



Crown a feather in DRD's cap



Crown Gold Recoveries, a dump reclamation operation stretching from the East Rand to the West Wits area near Randfontein, is turning to account the ounces of gold many of us have forgotten (or didn't know) about.



Charles Symons, Crown Gold Recoveries Manager, attributes their success to three critical success factors, namely:

1. They are able to operate successfully and profitably within the heart of an industrial/residential and commercial urban environment;
2. They treat, handle and manage bulk material in a controlled manner; and
3. They control and manage the profit equation successfully.

Says Symons, "No two dumps are the same. It is only through continuous metallurgical testing that we are able to maximize the extraction of gold while managing costs, thereby capitalizing on our profit equation. The challenge lies in managing the economies of scale effectively so that profits are maximized despite the fact that the quantity of gold per ton of material is normally very low."

Symons maintains that although his management model, which comprises the following three elements:

- Process
- Systems
- People

is nothing new, it is effective because the managers of each business unit (Crown



Mines, City Deep, West Wits and Knights) are both responsible and accountable for every aspect of their operation.

Says Symons, "Efficiency is determined by the generation of revenue and effective containment of costs, a factor the managers are well aware of. Crown's success is further enhanced by the healthy relationships that exist between management, business and the government, in particular the Department of Minerals and Energy (DME) and Department of Water Affairs and Forestry (DWAF).

"We are faced with many challenges on a daily basis, be it pollution issues or extraction issues, and it is the knowledge that although we may contribute to some environmental disturbances in the short term, we are ultimately in the business of long term environmental restoration. The freeing up of land – profitably – for residential or commercial purposes is beneficial to all citizens of South Africa, and we're proud to be instrumental in the process."



It's **Budget Day** at **DRD!**

To many of you this might not seem like an earth shattering event, but for us it marks an important step in our new beginning.

I believe it is important for a number of reasons. Firstly, it is the inaugural budget developed by the new management team at DRD. Secondly, it reflects the work done on re-structuring the businesses, which commenced in November last year. Thirdly, and most importantly, the exercise took as its starting point, you, the shareholder.

This year we started at the top by determining what the shareholders could expect in terms of return from the assets. The central thesis behind this approach is that shareholder value is only created if the return on the capital employed in the business is higher than the cost of that capital. Shareholders require a return just as bankers charge interest or landlords demand rent.

At the end of the day capital is not a free commodity. In fact I believe that the mining industry's cavalier approach to capital, and its focus on production at all cost, has been one of the principal causes of the massive value destruction, which we have seen over the last twenty years.

So we chose 18%. Why? Well without sounding patronizing to all the 'pointy heads' in banks and accounting firms, that's our number. As the Finance Director of Coca Cola once said in reply to an analyst asking why they had used 12%: "Because its 1% per month, stupid".

So, there it is, we are looking to make 50% more than Coke does on its money.

The key thing though is the process. By allocating capital to our business units we are empowering our management and making them responsible for their returns. No longer is a budget something, which creeps

continued





LET'S MEET **FRIK COETZEE** GENERAL MANAGER OF DRD'S NORTH WEST OPERATIONS



Frik Coetzee, the newly appointed General Manager of DRD's North West Operations is no newcomer to the mining industry. Quite the contrary, in fact. Frik brings with him over 37 years' worth of experience in mining.

His BSc Mining Engineering degree saw him embark on a career in 1964 which saw Frik fulfil a number of senior positions within Gencor, Anglo American, Randgold and DRD. In January 2001, Frik joined DRD as a consultant, and a few months later accepted the appointment as General Manager of the North West operations. Responsible for all aspects of operation, Frik is accountable to both the board of directors and shareholders for the North West Operations' performance.

Frik says, "I believe that my most important role is that of mentor to my staff. As such, I would like to pass on some of the knowledge I have gained during my years in mining to all aspects of the operation. I see myself as the person responsible for building and maintaining healthy relationships, specifically with employee representatives. My firm belief is that commitment to safety is integral to the success of any mining company, as is profitability. To this end, I aim to generate profits such that both shareholders and the North West Operation employees may derive benefit, with the ultimate goal of strengthening the market value of the DRD shares."

When Frik isn't at work, he enjoys hunting, fishing, golf and horse racing. He is married to "the most lovely and beautiful woman – Alta" and they have two sons.

Please *diarise*



It's reporting time again, with the June quarter's results being presented in Johannesburg on Tuesday, 24 July 2001 at the Pharmaceutical Society, 52 Glenhove Road. Results will be published in the press the following day (Wednesday, 25 July 2001). Should you wish to attend the quarterlies presentation, please contact Lindsay Witter on:

Telephone: +27 11 880 3924

Fax: +27 11 880 3788

email: lindsay@rair.co.za

Invitations to the presentation will be issued during the first two weeks of July.

2001 **WAGE REVIEW**

It is a well known fact that the South African mining industry conducts wage reviews every two years. Since the last wage deals were concluded in 1999, the time has arrived for the next review of salaries and other conditions of employment with all recognised trade unions and employee associations. The revised conditions will become effective for most employees from 1 July 2001 and we will once again attempt to reach a two-year wage agreement for the period 2001 to 2003.

We have received proposals from some trade unions to commence the review process. The challenge for DRD will be to conclude an agreement that balances the additional cost to the company of a wage increase with productivity improvements.

To date, the main thrust of the proposals received centre around the following:

- HIV/AIDS;
- Employment equity;
- Organisational rights; and
- Wages and basic conditions of employment.



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: eloffm@drd.co.za

up from the bottom as plus/minus 10% on last year. It is a contract and like any contract it takes two to Tango. Too often, in my view, budgets are stretched to satisfy requirements but, then, rather like arranged marriages, if your heart's not in it, then you will just sign yourself out and "play away from home."

Our budget exercise this year has also taught us several things. We can see that DRD has the makings of a robust business for the next four to five years, and we can isolate the contribution which Head Office makes to the business, rather than just being an overhead.

It also shows how much our hedgebook is costing us – but more about that later.

Mark Wellesley-Wood
Chairman

P.S. For anyone who is interested, we also used a gold price of \$270/oz and a R/\$ exchange rate of 7.85.