

# DRD delivers a turnaround

*DRD cash positive despite static gold price*



- All four operations in profit
- Cash operating profit up 46%
- Best ever cash generation of R15 million (us\$2 million)
- Gold production of 8 584 kg (275 980 oz), despite effect of public holidays

DRD reported quarterly results for the quarter ended 31 December 2000 on 18 & 19 January 2001 in Johannesburg and Cape Town respectively. Improvements in operational performance, coupled with a best-ever cash profit after capex of R15 million, have realised significantly improved results for the realised second quarter.

The company reported a 46% increase in cash operating profit to R40 million (US\$5 million), whilst cash operating costs were maintained at previous levels. This is despite a 4% decrease in gold production from 8 961 kg (288 107 oz) in the September quarter to 8 584 kg (275 980 oz) in the December quarter, primarily as a result of public holidays in South Africa during December. Unlike most other gold producers, who close their December quarter accounts on 15 December, DRD only closes their accounts on 31 December, thereby taking the knock of those holidays in the same quarter.

The balance sheet position is also improving, with debt reduced by R47 million (US\$6 million) in the quarter.

A task force has been established with the purpose of better controlling and reducing procurement costs. A "zero tolerance" campaign, together with the implementation of new purchasing systems, should lead to significant cost savings in the future.

Said Mark Wellesley-Wood, Chairman and acting Chief Executive Officer, "The restructuring programme embarked on in the last quarter is now complete and we expect to continue to improve on these results in forthcoming quarters. All of these factors are indicative of our intention to become a cash generative business with a significant resource base which can be turned to account when the gold price recovers."

### Message from Mark

If you listen carefully enough you can hear the sound of the gold price bouncing. For over 20 years now the gold price has been in a bear market. Not surprisingly gold has become the forgotten backwater of the investment community, the preserve of crank investors and charlatan advisers. Those that espouse the use of gold attempt a note of legitimacy by focussing on the jewellery market. Its monetary function has become, as one commentator said, "the spent fuel of a redundant economic system".

But here we are at \$265 per oz. In fact the dollar price of gold has been remarkably stable averaging - for three years - now at \$279 while in most other currencies it has been rising. Despite massive amounts of physical gold being dumped on the market every year by the Central Banks (495 tons last year according to GFMS) and a continuing short position from Bullion Banks (estimated at anytime between 5,000 and 15,000 tons), we are still here.

In a bear market as long and pervasive as the one gold has just seen, the profit on the short side has been the winner. With the knowledge of the Central Bank selling, it has been pretty easy for the Bullion Banks to get their trading activities in line. Anyway, if they ever run short of gold there's always their customers - the gold produces - to help them out with some more physical supply.

But what happens if the music stops? Or even pauses for a short while? There is one sure fire rule in financial markets and that is that no trend goes on forever. However, the break might not come in the gold market but in the Dollar and the Dow. For the flip side of the depressed gold price has been the rampant US financial market. All those worrying, frothy warning signs of

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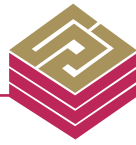
### At a glance

	Quarter December 2000	Quarter September 2000
Cash generated/(absorbed) after capital expenditure	R15.3 million US\$ 1.9 million	(R30.2 million) (US\$ 4.3 million)
Gold production	8 584 Kg 275 980 oz	8 961 Kg 288 107 oz
Cash operating costs	R 54 629/Kg US\$ 224/oz	R54 995/kg US\$ 245/oz
Cash operating profit	R 39.5 million	R26.9 million



# DRD

February 2001



investor *brief*

## DRD on the road again

DRD was the first gold company to announce its quarterly results this reporting season. This time around the Chairman, joined by the Finance Director in Europe and the Deputy Chairman in the United States, took the company's message to a global audience. In all, over 60 institutions were met in some 10 cities. In addition, the Association of Mining Analysts honoured DRD with a presentation venue in the splendour of the Skinners Hall in the City of London, which was attended by over 40 of its members. Many existing shareholders were covered, but, most importantly, several new ones were created. Whether due to the slight rise in the price of gold over the period, or not, the response to the company's performance, resulted in the share price reacting positively. The turnover in the shares rose markedly as the U.S visits were conducted, with over 5.0 million shares changing hands in a single day's trading.

Mark Wellesley-Wood commented, "Investors have been encouraged by the recent results and now need the company to report consistent profits performances in order to strengthen its credibility. There is considerable cynicism over both gold share and African investments right now and, if DRD is to turn this sentiment, then it has to deliver the goods."

### **DRD** hosts a site visit

The Indaba Mining Conference, which took place between 6 and 8 February 2001, saw the "Who's Who" of the mining industry gather to network in Cape Town. DRD agreed to partake in a visits schedule which coincided with Indaba. Interested parties were hosted to a site visit at DRD's Hartebeestfontein Mine near Stilfontein on Friday, 9 February.

An informative day was had by all, with an underground trip among the day's highlights. Should you wish to visit any of DRD's operations in future, please contact Lindsay Witter on (011) 880 3924.

## DRD welcomes Gibson Njenje

Durban Deep is delighted to announce the appointment of Gibson Njenje to the DRD board with immediate effect. Gibson joins the company in a non-executive position. Currently, he is Managing Director of the Spatial Group, a consultancy service specializing in the facilitation of cooperative relationships between government, communities, political agencies and the business sector. A former ANC intelligence service operative during the liberation struggle, Gibson was also security coordinator for President Nelson Mandela's inauguration. He received his formal education in Moscow, Berlin, Munich and Wharton University in the USA. Gibson has also served as a director of JCI, among others.



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

## Buffels to the rescue

DRD's Buffels mine recently turned a possible disaster into a success story.

On Thursday, 25 January, whilst approximately 700 people were underground at the Buffels 4 shaft, four seismic events occurred in close succession of each other.

While most people managed to get out of the shaft unharmed, one man was missing. With dedicated rescue teams searching around the clock, Nozitat Ntsindo was found alive around midnight. Production losses were minimal, and there was overall agreement that the Nozitat rescue made everyone at Buffels' day.

Congratulations to the Buffels team!

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the top market are now visible. These include; a stock market and trading position financed by foreigners; highest personal commitment to the stock market (even the taxi drivers are in), excess liquidity in the monetary aggregates and now panic interest rate cuts to control both the economy and protect the 'wealth' out on the Street.

So you must allow us gold market watchers to dream a little - of a time when Central Banks might sell just a tiny less amount of gold; of when foreigners leave dollar assets and find the Euro and Yen not quite to their liking; and when the true financial cost of the dotcom mania is recognised in the financial system.

We dream and we listen.

*Mark Wellesley-Wood*  
Chairman