



## Letter from Mark The Scramble for Ounces

Many of you will have heard the phrase "stronger for longer" used to describe the current exceptional cycle in commodities. Well, for gold miners, it looks as though it is going to be "harder for longer".

A recent visit to an industry gathering in Denver proved to me how hard gold mining is getting for everybody and how this is generating a "scramble for ounces" among all gold producers. Despite average annual increases in the price of gold of \$40/oz a year, gold production is set to decline dramatically over the next four years, and the effect could be irreversible. There are 29 new gold mines in the pipeline right now and even if all these are developed, it would require a further seven projects every year to make up the deficit.

The reality is that not all of these 29 mines will get the go-ahead as cost inflation, especially capital cost inflation for resource projects, has increased by a great deal more than the gold price. So where are the ounces going to come from?

Well, not from the traditional source – exploration. Expenditure on exploration peaked in the gold mining industry in 1997, and has been pretty flat since then. Not only are the geologists not there (as most have gone off to look for oil, nickel, copper etc.), but the geological terrain is getting tougher with most of the known prospective ground having been searched by now. And it is not going to come from the existing known reserve and resource base. Average reserve grades have fallen by some 26% since 1997 and the industry has not been replacing its mined production for the last three years.

Not surprisingly therefore, these circumstances are producing a global "scramble for ounces" which is manifesting itself in several ways.

Firstly, the share prices of junior mining and exploration companies are soaring. Next, the de-hedging trend is set to continue. Who would want to be short of gold in four years time in this climate? Finally, merger and acquisition activity and industry consolidation will continue apace – if you can't find it, buy it! A couple of weeks ago Barrick, the world's third largest gold producer, bid for the fourth largest, Placer Dome. I hope by now you will know why.

Regards,

Mark Wellesley-Wood  
Chief Executive Officer  
14 November 2005

## Khumo Bathong acquires 15% interest in SA operations

Khumo Bathong Holdings (KBH) will acquire a 15% interest in a newly created vehicle, DRDGOLD SA, which includes East Rand Proprietary Mines (EPRM), Crown surface operations and Blyvooruitzicht (Blyvoor). DRDGOLD retains an 85% stake.

The transaction has been vendor financed by the conversion of an existing loan to KBH of R7.9 million and by the issuing of R31.8 million KhumoGold preference shares.

In addition, KBH has been granted an option, exercisable over the next three years, to acquire a further 11% interest in DRDGOLD SA for the payment consideration of R9.3 million.

The intention of these developments is to bring DRDGOLD into full compliance with the 10-year 26% BEE equity

requirement contained in the Mining Charter. Dr Paseka Ncholo, Chairman of DRDGOLD, who took over as Executive Chairman of DRDGOLD SA on 1 November, commented: "This transaction achieves our objective of creating a solid platform to achieve sustainability and growth, while achieving compliance with the Mining Charter and simplifying our structure. Together with DRDGOLD, we intend to create a new, truly African company with interests spanning the entire continent."



Paseka Ncholo

## Board changes

With his new appointment as Executive Chairman of DRDGOLD SA, Dr Ncholo resigned as Non-Executive Chairman and director of DRDGOLD. Geoffrey Campbell, formerly Senior Independent Non-Executive Director, has taken over as Non-Executive Chairman.

Douglas Blackmur has become Chairman of the company's Nominations and Remuneration Committee and Senior Independent Non-Executive Director.

After nine years with DRDGOLD, Ian Murray will resign as an executive director and employee on completion of his existing contract on 30 November this year.



Geoffrey Campbell



Douglas Blackmur

## Update on No 2 Sub-Shaft project at Blyvoor



Main Blyvoor Mine Complex

A group of mining analysts visited Blyvooruitzicht Gold Mine on 9 September. After a general overview of the mine's current projects, discussions focused on the latest developments in the No 2 Sub-Shaft project.

"No 2 Sub-Shaft was originally commissioned in 1969," says General Manager Mark Munroe, "but mining proved difficult owing to the area's geological complexity and eventually ceased in 1993.

"The project is attractive for several reasons. First, Blyvoor has proved it can mine ore reserve blocks previously

considered unviable; we anticipate the project will yield over 24 000 kg of gold with an average delivered grade of 8.16 g/t; and we need to comply with the 'use it or lose it' provisions of the new legislation governing mining rights." The anticipated total cost of the project is R80.5 million.

Phase 1 is already under way, and involves re-equipping 15 level from No 5 and No 6 shafts over distances of 6 500 and 4 900 metres respectively. Mining of Main Reef and Carbon Leader blocks will cover the costs of this phase.

Following the visit, at the end of the September quarter, the company reported that the opening up of Carbon Leader panels on 15 level of the No 2 Sub-Shaft Project was behind schedule due both to a delayed start and to geological features that had been encountered. In terms of a revised plan, mining has been switched to easier-to-access, higher grade areas at No 4 Shaft. In addition, less faulted, higher grade areas on 15 level of the project will be prioritised. Work on accessing the No 2 Sub-Shaft from No 5 Shaft on 15 level is slightly ahead of schedule.

## High Court approves Simmer and Jack agreement

DRDGOLD has concluded an agreement with Simmer and Jack Mines Limited for the sale of its shareholding in Buffelsfontein Gold Mines.

The Scheme of Arrangement has been accepted by the majority of the Buffelsfontein creditors and approved and sanctioned by the High Court of South Africa. Buffelsfontein will now apply to the High Court for the lifting of its provisional liquidation which came into effect in March this year.

## DRDGOLD to acquire stake in ASX-list Allied Gold

DRDGOLD announced on 11 November that it is to acquire a 5% stake in Allied Gold Limited for A\$3 032 000. Allied is listed on the Australian Stock Exchange. DRDGOLD has agreed to underwrite a proposed capital raising to be conducted by Allied for an additional A\$6 968 000 through the issue of 17 420 000 shares at an issue price of \$0.40 per share.

Both transactions are subject to approval by the South African Reserve Bank.

## Vatukoula team repairs Philip Shaft winder

At Vatukoula Gold Mine in Fiji, the electric motor generator which powers the Philip Shaft winder broke down, putting the shaft hoist out of operation. After nearly a month was spent repairing the generator, the motor failed when three coils burnt out.

It was decided to remove the 15-tonne armature (the large cylindrical portion of the motor) from its bed plate next to the winder to be disassembled at the workshop while new coils were manufactured.



"The decision was the easy part," says Engineering Manager Quinton Brand. "What the guys did here was nothing short of spectacular. Everyone worked round the clock for nearly five weeks. It was a tremendous effort and shows that Vatukoula has the best engineering workshop in Fiji."

It should be noted that the team were dealing with old machinery. Although the commutator inside the armature – which maintains the direction of electric current in the winder motor – was replaced in 1995, the motor itself dates from 1932, and has a sister winder motor in a museum in Ballarat, Australia. The sheer size, weight and dimensions of the motor are enormous compared with equivalent modern machinery.

"The whole project was a perfect example of Me Caka in action," says Quinton. Me Caka means 'do it', and the Me Caka campaign is targeted at doing just that: implementing better work systems at Vatukoula with the aim of extending the mine's life.

## New appointments

Sean O'Connor



Sean O'Connor has been appointed General Manager of the Vatukoula Gold Mine.

Producing about 140 000 ounces of gold per year, Vatukoula, which is Fiji's largest gold mine, has been in operation for nearly 70 years and is currently controlled by Emperor Gold Mines. DRDGOLD, with a 45.3% stake, is the major shareholder.

Sean brings considerable experience to Vatukoula having worked in senior mine management roles for almost 30 years throughout the South African gold and platinum mining industries. He admits he joins the operation at a difficult time with record fuel prices, a declining gold grade and steadying gold prices creating significant financial problems for Emperor.

"There is no denying that Vatukoula is facing one of its most challenging periods," says Sean. "In response, however, we're planning to implement a range of efficiency and cost-cutting measures to make the mine more sustainable. Importantly, many of the mine's stakeholders are involved in the process." Sean adds that a recent management agreement with Emperor gives the mine access to DRDGOLD's technology and staff. Emperor's shareholders have also just approved a A\$10 million loan from DRDGOLD, which will help to underwrite the development of the new mine plan.

John Sayers



John Sayers has been appointed DRDGOLD's new Finance Director (FD) and Chief Financial Officer (CFO). As FD, he becomes an executive director of the company, and will take over both roles from Ian Murray.

John brings a wealth of financial expertise to his new post. During a career spanning nearly 40 years, he was Financial Director of Altron (from 1989 to 1996) and of Nampak (from 1996 to 2004).

"This is my first experience of the mining industry and I'm looking forward to the challenge," says John. "I'm impressed by what I've seen of the team's commitment to a growth strategy. "I'll be concentrating on reviewing financial systems and preparing the Group for the proposed change to International Financial Reporting Standards (IFRS) over the next few years. This project will involve a complete review of our chart of accounts, as well as a probable restatement of our asset and liability base, but we have a project plan in place and the necessary resources are available."

John has an honours degree in econometrics and statistics, and qualified as a Chartered Accountant (CA) in both England and South Africa. John and his wife Susan have five children. A keen fly fisherman, he enjoys reading and music and spending quality time with his family.

## DRDGOLD assists community clinic

The CLAW Nthethe Raditapole Memorial Clinic has opened. It operates from premises made available by DRDGOLD for a nominal rental at the old Durban Roodepoort Deep Mine on the West Rand. Community Led Animal Welfare (CLAW) is a project of the International Fund for Animal Welfare (IFAW) and was founded by IFAW Senior Adviser Cora Bailey in 1992. CLAW provides free veterinary and sterilisation services to the pets of some of South Africa's most impoverished communities.

"We become closely involved in the lives and daily hardships of our communities, and this clinic will be unique in placing equal focus on the welfare of animals and the needs of the people who own them," says Cora. The clinic will have a broad community focus, incorporating premises for a full-time social worker to manage HIV/AIDS outreach and support programmes, as well as helping residents access the available social grants. The clinic's grounds have also been used to establish one of CLAW's highly successful vegetable gardens. Local community members are trained in organic growing techniques, and the produce is distributed free to HIV-positive people, AIDS sufferers and destitute community members.

The clinic is the brainchild of the late Dr Nthethe Raditapole, who worked for IFAW and CLAW in the West Rand communities.

Dr Raditapole was tragically killed in a car accident in 2003. His twin brother, attorney Tefo Raditapole, delivered the opening address. "Nthethe believed it was the right or every person, no matter how poor or sick, to care for their pets and have access to decent veterinary care for them. We admire the incredible service that CLAW provides to the poor and their pets and wish them every success into the future."



Cora Bailey with Dr Raditapole's mother, Mrs Mahali Raditapole

## Blyvoor wage negotiations successful

Blyvooruitzicht Gold Mine announced on 21 September that the wage negotiations with the National Union of Mineworkers (NUM) had been successful. Wages will increase by 6% this year and 6.5% the following year, while the Living Out Allowance (LOA) has been increased

from R500 per month to R600 with effect from 1 July 2005 and R650 with effect from 1 July 2006. Wage negotiations at Crown Gold Recoveries' ERPM and Crown surface operation are continuing.



DRDGOLD Building, 45 Empire Road,  
Parktown, Johannesburg  
PO Box 390, Maraisburg 1700  
Tel: +27 (11) 381 7800, [www.drdgold.com](http://www.drdgold.com)

WANT A QUICK RESPONSE TO YOUR QUESTIONS ABOUT DRDGOLD?

Email: [ilja.graulich@za.drdgold.com](mailto:ilja.graulich@za.drdgold.com)

Some of the information in this brief may contain projections or other forward-looking statements regarding future events or other financial performance, including forward-looking statements and information relating to DRDGOLD that are based on the beliefs of management, as well as assumptions made by and information currently available to management. When used in this brief, the words "estimate", "project", "believe", "anticipate", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect management's current views with respect to future events and are subject to risks, uncertainties and assumptions. These statements include the Company's ability to continue as a going concern, its ability to successfully restructure the South African operations and, in particular the North West operations, its ability to significantly reduce its costs in South Africa, its ability to fund its future commitments, including the restructure of the North West Operations. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, adverse changes or uncertainties in general economic conditions in the markets we serve, a drop in the gold price, a continuing strengthening of the Rand against the Dollar, regulatory developments adverse to DRDGOLD or difficulties in maintaining necessary licenses or other governmental approvals, changes in DRDGOLD's competitive position, changes in business strategy, any major disruption in production at our key facilities or adverse changes in foreign exchange rates and various other factors. These risks include, without limitation, those described in the section entitled "Risk Factors" included in our annual report for the fiscal year ended 30 June 2004, which we filed with the United States Securities and Exchange Commission on 29 November 2004 on Form 20-F, as amended by the Form 20-F/A filed on December 3, 2004, and those detailed from time to time with the United States Securities and Exchange Commission. You should not place undue reliance on these forward-looking statements, which speak only as of the date thereof. We do not undertake any obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report or to the occurrence of unanticipated events.