

December
2002

DRD presents at Euromoney conference in London



Euromoney recently hosted a Mining Investment Summit in London on 25 and 26 November 2002. Chairman and CEO, Mark Wellesley-Wood and Alet Beyers, Treasury Manager at DRD, both presented the company's view on hedging, or rather dehedging.

The presentation covered all angles - from "marketer's talk" with regard to hedging rationale – the supposed pro's of hedging – to what the company terms "hedging realities" and the confusion surrounding an international swap derivative agreement (ISDA) and the 'embedded rights' usually linked to these.

In his discussion around the unwinding of hedge books, Wellesley-Wood explained that this was normally calculated on a forward curve based theoretical model, while in reality the spot price, liquidity and spreads will change, making unwinding more expensive than calculated mark-to-market. He reiterated that unwinding the book does require free cash and that it will have an immediate effect on the company's earnings.

While DRD had a hedge of over 1 000 000 ounces at December 1999, the company successfully eliminated revenue forwards by June 2002 at a cost of \$120 million. Going forward, Wellesley-Wood summed up DRD's hedging policy as follows:

- No revenue positions
- No currency, lease rate or other "funnies"
- Would still consider for specific risk management purposes – capital programmes or turnaround acquisitions
- Gold investors want exposure to the gold price, not protection from it
- No free 'put' for management

When looking at the DROOY share price performance relative to the XAU (Philadelphia Gold Index), it is obvious that the unwinding of the DRD hedge book resulted in the upturn in DROOY's performance. Currently trading at around \$3.69 per share, Wellesley-Wood remains confident the share will continue to perform impressively.



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Durban Deep heads down under



Open pit mining operations at Durban Deep's Tolukuma Gold Mine in Papua New Guinea sees ore being hauled to the metallurgical plant, located approximately 600 yards from the mine, where it is treated through a conventional carbon-in-leach (CIL) circuit.

At the 7th Papua New Guinea Mining Investment Conference, hosted in Sydney at the beginning of December, Mark Wellesley-Wood showcased the company to investors, government and media.

Presenting at the conference, Wellesley-Wood offered attendees a view of Durban Roodepoort Deep, Limited, highlighting the company's efforts at their Tolukuma Gold Mine (TGM), located approximately 100 miles north of Port Moresby in Papua New Guinea. Operating since 1995, TGM produced around 72 000 ounces of gold during the 2002 fiscal year. Although conditions are challenging at times (supplies have to be flown in by helicopter due to the steep terrain), DRD is proud of the progress TGM has made. In this vein, extensive exploration is being conducted in surrounding lease areas to ascertain gold levels around the Tolukuma mine.

DRD wishes you and yours a
peaceful and prosperous 2003



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

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