, it underscores the value of DRD's mining assets and management capacity, and of the company's restoration to fundamental operating and financial soundness."

The agreement was as much a vote of confidence in the potential of the South African mining sector as a whole, as it was in DRD, Wellesley-Wood said.

"With local miners looking both to the challenges posed by the need for continued growth and meeting the requirements of South Africa's Mining Charter, it is particularly encouraging to see growing investment support from local institutions," he said.

## Introducing **Johann Engels**

Johann Engels, group human resources manager, bristles energy. It was his love of sport that drew this native of Namibia to the mining industry. After completing his schooling in Pretoria, he was awarded a sports scholarship to study at the University of the Orange Free State.

A graduate with an honours degree in psychology, Johann began his career in the gold mining industry in 1977 as a sports officer at Anglovaal's Lorraine Mine in the Free State Goldfields. He worked his way upward through the human resources management ranks at Anglovaal and was senior human resources manager at the company's Hartebeestfontein Mine in North West Province when it was bought by DRD in 1999. He points out – with not a little pride – that he was the only senior manager to survive the takeover.

"From the start, I identified with DRD's no-nonsense approach to turning around marginal mines."

Since taking on the mantle of Group HR Manager last year, Johann describes his biggest challenges and successes as "the development and implementation of a proper training and

development strategy – DRD's first in recent times – and the switch at East Rand Proprietary Mines from contract labour to its own workforce on conditions which are the envy of the mining industry.

He's pleased, too, with DRD's recently concluded wage settlement – particularly the inclusion of numerous socio-economic features, a number of which are firsts in the South African mining industry.

Johann concludes, "there are four challenges ahead, all with critically important HR dimensions and varying timeframes; first, resolving the current crisis at our North West Operations, working towards meeting the requirements of the Mining Charter, introducing low-cost housing options for our employees on under-utilised mine-owned land, and launching the promised employee share ownership scheme."

A married father of two grown-up daughters, Johann confesses he's still mad about sports. "Give me anything to do that involves a ball of some sort and I'm happy."

# Debt is piling up everywhere

Markets are at last wising up to the fact that what feeble recovery we have enjoyed to date, has largely been funded and the consumer has increasingly financed current consumption at the price of future repayment. In doing so they have made two bets – that interest rates will stay low, and that recovery is around the corner. Both increasingly look false.

The pile up of consumer debt has continued apace. In the UK the average individual is \$5 000 in debt before their home loans of average \$15 000, similar figures have been reported in the U.S. and Australia.

What makes it more likely that one of these bets is wrong is the addition of increasing public sector debt.

There isn't a major economy where the budget deficit is not expected to exceed forecasts and President Bush is leading

the way. For, alongside his war on terror, and the need to get re-elected next year, he has introduced a tax cutting programme to cheer the staunchest of Republicans but he is spending like a drunken Democrat in a saloon bar.

The result is the biggest cash deficit in U.S. history

With so much money being deployed, it is not surprising a world economic recovery is on the way. The risk is far from experiencing deflation, inflation could return.

The gold market is positively sparkling, but the lights are also shining in the eyes of the inflationary corpse.

Fasten your seatbelts and enjoy the ride!

*Mark Wellesley-Wood*

## wage settlement continued from page 1...

While the R2000,00 minimum wage has already been achieved for underground employees, the wage offer ensures that all surface employees will also receive the minimum wage of R2000,00 with effect from 1 July 2004.

Responding to calls from NUM for greater equity participation, DRD is working with a South African bank to develop a share ownership scheme that will ensure no untoward risk for employees.

### Other points in the wage settlement included, among others:

- All future contractors to provide similar death, retirement and health cover as DRD, Ltd operations.
- Non-discriminatory policy for the allocation of

mine accommodation based on affordability by individual employee.

- Conversion of unutilised hostels into family accommodation.
- Provision of redundant land for housing projects.
- The Company supports the NUM's initiative to establish a bargaining Council with a Junior Sub-Chamber for marginal operations.
- Establishment of job-generating projects for paraplegics and other seriously injured employees.
- The Company will provide an environment conducive to the employment of women.
- The Company will enhance funeral benefits paid by the Mineworkers Provident Fund for employees involved in mine accidents.

DRD Building • 45 Empire Road • Parktown • Johannesburg  
PO Box 390 • Maraisburg 1700 • Tel: +27 (11) 381 7800 • [www.durbans.com](http://www.durbans.com)

**WANT A QUICK RESPONSE TO YOUR QUESTIONS ABOUT DRD? Email: [graulich@drd.co.za](mailto:graulich@drd.co.za)**

Certain statements contained in this document contain certain forward-looking statements regarding Durban Roodepoort Deep, Limited's operations, economic performance and financial condition. This includes those concerning the economic outlook of the gold mining industry, expectations regarding the price of gold and production, the completion and commencement of commercial operations of certain of Durban Roodepoort Deep's exploration and production projects, its liquidity, and capital resources and expenditure. Although Durban Roodepoort Deep, Limited is of the opinion that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Actual results could differ materially from those set out in the forward-looking statements. Among other factors, this could be as a result of changes in economic and market conditions, the success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in the price of gold and exchange rates, and business and operational risk management.



DURBAN ROODEPOORT DEEP, LIMITED

