

# DRDGOLD Investor Brief

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February 2009

## From stability to growth



Crown mine manager Henry Gouws (centre) with Phil Dexter and Jane Kirton from St James's Corporate Services at the Top Star Dump

Phil Dexter and Jane Kirton, both from St James's Corporate Services, DRDGOLD's UK-based investor relations consultancy, recently accompanied senior management to Ergo and Top Star to ascertain the status of the projects and understand the company's immediate plans for the future.

"DRDGOLD is a company with a history of adapting to change. The company has always had to reinvent its

strategy in order to survive the ever-changing economic climate. Under the leadership of John Sayers, the company managed to withdraw from Australasia and to restore the South African operations to stability. This approach has left the company in a position to embark on a disciplined growth strategy," said Phil.

During the previous quarter, DRDGOLD managed to bring the Ergo surface retreatment project to fruition in addition to ramping up mining activities at the Top Star Dump. This has put the company in a position to benefit from the current gold price trend. However, DRDGOLD will remain cautious of long-lead capital projects.

In keeping with the company's current strategy, DRDGOLD has started to move away from high-input deep-level mining, primarily focusing its efforts on high-yielding surface reclamation operations.

"DRDGOLD is no longer a marginal gold mining company as a result of the divestment of the Australasian assets along with the restructuring of the South African assets. This approach has put the company in a fair position," said Phil. "We now need to inform the global investment community about the company's current position, putting in perspective the scope of some of the issues the South African mining industry is faced with, including safety expenditures as well as environmental rehabilitation costs."

## The utmost good faith

This is the standard by which Niël Pretorius (appointed Chief Executive Officer of DRDGOLD on 1 January) believes the company should measure every activity in which it engages.

"We are custodians dealing with the property of our shareholders; we are also responsible for providing our employees with a safe and healthy workers' environment; for managing the environmental impact of our operations; and for maintaining a sensitive awareness of the needs of the communities affected by our operations," explains Niël.

"Financial achievement is not the only measure of success: it is only significant if it concurs with our social and environmental obligations which are required in order to obtain and retain our mining licences.

"Looking ahead, there is no certainty as yet as to when the global economic crisis will begin to subside. In these circumstances, our focus will remain on increasing

efficiencies, managing risks, controlling our costs carefully, and taking a very disciplined approach to growth.

"Looking at our surface assets, the Elsburg and Ergo surface retreatment projects are on schedule and should be able to benefit from the higher gold price, as will the Top Star project, now up and running. Blyvoor reported a 4% increase in production over the last quarter, attributable mainly to an increase in surface gold.

"We will consider new assets as opportunities arise, but are clear on what we would consider and what we would discard. We will not be investing in any ultra-deep operations, nor will we look at assets in remote areas, or those that pose a risk from a political or economic perspective. Through this approach, we believe, we will continue our drive towards sustainability as a platform for growth," he concludes.

## Investor Relations Calendar

DRDGOLD will be attending investor relations conferences at the following venues:

9 – 12 February	Indaba, CT. Several investor meetings scheduled
26 – 27 February	RBC conferences and one-on-ones, NY and Toronto
2 – 6 March	BJM-hosted US roadshow
9 – 10 March	Investor meetings, London (St James)
9 March	Nasdaq investor conference, Paris
31 March – 1 April	Mines & Money Gulf Conference, Dubai

## When lightning strikes

On the evening of 17 January 2009, a lightning strike disabled one of the two electrical sub-stations supplying power to the No 5 shaft at Blyvooruitzicht Gold Mine. In total, 275 workers were trapped underground when the power supply to both the sub-shaft and the main shaft winder systems was interrupted. A group of 108 people were working close to surface and were evacuated almost immediately; while a number of employees, a total of 167 people, were trapped for almost 23 hours up to 2 800 metres underground.

The incident turned out to be a textbook example of how a safety incident should be handled. Mine engineers were able to restore power to both the sub-shaft and the main shaft winder systems at No 5 shaft and managed to bring all of the trapped employees to surface unharmed.

During the time that they were underground, employees remained safely in refuge bays, with adequate water and ventilation and telephone contact being maintained from surface throughout. Two proto teams accessed the area via an alternative shaft to establish the underground conditions. The company had also recently spent R6.7 million on the purchase of additional self-contained self-rescuers, which had been issued to all the underground employees of Blyvoor.

Six employees brought to surface were admitted to hospital for smoke inhalation but were subsequently released. No employees were injured.

Underground operations at No 5 shaft resumed at the start of the night shift on Thursday 22 January 2009. It is estimated that the impact on gold production was 1 095 ounces.



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## What's happening at Ergo?

What started out as a 50:50 Joint Venture (JV) between DRDGOLD and Mintails has now become a solo effort by DRDGOLD, following the acquisition of the remaining 35% stake in the Elsburg JV (Phase 1 of the Ergo project) in December 2008 for R177 million. This will grant DRDGOLD full management control of the operation. "Acquiring control of the Elsburg JV will accelerate the advancement of the project and allow greater flexibility and optimisation of all our surface retreatment operations," said executive officer of surface operations, Charles Symons.

Mintails will remain a partner with a 50% stake in the larger Ergo JV, containing 1.7 billion tonnes of surface gold, uranium and sulphur-bearing tailings. The new arrangement will allow the mining of 1.7 million ounces of gold over the next 12 years, with DRDGOLD generating revenues from treating the Elsburg dump material.

Development has progressed on schedule, with the construction of the Benoni reclamation site, CIL stream and the Brakpan deposition site completed. Construction of the Elsburg pump station is in progress and is scheduled for completion in May 2009.



## Property portfolio: progress report

DRDGOLD has an extensive land and property portfolio surrounding all of its operations. In order to make use of this considerable untapped asset, the company is in the process of implementing a strategy which will facilitate the development of all DRDGOLD-owned freehold land suitable for residential and commercial use.

The initial focus will be on the East Rand areas surrounding ERPM. At the beginning of 2008, ERPM owned some 550ha in freehold, of which some 100ha

could be developed. The large portions of freehold land on which ERPM's operations are situated originally belonged to the Wits Gold Mining Realisation Trust (WGMRT), with the mine holding only the surface rights.

Through a settlement agreement concluded in October 2008, DRDGOLD has acquired an additional 362ha of land with an estimated market value of R60 million at a cost of R10.7 million.

A forum has been established comprising representatives of Eskom, the electrical engineering department of Boksburg Town Council, and a number of consultants and developers in order to identify future bulk services requirements.

Cash generated by this first project will be applied to a number of other projects, enabling the Property Division to meet its objective of creating opportunities for making low-cost housing available to the communities surrounding ERPM.

## ERPM – The ripple effect

The sequence of events following the tragic loss of two employees conducting routine water monitoring at ERPM's SWV shaft in September 2008 has had a significant effect on the future of the mine and its employees.

The stoppage of water pumping at SWV shaft was announced in October 2008. A total of 60 megalitres of water was pumped from this site on a daily basis, and the subsequent cessation of pumping has proved to be a major setback towards the containment of the rising water levels of the Central Witwatersrand Basin.

The capital costs and cost of maintaining the entire workforce on full pay are beyond the financial means of ERPM, which incurred a loss of R128.1 million after accounting for impairment of assets for the quarter ended 30 September 2008. Based on this estimation, and estimated installation costs of around R115 million for additional pumping infrastructure at ERPM, mining activities at SWV shaft were halted in October.

"The difficult decision to suspend the underground operations of ERPM was made in January 2009. Of the 1 700 employees affected by this decision, 109 have accepted the company's voluntary retrenchment offer; 101 have been transferred to Blyvoor; and five have been transferred to ERGO. The remaining 1 335 employees have regrettably been retrenched. DRDGOLD is working in close consultation with labour to identify and implement re-skilling programmes and has engaged with other mining companies which have expressed an interest in recruiting employees," explains Andrew Weir, human resources general manager at DRDGOLD.

While the SWV shaft will remain on a care and maintenance programme in order to ensure that critical equipment and infrastructure is maintained, surface operations will continue as normal. DRDGOLD is also looking into the possible sale of the underground operations at ERPM and is continuing with exploration activities to establish possible reserves.

## New life for Top Star

Top Star was awarded its mining licence by the Department of Minerals and Energy (DME) on 12 August last year, and was commissioned in mid-December. The project forms part of Crown's Social and Labour Plan (SLP), as submitted to the DME.

The mining right for the dump has been granted until 20 August 2013. The project is expected to contribute some 1 276kg of gold per year over its estimated three-year life. It is expected to treat some 6 000 tonnes per day, and is estimated to produce some 100kg of gold per month at a head grade of approximately 0.75 grams per tonne. After treatment of material on site to remove rubble and larger material, the wet sand is then transported by reclamation pipeline to the Robinson Deep reclamation site and then to Crown Plant.

Crown owns the land on which the project is sited, and is negotiating with various interested parties regarding ultimate uses after the life of the project.

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