



Low cost *and* quality strategy bears fruit

Analysts and media visited Hartebeestfontein Mine during November 2000, where they were updated on the restructuring taking place at the mine and the expectations for the next few years.

The restructuring has focused primarily on two key cost drivers, namely organisational structure and the mining plan. The predominant rationale for this intervention was the reduction of the cash cost price of R62 000/kg to a target of R48 000/kg. A 30% cut in the labour force has subsequently resulted in direct cost reductions of some 12% of total costs.

The mining team at Harties has exceeded its gold production target for much of the past year, with the mine call factor – a measure of success in extracting all contained metal following the extraction process – having risen from 75% to a peak of 95%.

A grade of 6 to 8 g/t has resulted in a bankable eight year life of mine (vetted by SRK). Surface resources of over one million ounces will keep the metallurgical plants running at capacity for the foreseeable future while several new

surface resources are subject to an intensive exploration programme. Harties, which was purchased at the low price of R45 million (US\$6m), is set to become the key asset in DRD's new "low cost and quality" strategy. The turnaround skills of the DRD team are evident in the quantum turnaround that has been achieved. Operating profits rose from below R5 million/month (US\$0,67m) to average around R16 million (US\$2,1m).

Based on the existing ore reserve base, management predicts a life to 2010 with gold production of around 450 000 ounces at Harties for the first four years.

Productivity has improved and costs have fallen, allowing the cash-generating capabilities of the DRD team to come through. The 6,6 million ounce resources should generate around R175 – R200 million (US\$23 – 27m) in operating profits for the next four years.

Said DRD Chairman, Mark Wellesley-Wood, "The company has a strategy now that fits the current low gold price environment, and patient shareholders should soon reap the benefits from the cash flow orientated strategy."



Mark Wellesley-Wood
Chairman

Message from Mark

Welcome back from the break over the festive season. I would like to thank everyone who fed through comments on the first edition of the Investor Brief. I trust that we will continue to improve on it and provide you with news that is both relevant and useful.

A presentation on the quarter ended December 2000 will be held on 18 January, after which we will embark on an international roadshow to take the news to our investors abroad.

In recent months we have also received a number of pertinent questions, the answers of which we felt would probably be useful to many more than those asking the questions. We have thus posted these on the website under the banner 'Frequently Asked Questions.' Please access these should you wish to, and let us have any other queries you may have on investor@drd.co.za.

We are also in the process of reviewing the website with a view to improving the site so that it is more suited to our communication needs and would welcome any comments in this regard.

I look forward to a successful year and wish every one of our readers all the best for 2001.

Mark Wellesley-Wood

PROFILE: NEIL HERRICK, GM NORTH WEST OPERATIONS

Neil, General Manager of the North West Operations (Harties/Buffels), joined DRD in October 1999.

He graduated from the University of Newcastle upon Tyne in 1987 with a B.Eng Honours degree in Mining Engineering, having spent short periods of time working for Impala Platinum and British Coal.

Upon graduation Neil joined the Gold and Uranium Division of Anglo American in the West Rand Region. After a short spell at Elandsrand he moved to Western Deep Levels where he spent 12 years between the recently renamed Mponeng and Tau Tona Mines.

His first appointment at DRD was as the Manager of Harties where he directed the restructuring process.

In October 2000 he was appointed as the General Manager of the North West Operations and carried out the amalgamation of the Buffels and Harties management structures into a single entity.

Neil says that he is very proud of the achievements of his team over the past year and is committed to replicating them in 2001. He describes his approach to his work most appropriately by quoting Jack Welch (CE of General Electric): "Control your own destiny or someone else will."



For a copy of the 2000 Annual Report contact Maryna Eloff on +27 (11) 482 4968
or email: eloffm@drd.co.za

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DRAFT MINERAL DEVELOPMENT BILL not a threat to DRD

On 18 December 2000, the Department of Minerals and Energy (DME) released the revised Mineral Development Draft Bill for public comment. Once finalised, the Bill will direct the South African mining industry into the future.

The fundamental principles underpinning the Bill are:

- Mineral resources are the common heritage of all South Africans and belong collectively to all its people;
- The right of State to exercise full and permanent sovereignty over all its natural resources;
- Public trusteeship of South Africa's mineral resources;
- To redress the results of past racial discrimination and ensure that historically disadvantaged persons participate in, and benefit from, the exploitation of the nation's mineral resources;
- Security of tenure for prospecting and mining operations;
- Environmental protection and sustainable development; and

- Promotion of local and rural economic development and social upliftment of communities affected by mining.

At a press conference held by the DME the Minister of Minerals and Energy, Phumzile Mlambo-Ngcuka, reiterated that the Bill was not yet finalised and that only once all comments had been reviewed would the Department be in a position to seek final cabinet approval.

In response to the release, the Chamber of Mines, the employer body representing the South African mining industry, voiced concerns regarding some of the issues in the Bill. It has undertaken to review the document in detail and revert back to the DME with any concerns and some suggestions as to how these could be satisfactorily resolved.

"DRD does not see the Draft Bill as a threat. We use and prolong the lives of our assets; in fact, we look to purchase and operate assets which other mining companies can no longer make economically viable," said Mark Wellesley-Wood.

Special Committee Investigations update

On 10 August 2000, DRD established a Special Committee to investigate certain material irregularities which had come to the attention of the Audit Committee, and which had arisen as a result of the company's Australian investments. The principal control weaknesses were the dual reporting function to the former Chief Financial Officer, who was also Chief Executive of the Australian operations at that time, coupled with the fact that DRD's Perth office operated a separate treasury.

The Special Committee was mandated to institute legal proceedings in respect of potential recoveries. In aggregate, it is believed that the approximate direct financial loss is around R80 million and there may be further claims for consequential losses. Full provision has been made for all identified losses and any recovery will only have a positive impact on the financial results.

The company's insurers have been notified of a claim for any possible losses incurred.

Owing to the absence of any new irregularities coming to light, and, in view of the progress made in the recovery process, the Special Committee will now be disbanded, with its final report being submitted to the Audit Committee on 15 January 2001. The continuing legal proceedings will now be handled by management in the normal course of business, with the assistance of its legal advisers, reporting to the Audit Committee.

FOCUS on COST SAVINGS

The DRD Group has adopted a continuous improvement philosophy and, as such, are seeking reductions in working costs of between 5% and 10% through a sharpened focus on materials management. Very soon all the ordering for all the South African operations will be conducted from one central office on an integrated materials procurement system, and from a reduced list of pre-approved suppliers. DRD is seeking to establish long-term

relationships with approved suppliers to ensure best prices and terms for all goods and services supplied. In addition, DRD board and management has adopted a "zero tolerance" attitude to employees and consultants who derive unauthorised personal gain through the materials purchasing process. Better systems and tighter controls will assist in obtaining best prices for the Group and achieve the targeted savings.



DURBAN ROODEPOORT DEEP, LIMITED

DRD Building • 45 Empire Road • Parktown • Johannesburg
PO Box 390 • Maraisburg 1700 • Tel: +27 (11) 482 4968 • www.durbans.com

WANT A QUICK RESPONSE TO YOUR QUESTIONS ABOUT DRD? Email: investor@drd.co.za

DRD undertakes global roadshow

The DRD executive team and consultant Dennis Tucker will be undertaking an institutional road show through Europe and the US to discuss the changes at DRD and report firsthand on the final quarter of 2000. The team will visit, among others, New York, London, Paris and San Francisco. If you wish to attend one of the meetings while we are in your city, please contact Dennis Tucker on dennis@corner-house.co.za and an arrangement to include you will be made.

Following the roadshow, the executives will attend Indaba, the largest mining conference in Africa.

