

Nature of business

Durban Roodepoort Deep, Limited was incorporated on 16 February 1895, and operates gold mines in South Africa and Papua New Guinea. The Company does not have a major or controlling shareholder and is managed by its directors on behalf of its shareholders.

DRDGOLD is a public company with its primary listings on the Johannesburg and Australian stock exchanges and secondary listings on the NASDAQ SmallCap Market and the London and Port Moresby stock exchanges. The Company's shares are also traded on the Marche Libre in Paris, the Regulated Unofficial Market of the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets as well as Euronext Brussels in the form of International Depository Receipts.

Mining rights and property

A schedule detailing the Group's mining rights and property is available at the Group's registered address.

Share capital

Full details of authorised, issued and unissued share capital of the Company as at 30 June 2004 are set out in the notes to the financial statements on page 83 of this report.

The control over the unissued shares of the Company is vested in the directors, in specific terms as regards allotments in terms of the Durban Roodepoort Deep (1996) Share Option Scheme, as amended, and the allotment for shares for cash and in general terms as regards all other allotments.

The authorities granted to directors in respect of control over unissued shares expire on the date of the annual general meeting of members to be held on 26 November 2004. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the directors the then remaining unissued ordinary shares not required for purposes of the share option scheme.

During the financial year, a total of 978 053 new ordinary no par value shares were issued as a result of employees exercising their options under the Durban Roodepoort Deep (1996) Share Option scheme.

Shares issued

A total of 41 463 639 ordinary no par value shares were issued for cash (refer to the table below) of which 24 359 994 shares were deemed to be a vendor placing for the acquisition of the Porgera Joint Venture in terms of approval obtained from

the JSE. A further 6 643 902 shares were issued for the balance of the Porgera Joint Venture purchase consideration. As at 30 June 2004, there was no shareholder who held a beneficial interest in excess of 5% of the Company's issued share capital.

Going concern basis

The Company and Group incurred significant losses during the year ended 30 June 2004 and continued to incur losses after year-end. At year-end the Company's and Group's current liabilities exceeded their current assets. These facts give rise to doubt as to the Company and Group's ability to meet their current obligations in the normal course of business.

Management is in the process of restructuring the loss making South African operations and expects the Company and Group to reduce its losses and return to profitability. In addition, the Group should also benefit from including the profits and cash flow from the 20% interest in the unincorporated Porgera Joint Venture for the full 2005 financial year (this interest was only included for 9 months of the 2004 financial year). Furthermore, management has arranged additional funding to the extent of R100 million.

Shares issued for cash

Date of issue	Number of shares	Issue price (R)	Issued to
9 September 2003	18 000 000	17.86	Investec
9 September 2003	9 000 000	17.94	Investec
4 November 2003	3 000 000	18.46	Investec
4 February 2004	1 150 000	24.29	Investec
4 February 2004	2 254 862	17.50 ⁽¹⁾	Investec
16 February 2004	6 795 138	22.08	Investec
29 June 2004	1 263 639	15.83	Investec
Total	41 463 639		

⁽¹⁾ Based on strike price at 30 December 2003

Directors' service contracts

Director	Title	Date of appointment	Term	Unexpired term of director's service contract
MM Wellesley-Wood	Executive Chairman	2000 ⁽¹⁾	2 years	17 months
IL Murray	Chief Executive Officer			
	Chief Financial Officer	2000 ⁽¹⁾	2 years	17 months
RP Hume	Independent Non-Executive	2001	3 years	4 months
DC Baker	Independent Non-Executive	2002	3 years	7 months
GC Campbell	Senior Independent Non-Executive	2002	3 years	12 months
MP Ncholo	Non-Independent Non-Executive	2002	3 years	9 months
DJM Blackmur	Independent Non-Executive	2003	2 years	16 months

⁽¹⁾ reappointed in 2003.

On the basis that the restructuring is successful, the forecast cash flows indicate that the Company and Group will be able to meet their obligations as they fall due. The going concern basis has therefore been applied in preparing the financial statements.

Directorate

The following changes have been made to the board of directors since 1 July 2003:

Appointments	Date
DT van der Mescht	1 July 2003
DJM Blackmur	21 October 2003

Resignations

Subsequent to year-end, Mr van der Mescht resigned on 5 August 2004.

In accordance with the provisions of the Company's Articles of Association, Messrs DJM Blackmur, DC Baker, GC Campbell and NP Ncholo retire at the forthcoming annual general meeting. They are eligible and have offered themselves for re-election.

Directors' service contracts

Service contracts have been concluded with the Executive as well as the Non-Executive Directors. Details of the service contracts are set out in the table above.

There were no conflicting interests of the directors during the year under review and up to the date of notice of the Annual General Meeting.

Share option scheme

The Durban Roodepoort Deep (1996) Share Option Scheme (the Scheme) is used as an incentive tool for executive and senior employees whose skills and experience are recognised as being essential to the Company's performance. The number of issued and exercisable share options is approximately 3.6% of the issued ordinary share capital which is within the international accepted guideline of 3 to 5% for such schemes. In addition, the participants in the Scheme are fully taxed at their maximum marginal

tax rate on any gains realised on the exercise of their options.

In the past financial year, the directors have exercised 174 853 share options. Details of share options held by directors are listed on page 53.

Over the same period the director's gains on share options exercised were R2.0 million, compared to R17.6 million in the previous financial year.

The directors have granted 3 436 117 options in terms of the Durban Roodepoort Deep (1996) Share Option Scheme (refer to the table below) in the current financial year compared to 3 113 500 options in the previous financial year.

Share options available for allocation

	2004	2003
Balance of options available for allocation as at the beginning of the financial year	21 356 629	20 025 871
Number of options granted during the current financial year	(3 436 117)	(3 113 500)
Number of options lapsed during the financial year	399 414	1 303 566
Additional options available as a result of an increase in issued share capital during the current financial year	15 692 202	848 331
Number of options exercised during the current financial year and available for re-allotment	984 022	2 292 361
Balance of options available for allocation as at the end of the financial year	34 996 150	21 356 629

Directors' emoluments

	Board fees	Salary	Bonuses & performance related payments	Pension/provident scheme contributions	Change in ⁽⁴⁾ terms of employment payment	Total
Executive Directors						
MM Wellesley-Wood	–	3 377 906	567 560	–	1 748 000	5 693 466
IL Murray	–	2 234 866	408 329	382 688	–	3 025 883
	–	5 612 772	975 889	382 688	1 748 000	8 719 349
Non-Executive Directors						
DC Baker	205 201	–	–	–	–	205 201
GC Campbell	223 024	–	–	–	–	223 024
RP Hume	196 698	–	–	–	–	196 698
Dr MP Ncholo	154 630	–	–	–	–	154 630
DJM Blackmur ⁽³⁾	145 891	–	–	–	–	145 891
	925 444	–	–	–	–	925 444
Alternates						
D van der Mescht ⁽¹⁾⁽²⁾	–	1 234 230	67 482	158 444	–	1 460 156
A Lubbe ⁽¹⁾	–	1 073 295	91 592	179 388	–	1 344 275
	–	2 307 525	159 074	337 832	–	2 804 431
Total	925 444	7 920 297	1 134 963	720 520	1 748 000	12 449 224

⁽¹⁾ Appointed 1 July 2003

⁽²⁾ Resigned 5 August 2004

⁽³⁾ Appointed 21 October 2003

⁽⁴⁾ Under the terms of Mr Wellesley-Wood's agreement of employment effective from 1 December 2003, he is entitled to a change in terms of employment payment by virtue of his relinquishing the post of Chief Executive Officer of the Company, equal to 92% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. This payment accrued during May 2004, but has been deferred for six months, at Mr Wellesley-Wood's request. The role of Chairman and Chief Executive Officer was split in accordance with the rules prescribed by the Johannesburg Securities Exchange, which came into effect from 1 January 2004 and not as a result of any internal operating requirement of the Company. No other payment of this nature was made to any officer of the Company in fiscal 2004. The Remuneration Committee approved the payment which amounted to R1.7 million. Under the terms of Mr Murray's agreement of employment dated effective of 1 December 2003, he will receive a change in terms of employment payment by virtue of his relinquishing the post of Chief Financial Officer. Mr Murray was previously the Deputy Chief Executive Officer and Chief Financial Officer until December 2003 at which time the role of Chairman and Chief Executive Officer were split and Mr Wellesley-Wood was appointed as Executive Chairman and Mr Murray was appointed as Chief Executive Officer and Chief Financial Officer. By virtue of him relinquishing the post of Chief Financial Officer and appointing a replacement Chief Financial Officer, he will become entitled to an amount equal to 93% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. Such payment will amount to R1.1 million and was approved by the Remuneration Committee which approved the agreement of employment.

Share options

	Executive		Non-Executive					Other participants	Total
	MM Wellesley-Wood	IL Murray	DC Baker	GC Campbell	RP Hume	MP Ncholo	DJM Blackmur		
Balance at 1 July 2003									
Number	933 665	650 071	81 800	42 900	68 650	38 500	–	4 477 096	6 292 682
Ave strike price	18.30	17.34	16.44	20.86	16.67	21.07	–	17.30	17.48
Granted during year									
Number	215 800	143 300	11 100	12 000	11 100	9 300	–	3 033 517	3 436 117
Ave strike price	17.53	17.53	17.53	17.53	17.53	17.53	–	18.42	18.32
Exercised during year									
Number	125 553	–	43 300	–	6 000	–	–	809 169	984 022
Ave strike price	6.48	–	14.23	–	7.26	–	–	9.00	8.90
Lapsed during year									
Number	–	–	–	–	–	–	–	399 414	399 414
Ave strike price	–	–	–	–	–	–	–	18.17	18.17
Balance at 30 June 2004									
Number	1 023 912	793 371	49 600	54 900	73 750	47 800	–	6 302 030	8 345 363
Ave strike price	19.59	17.37	18.61	20.13	17.56	20.38	–	18.86	18.81
Share gain for the year – R'000	1 522	–	445	–	55	–	–	10 010	12 032
Ave price exercised – R per share	18.60	–	24.50	–	16.50	–	–	17.67	18.08

Directors' interests in shares

The interests of the directors in the ordinary share capital of the Company as at 30 June 2004 was as follows:

	Beneficial direct	30 June 2004 Beneficial indirect	Non-beneficial	Beneficial direct	30 June 2003 Beneficial indirect	Non-beneficial
Executive directors						
MM Wellesley-Wood	105 797	-	-	200 244	-	-
IL Murray	513 090	-	-	531 808	-	-
	618 887	-	-	732 052	-	-
Non-executive directors						
DC Baker	-	943 300	-	-	900 000	-
MP Ncholo ⁽¹⁾	-	3 196 593	-	-	4 794 889	-
GC Campbell	-	-	-	-	-	-
DJM Blackmur	-	-	-	-	-	-
RP Hume	-	10 000	-	-	4 000	-
	-	4 149 893	-	-	5 698 889	-
Alternate directors						
A Lubbe	-	-	-	-	-	-
DT van der Mescht ⁽²⁾	-	-	-	-	-	-
Total	618 887	4 149 893	-	732 052	5 698 889	-

⁽¹⁾ During the period from 30 June 2004 to 31 August 2004, Mr MP Ncholo's interests (as beneficiary of the Ncholo Trust which is the sole shareholder of Khumo Bathong Holdings Limited) changed as follows: As at 26 July 2004 his beneficial indirect interest was 1 598 297 shares. As at 25 August 2004 his beneficial indirect interest was 1 share. There were no other changes in the directors' interests in shares during this period.

⁽²⁾ Resigned on 5 August 2004.

Subsidiaries

The following information relates to the Company's financial interest in its subsidiaries:

	Issued ordinary share capital		Shares at cost less provisions R'000	Effective date of acquisition	Indebtedness net of provisions R'000
	Number of shares	% held			
South Africa					
Argonaut Financial Services (Pty) Ltd	100	100	-	1 Oct 1997	(1 044)
Blyvooruitzicht Gold Mining Company Ltd	50 772 971	100	120 587	15 Sep 1997	92 048
Buffelsfontein Gold Mines Ltd	13 000 360	100	285 854	15 Sep 1997	23 357
Crown Consolidated Gold Recoveries Ltd	51 300 000	100	-	14 Sep 1998	(155 944)
East Champ d'Or Gold Mine Ltd	7	100	-	1 Apr 1996	-
Rand Leases (Vogelstruisfontein) Gold Mining Company Ltd	2 963 000	100	-	1 Jan 1996	(42 092)
Roodepoort Gold Mine (Pty) Ltd	1	100	-	1 Jan 1996	-
Stand 752 Parktown Extension (Pty) Ltd	10	100	1 150	1 Nov 1998	2 725
West Witwatersrand Gold Holdings Ltd	99 900 000	100	-	1 Apr 1996	(24 426)
Australasia/International					
Dome Resources NL	142 619 074	100	29 206	1 Apr 2000	20 481
DRD Australia APS	130	100	-	26 Jan 1999	261 444
DRD Australasia (Pty) Ltd	100	100	-	15 Nov 1999	-
DRD International APS	125	100	-	28 Apr 1999	-
DRD (Isle of Man) Ltd ⁽¹⁾	1 601	100	51 950	5 Mar 1999	251 026
Total			488 747		427 575

⁽¹⁾ DRD (Isle of Man) Ltd holds the following investments: 19.78% of Emperor Mines Limited, 100% of DRD (Porgera) Limited (which in turn owns 20% of the unincorporated Porgera Joint Venture), 100% of Tolukuma Gold Mines Limited, 100% of DRD Australia Services Company (Pty) Ltd, 50.25% of Net-Gold Services Limited and 100% of Fortis (Pty) Limited.

Financial statements and results

Financial figures presented in the director's report are stated in South African Rands (000's).

The consolidated financial statements include the results and financial position of the Company and its subsidiaries, associates and joint ventures since the effective dates of acquisition.

The financial position, results of operations and cash flow information of the Company and Group are presented in the attached financial statements. The annual financial statements have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgement and estimates. The annual financial statements have been prepared on a going concern basis and the directors are of the opinion that the Company's and Group's assets will realise at least the values at which they are stated in balance sheet.

Overall performance

The Group recorded an operating loss from gold of R29.5 million for the financial year compared to an operating profit from gold of R91.9 million for the previous financial year. Total attributable gold production of 28 149 kilograms (905 023 ounces) increased by 4% against the previous financial year.

The Dollar gold price traded between US\$342 and US\$426 per ounce during the financial year. The appreciation of the South African Rand against the US Dollar significantly reduced the average price of gold in Rand terms from R97 652 per kilogram received in the previous financial year to R87 211 per kilogram this financial year.

Unit cost of sales, comprise of cash cost, depreciation and amortisation of assets, retrenchment costs, movement in provision for environmental rehabilitation cost and movement in gold in process. Cost of sales decreased from R93 926 per kilogram to R88 383 per kilogram year-on-year. In Dollar terms unit cost of sales increased from US\$323 per ounce to US\$398 per ounce as a result of the strengthening of the Rand against the Dollar.

The directors continually re-appraise the carrying value of the Group's assets and investments and make the appropriate adjustments as required. In the current year, the Company reversed the previous year impairment charge against the Number 6 Shaft at NWO (R35.5 million) when the shaft was reopened in February 2004 to mine high grade panels on a selective basis, impaired the Buffels section at NWO (R24.3 million) as the mine reached the end of its economic life and wrote off the expenditure on the South Plant upgrade at NWO (R9.4 million) following the decision not to proceed with the planned upgrade. Provisions were made against the Crown, ERPM, KBH and Mogale loans amounting to R104.2 million.

Goodwill of R7.1 million arising on the acquisition of our internet based gold marketing company (Net-Gold Services Ltd) was impaired. Deferred tax assets totalling R414.3 million were reversed during the year as the Group companies in which they were held were making losses and some doubt existed as to whether the related tax benefit will be realised.

Change in business

During the year, DRDGOLD effectively acquired 20% of the Porgera Joint Venture with effect from 14 October 2003. On 28 April 2004, DRDGOLD acquired 50.25% of Net-Gold Services Limited, a subsidiary of G.M. Network Limited (GoldMoney.com) and established an insurance company, Fortis Limited on 21 May 2004, which has applied for a license as a general insurer in Papua New Guinea, in order to provide workers compensation insurance to our workforce at the Tolukuma Gold Mine. In addition, we established White Rock Insurance Company PPC Limited as a cell captive to facilitate the reinsurance arrangement on our group insurance policy in July 2004.

Capital expenditure

Capital expenditure for the financial year amounted to R185.7 million compared to R121.5 million in the previous year. Assets which do not conform to the Company's core business were disposed of and cash of R23.4 million (2003: R32.6 million) was generated through this.

Gold production (Metric)

Durban Roodepoort Deep Limited's operations		Year ended June 2004	Year ended June 2003
South Africa			
Underground			
Ore milled	– t'000	2 496	3 396
Gold produced	– Kg	15 455	18 267
Yield	– g/tonne	6.19	5.38
Surface treatment			
Ore milled	– t'0000	3 780	8 133
Gold produced	– kg	2 428	4 280
Yield	– g/tonne	0.64	0.53
Papua New Guinea ⁽¹⁾			
Ore milled	– t'000	1 137	162
Gold produced	– Kg	7 253	2 118
Yield	– g/tonne	6.38	13.07
Crown Gold Recoveries ⁽²⁾			
Ore milled	– t'000	4 328	4 431
Gold produced	– Kg	3 013	2 402
Yield	– g/tonne	0.70	0.54
Total attributable			
Ore milled	– t'000	11 741	16 122
Gold produced	– Kg	28 149	27 067
Yield	– g/tonne	2.40	1.68

⁽¹⁾ These figures include 100% of Tolukuma and the Group's 20% attributable portion of the Porgera Joint Venture.

⁽²⁾ These figures represent the Group's 40% attributable portion of Crown Gold Recoveries (Pty) Ltd which includes Crown and ERPM.

Gold production (Imperial)

Durban Roodepoort Deep Limited's operations		Year ended June 2004	Year ended June 2003
South Africa			
Underground			
Ore milled	– t'000	2 750	3 743
Gold produced	– troy ounces	496 892	587 296
Yield	– ounces/ton	0.181	0.157
Surface treatment			
Ore milled	– t'000	4 169	8 962
Gold produced	– troy ounces	78 063	137 604
Yield	– ounces/ton	0.019	0.015
Papua New Guinea ⁽¹⁾			
Ore milled	– t'000	1 256	177
Gold produced	– troy ounces	233 190	68 096
Yield	– ounces/ton	0.186	0.385
Crown Gold Recoveries ⁽²⁾			
Ore milled	– t'000	4 772	4 884
Gold produced	– troy ounces	96 878	77 239
Yield	– ounces/ton	0.020	0.016
Total attributable			
Ore milled	– t'000	12 947	17 766
Gold produced	– troy ounces	905 023	870 235
Yield	– ounces/ton	0.070	0.049

⁽¹⁾ These figures include 100% of Tolukuma and the Group's 20% attributable portion of the Porgera Joint Venture.

⁽²⁾ These figures represent the Group's 40% attributable portion of Crown Gold Recoveries (Pty) Ltd which includes Crown and ERPM.