

# **Durban Roodepoort Deep, Limited**

## **Adding value to Vatukoula**

April 2004

Ian Murray, Chief Executive Officer



Durban Roodepoort Deep, Limited

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# Overview

- Profile of DRD
- Emperor: a strategic fit
- DRD can turn Vatukoula around
- Snapshot of the merged entity
- Summary of the Offer

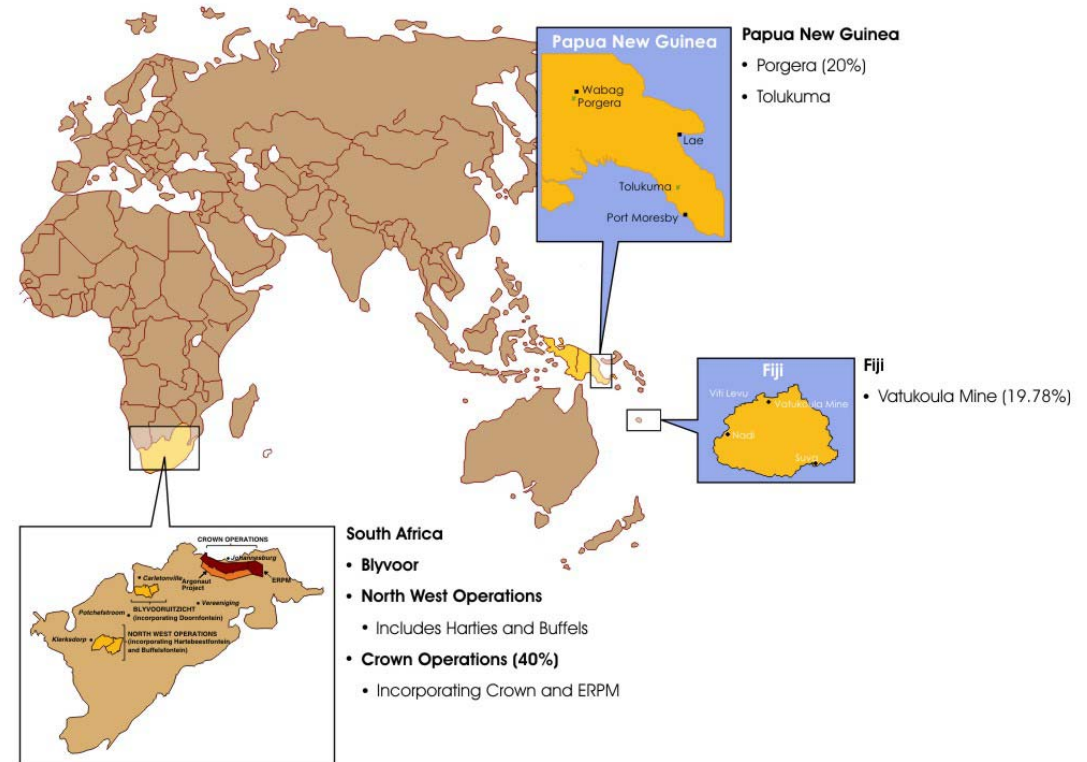


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# An international gold company

*Profile of DRD*

- Operations in South Africa and Australasia
- Interests in eight mines in three countries
- Geographically diverse shareholder base
- Most heavily traded gold stock worldwide



# A successful mine owner / operator

*Profile of DRD*

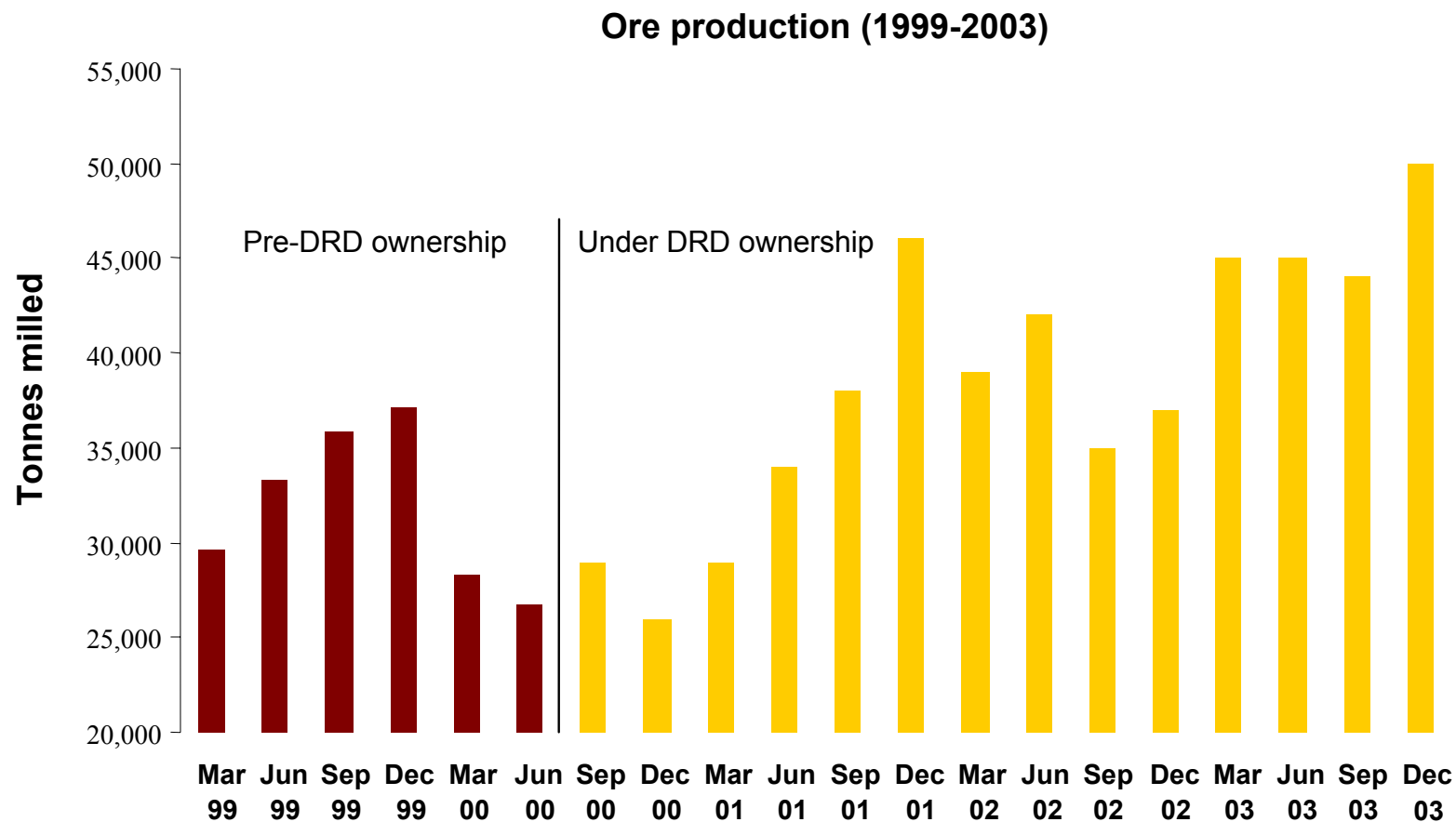
- Specialist in extending life, maximising value of complex underground mines
  - successfully extended the lives of existing mines by 50 years in total

	At acquisition (years)	2001	2002	2003
<b>Blyvoor</b>	4 (1997)	6	18	22
<b>Harties (NWO)</b>	1.5 (1999)	8	12	15
<b>ERPM</b>	0 (2002)	n/a	0	11
<b>Buffels (NWO)</b>	2 (1996)	4	6	7
<b>Tolukuma</b>	1.5 (2000)	0.5	1	4

# A successful mine owner / operator, cont'd

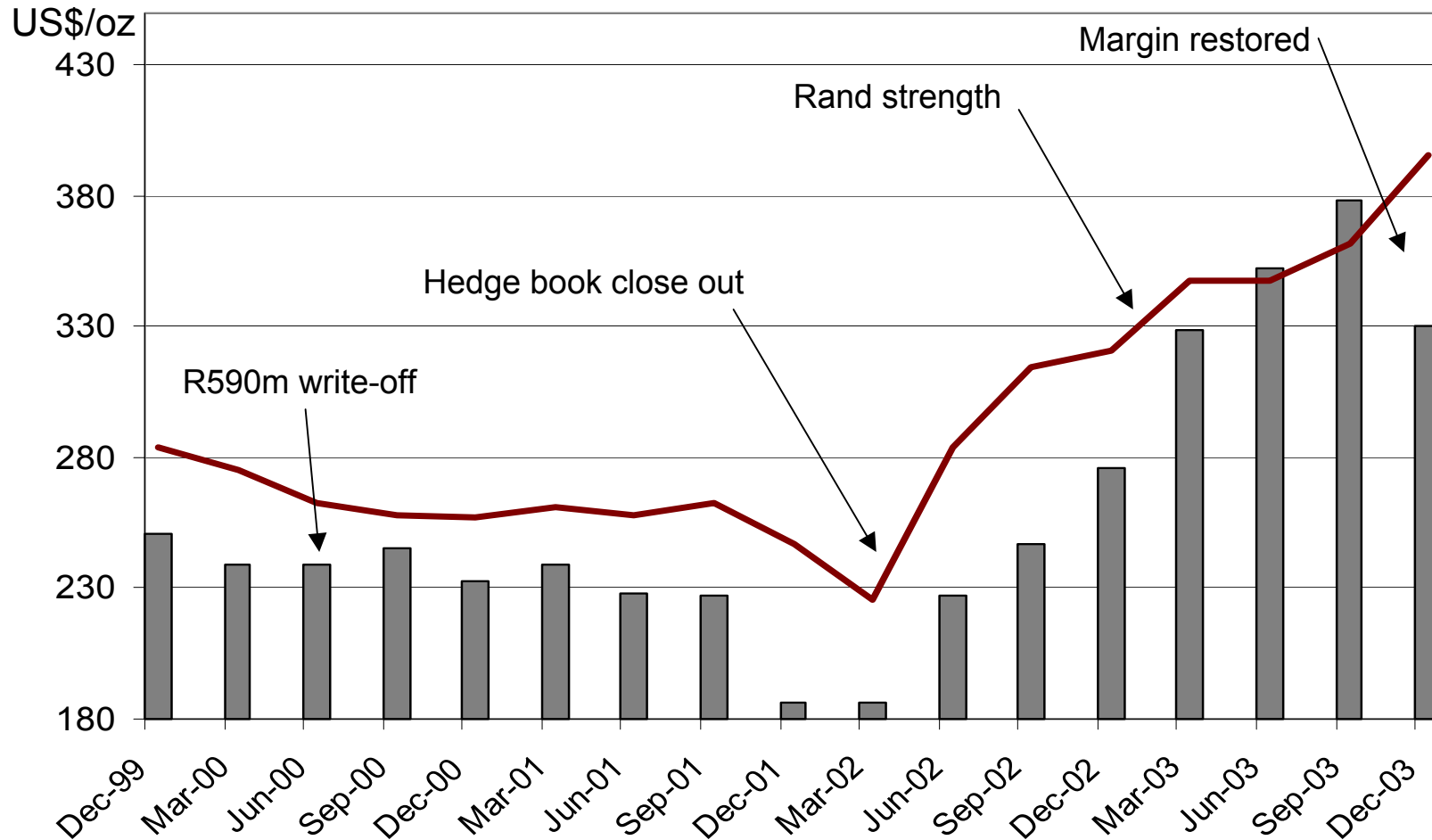
*Profile of DRD*

- Tolukuma production turnaround



# Margin management

Profile of DRD



Source: Company report

■ Cash operating costs

— Gold price

# DRD operational summary

*Profile of DRD*

	Costs (US\$/oz)	Production ounces (troy)	Cash operating profit/(loss) (US\$m)	Comment
<b>South Africa</b>				
North West*	399	81,632	(0.5)	<b>Dec costs below \$350/oz</b>
Blyvoor	346	64,045	2.8	<b>Underground grade hits 9 g/t</b>
Crown (40%)	365	23,727	1.5	<b>Steady</b>
<b>SA total</b>	<b>374</b>	<b>169,404</b>	<b>3.8</b>	<b>Focus on restoring margin</b>
<b>Australasia</b>				
Tolukuma	253	21,767	3.0	<b>36% margin on gold price</b>
Porgera (20%)	222	46,136	8.8	<b>Fulfilling strategy</b>
<b>Aus Total</b>	<b>231</b>	<b>67,903</b>	<b>11.8</b>	<b>400,000oz Australasia</b>
<b>GROUP TOTAL</b>	<b>333</b>	<b>237,307</b>	<b>15.6</b>	

\* North West Operations include Harties and Buffels operations

# DRD financial summary

*Profile of DRD*

	December 2003	September 2003
Cash on hand	US\$21 million	US\$86 million
LT & ST debt	US\$10 million	US\$11 million
Shareholders' equity	US\$86 million	US\$54 million
Mining assets	US\$157 million	US\$81 million
Interest-bearing debt/equity	82%	134%
Interest-bearing debt/capitalisation	10%	12%
Interest-bearing debt/total assets	24%	30%

# DRD's growth strategy

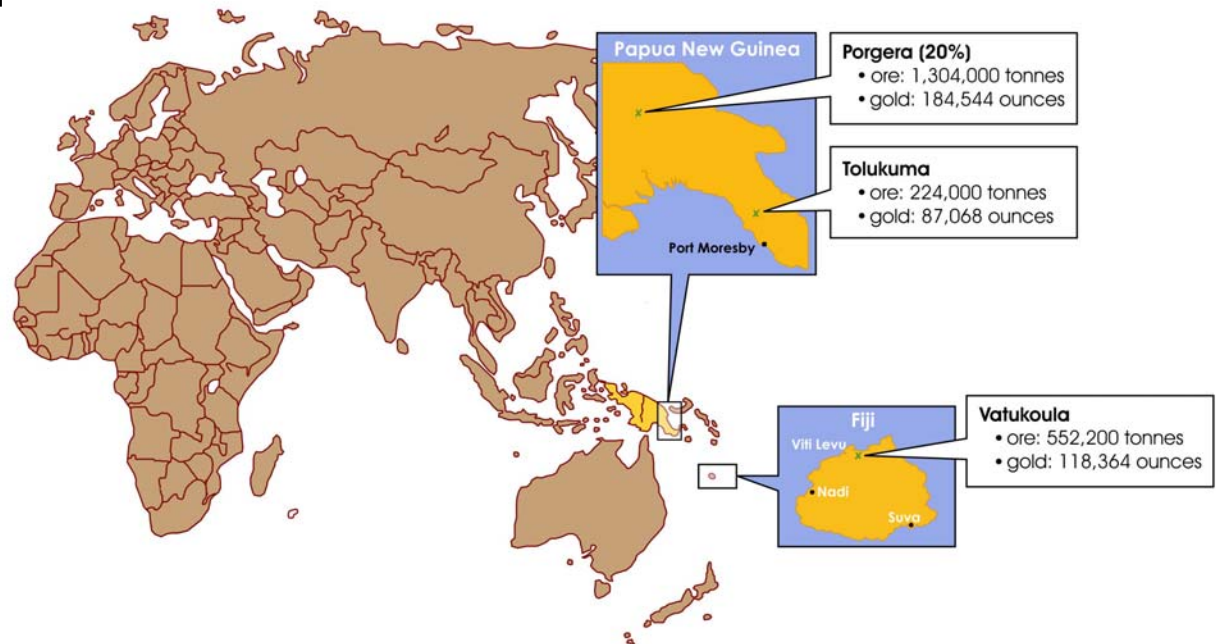
*Emperor: a strategic fit*

- To achieve sustainable, diversified production profile by:
  - increasing output from existing operations through extending mine lives
  - making strategic acquisitions (compatible operations, turnaround opportunities such as Emperor)
- To maintain gold price exposure by not hedging:
  - relatively high cost of some South African operations provides additional gearing
  - we manage downside by acquiring lower-cost production in Australasia
- To actively manage operations as economic circumstances change

# Emperor: a good strategic fit

*Emperor: a strategic fit*

- We are building an operational base in Australasia
  - critical mass of 400,000 ounces per annum
- Current Australasian contribution
  - 271,612 ounces on an annualised basis
- Full Emperor ownership
  - 385,000 ounces



# Transaction synergies

*Emperor: a strategic fit*

- Regional Management team over three operations
  - Tolukuma 7,000 oz p.m. @ US\$250/oz; exploration potential
  - Porgera 15,000 oz p.m. @ US\$230/oz
  - Vatukoula 10,000 oz p.m. with cost reduction potential
- Shared DRD/Emperor group technical skills
- Underground & epithermal knowledge sharing
- Synergies with PNG operations



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# The challenges

*DRD can turn Vatukoula around*

- Emperor's phase 2 Plan delayed
  - DRD believes this is due in part to internal funding deficiencies
- Underperformance against budget
  - DRD believes this is likely to continue, partly as a result of Phase 2 Plan delays
- Costs determined mainly by expected production
  - production shortfall does not lead to proportionately lower costs
- Negative impact on cashflow can be expected if production forecasts are not achieved



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# The DRD solution

*DRD can turn Vatukoula around*

- Capital
  - overcoming funding difficulties
- Management expertise
  - experienced mine management
  - better forecasting
- Thorough operational review post merger
  - match costs to production
- Utilisation of group synergies

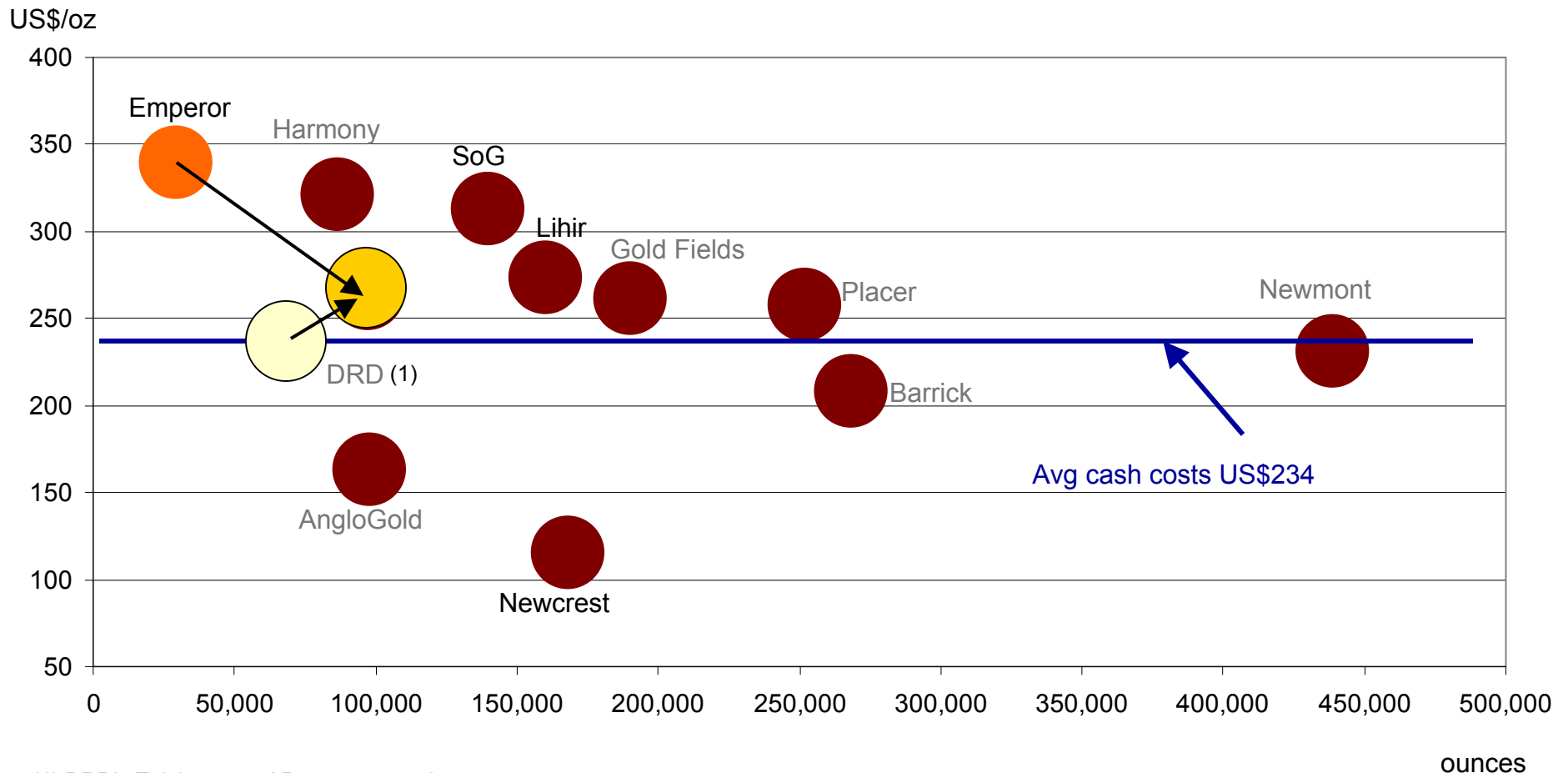


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# Comparative Cash Costs

*Snapshot of the merged entity*

- DRD would allow Emperor to be part of a lower cost Australasian operation



(1) DRD's Tolukuma and Porgera operations

Source: Company reports, Q4 2003 cash costs; \*unlisted \*listed

# Operational summary post-merger

*Snapshot of the merged entity*

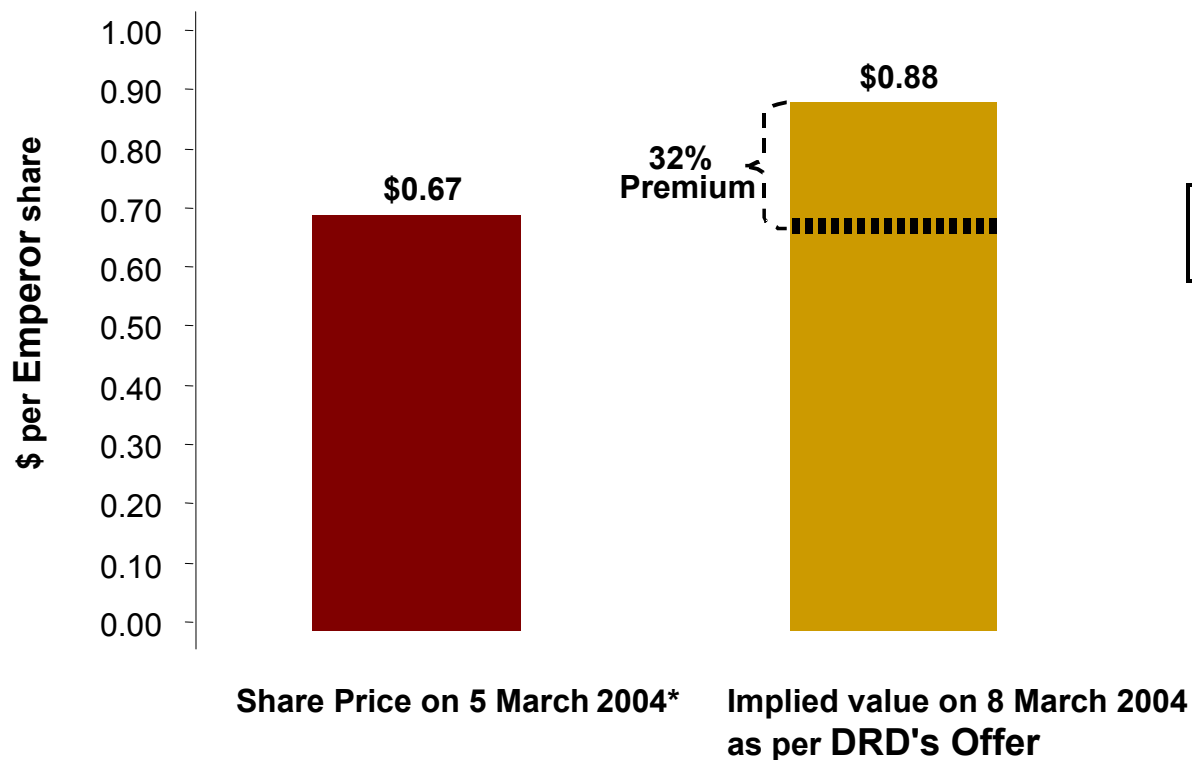
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<b>SA total</b>	<b>374</b>	<b>169,404</b>	<b>3.8</b>	<b>Focus on restoring margin</b>
<b>Australasia</b>				
Tolukuma	253	21,767	3.0	<b>Consistent low cost production</b>
Porgera (20%)	222	46,136	8.8	<b>Cashflow generator</b>
Emperor	339	29,591	1.8	<b>Large reserve/resource base</b>
<b>Aus Total</b>	<b>264</b>	<b>97,494</b>	<b>13.6</b>	<b>400,000oz Australasia</b>
<b>GROUP TOTAL</b>	<b>344</b>	<b>266,898</b>	<b>17.4</b>	

\* North West Operations include Harties and Buffels operations

# Main terms

## Summary of the Offer

- To acquire the remaining 80% of Emperor
- One DRD share for every five Emperor shares



A healthy premium

\*last trading day before Offer was announced



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# Main conditions

## *Summary of the Offer*

- DRD becoming entitled to 90% of total Emperor shares on issue
- Regulatory approvals and consents
- ANZ Bank waivers
- No material adverse change
- No fall in the Rand gold price below R78,000/kg
  - currently R85,000/kg
- Other conditions



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# Timetable

## *Summary of the Offer*

<b>Offers despatched to shareholders</b>	<b>13 April 2004</b>
<b>Target's statement to be despatched</b>	<b>By 28 April 2004</b>
<b>DRD's quarterly results released</b>	<b>28 April 2004</b>
<b>Emperor's March quarter production report</b>	<b>By 1 May 2004</b>
<b>Offer closes (unless extended)</b>	<b>14 May 2004</b>
<b>Latest date for payment of consideration</b>	<b>21 days after close of the offer</b>



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