

Durban Deep's Papua New Guinea gold play

By Brendan Ryan



DRD recently took some analysts and media to their Tolukuma operation in Papua New Guinea. Left: The group travelled by helicopter, the only mode of transport to and from the mine. Right: The harbour at Port Moresby, the main port of call for visitors to the island.

Maybe it was the jet lag but Tolukuma Gold Mine chief geologist Brett Duck's description of Papua New Guinea (PNG) as "elephant country" really amused me. He is, of course, correct. "If you want to hunt elephants you have to look in elephant country" is classic exploration geology philosophy. If you want to make a major strike you need to look in the parts of the world where those kind of deposits are most likely to be found. So far, four extensive gold and base metal finds have been made in PNG making it indisputably "elephant country." But this image popped unbidden into my mind of an African Elephant taking a long, disbelieving look at the PNG topography. Tolukuma sits just one hundred kilometres inland from PNG's seaside capital of Port Moresby but at an altitude of 1600m. The land soars from the narrow coastal plain to reach that height in a series of jagged, abrupt ridges sloping at angles between 45 and 70 degrees. Much of the ground is

blanketed by dense forest nurtured by the rainfall which averages three metres annually.

There are no roads. Everything Tolukuma requires is flown in by helicopter - a hulking Russian Mil 8 - which is chartered at US dollar rates and which easily uplifted the entire party of visiting Australian analysts, South African journalists and DRD/Tolukuma executives.

Tolukuma has just signed an A\$4.2m loan agreement to pay for the equipment needed to push its gold output from the 64,000oz just produced in the year to June to around 116,000oz/year by financial 2005 but Duck, like all good "geos", is looking longer-term.

He reckons decisions by various mining majors - most recently BHP/Billiton - to pull out of PNG have put DRD in a powerful position regarding future exploration developments provided management allocates the necessary funds. And, of course, continues to employ the kind of geos prepared to work in what has to be one of the world's most difficult environments. This includes Port Moresby which enjoys a reputation for violent crime that makes Johannesburg sound safe by comparison.

Tolukuma at a glance

- Reserves of 0.8 million oz
- Resources of 2.4 million oz
- An estimated mine life of more than 5 years
- Annual production of some 120 000 oz
- Costs (based on Q1 F2002 figures) of US\$189/oz
- Highly encouraging grades at both the Saki & Kunda prospects



DRD helps American relief effort

Auction for America is a joint effort of eBay and Nasdaq to raise funds for those affected by the September 11 attacks in the United States. DRD is pleased to be one of the first companies to participate, and has contributed a 1-kilogram gold bar in an effort to lend assistance to the families of the victims of the tragedy.

Wellesley-Wood acknowledges that South Africa is DRD's home market, but "we rely heavily on Nasdaq for our liquidity and trading, and the Twin Towers tragedy has shocked us all. I hope that what we have done makes a difference to the lives of people affected by the disaster, and that other companies and individuals will follow our example," he said.

Proceeds from the sale of the goods and services contributed goes to the benefit of organisations like the September 11 Fund, The New York State World Trade Centre Relief Fund, the Twin Towers Fund and the American Red Cross. The bar donated by DRD fetched US\$10 534, bid by Alan Aliabadi from Scottsdale, Arizona.

For more information on Auction for America or if you would like to participate, visit www.ebay.com or www.auctionforamerica.org



DRD IN New York

November 2001

Durban Roodepoort Deep Ltd lit up Times Square in New York with its first quarter results last month, as it took these to our US shareholders. With two thirds of our shares now in the hands of ADR holders, and three quarters of our turnover being transacted on NASDAQ, the US markets are very important to us. It was largely in recognition of this, that we decided to donate a special commemorative DRD gold bar to the disaster relief fund for the benefit of the victims' families. I am pleased to be able to report that this was auctioned on-line for a healthy premium over the gold content.

Nevertheless, passing Ground Zero, just outside the studio in Lower Manhattan where we had presented our First Quarter results, was a sobering moment. The size of the gap created by the missing towers in both a physical and spiritual sense is truly enormous. Yet, just a few blocks away the vibrancy of the marketplace is already returning with trading volumes and prices beginning to creep up. The scar may be beginning to heal already.

But the world that we live in will have changed forever and the talk is of what 'new normal' will mean for us all.

The world has certainly changed for several of the more ardent worshippers at the Temple of Mammon in Wall St. Job losses in investment banks continue to make headlines and the bullion bankers have certainly been no exception. Amazing as it may seem but several banks have recently concluded that there is no longer huge profits to be made out of the gold derivatives business. Banks are less willing to lend long, and producers less willing to hedge. Surely this end to tomorrow's supply in today's price must be good news for spot gold?

HOORAY for redundant bullion bankers. HIP HIP HOORAY for unhedged gold miners.

I am pleased to be able to say that, due to our recently improved financial performance, DRD has decided to invest all its new found cash flow into reducing its hedge book further. Looking at current projections, the company could be completely unhedged by June next year. Not a moment too soon you may say. I have developed an allergic reaction to hedging while in the States – and I don't mind sharing it with anyone!

Mark Wellesley-Wood

Changing faces

The investor brief has undergone a transformation of sorts, with the look being redesigned. This is part of our ongoing commitment to keeping the brief up-to-date and dynamic. Please let us have your thoughts on the new look by emailing eloffm@drd.co.za. Enjoy!



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