

This has been a year of considerable achievement in respect of safety in the Group as a whole

► CEO'S REVIEW AND REVIEW OF OPERATIONS

The 2004 financial year has been a year of contrast as we expand our operations in the Australasian region through acquisition and battle the strength of the Rand as it takes its toll on the South African gold mining industry. We continue to make good progress on several fronts as we reposition the business for the future.

SAFETY AND HEALTH

While this has been a year of considerable achievement in respect of safety overall, it is with deep regret that we report the death of 11 employees in work-related incidents at our South African operations. We extend our heartfelt condolences to their families and friends. The most meaningful memorial to those of our colleagues who died is our continued commitment to further safety improvements across the Group.

Our North West Operations (NWO) in South Africa, the focus of a substantial restructuring exercise in the first quarter of the financial year, recorded one million fatality-free shifts in January, while the Blyvooruitzicht Mine (Blyvoor), received the West Rand Mines Safety Award for the sixth year in succession with its attainment of a Lost Time Injury Frequency Rate (LTIFR) of 7.19.

These achievements point to the success of various operation-specific initiatives designed to effect behavioural change amongst employees. These have been developed as a consequence of research that confirms human error as a primary cause of workplace accidents.

In Australasia, we are particularly pleased with the improvement in the safety performance recorded by our wholly owned and operated Tolukuma Mine in Papua New Guinea (PNG). Again, a focus on effecting behavioural change amongst the workforce through appropriate training and related initiatives has contributed to the mine having achieved 361 days without a lost time injury (LTI). While, regrettably, an accident towards year-end resulted in an LTI that broke the track record of success, this is the mine's best LTI achievement since production began in 1995.

The health of our employees in the workplace remains a primary focus, not least because of the largely unknown impacts, into the future, of the HIV/AIDS pandemic. In South Africa, all of our HIV/AIDS initiatives derive from and are driven through the collaborative efforts of representatives of management and organised labour, through various consultative forums.

Education programmes at our operations and in the surrounding communities, aimed at prevention of transmission of the HIV virus, as well as voluntary testing and counselling, continue. We subscribe, on behalf of our employees, to a wellness programme, marketed by another South African mining company. This programme has proved successful in slowing the advance of the disease amongst those that are HIV-positive to its full-blown status through the provision of advice on appropriate nutrition and drugs that help prevent the onset of opportunistic infections, pneumonia and tuberculosis.

We welcome the South African Government's decision to provide free anti-retroviral therapy (ART) to HIV patients that require it. Our intention is to explore with the local government authorities how the financial provision we currently make towards the provision of ART for affected employees can best augment the State's initiative.

PRODUCTION

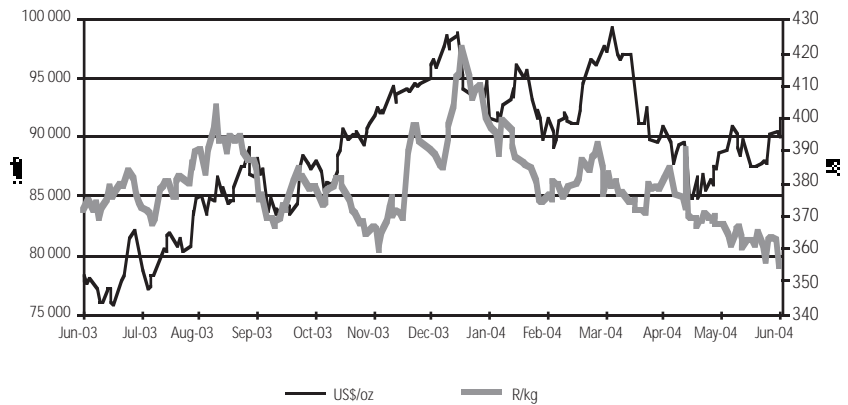
For DRDGOLD as a whole, production levels have been satisfactory. Total gold production (including attributable portion of associates and joint ventures) for the year was 905 023 ounces and we are pleased to retain our position as the world's ninth largest primary gold producer. On a demographic basis, production has shifted substantially with the escalation of our growth strategy in the Australasian region.

Through our acquisition, during the financial year, of a 20% interest in the Porgera Joint Venture in PNG, a substantial and sustained improvement in production from our wholly owned and operated Tolukuma mine in PNG, and an increase in our interest in Emperor Mines Limited of Australia to 45.33% in July 2004, we are within reach of our initial growth target of sourcing 400 000 ounces at less than US\$250 cash cost per production ounce from the Australasian region, all within a relatively short time frame.

While 74% of our production in the 2004 financial year continued to be sourced from our South African operations, 26% came from our Australasian interests (excluding Emperor), compared with 8% in the previous financial year.

Sadly, the decline of the Rand gold price and cost escalations in key consumables in the second half substantially negated reductions in the Rand cost of production achieved in the first half of the 2004 financial year

Gold Price



CEO'S REVIEW AND REVIEW OF OPERATIONS

South Africa, however, is likely to remain our largest source of reserves and resources for the foreseeable future, notwithstanding growth in the Australasian region and beyond. The challenges of mining our mature, deep-level South African operations in the year under review have been daunting, not least because of the impact of the stronger Rand on Dollar-denominated gold revenues and the effect on total working costs of increases in wages and many key consumables – in particular, electricity, steel and water – far in excess of the rate of inflation. We must, and will, plan on the assumption that these conditions are likely to continue into the year ahead. Our knowledge and experience of the South African mining environment stand us in good stead.

COST TRENDS

On a Group basis, average cash costs were well contained, due primarily to our acquiring and achieving lower cost ounces of production in Australasia and, to a lesser extent, effective margin management and restructuring of the South Africa operations.

Regarding the latter, while a reduction in the Rand cost of production in the first half of the year by the South African operations was commendable, sadly the aforementioned decline of the Rand gold price and cost escalations in key consumables in the second half substantially negated these positive achievements. These pressures continued beyond the year-end, making further restructuring, in order to better manage costs, unavoidable.

PROFITS AND MARGIN MANAGEMENT

Cash operating profits for the Group overall were satisfactory, however, efforts to manage margins at the operational level were unable to offset the effects of the strong Rand. The outcomes from our Australasian interests were substantially more rewarding than they were from our South African mines, due largely to the different economic environments and nature of mining operations.

In respect of our Australasian interests as a whole, a stronger average Dollar gold price received in the year under review bolstered operational efforts to increase production and better contain costs, resulting in improved margins and higher profits. The effects of similar efforts in South Africa, however, have been completely eroded by the circumstances in that country to which I have already referred.

RESERVES AND RESOURCE MANAGEMENT

The strength of the South African Rand rendered some 16% of our South African Ore Reserves unpayable in 2004 and consequently, our total attributable Ore Reserve decreased by 4.1 million ounces or 26% from 15.8 million ounces to 11.7 million ounces year-on-year.

Despite the overall decline, we enjoyed considerable success in growing our attributable Australasian Ore Reserve by 1.5 million ounces to 1.9 million ounces in the year under review, largely as a result of the acquisition of a 20% interest in the

Porgera Joint Venture, which added 1.4 million ounces to the reserves.

ACQUISITIONS

Attaining annualised production of approximately 350 000 ounces from Australasia, partly through the acquisition of an additional 25.55% interest in Emperor in July 2004, brings the Group within reach of its initial growth target of 400 000 ounces of low-cost gold production from this region, which is a major achievement.

In October 2003 we acquired Oil Search Limited's 20% interest in the Placer Dome Inc. managed unincorporated Porgera Joint Venture (Porgera) in PNG for R542.3 million (US\$77.1 million). Porgera's strong cash generation means that it suited – and continues to suit – our need for an 'enabler' for our growth strategy. Our stake in Porgera, together with our ownership of Tolukuma, gives us a significant presence in the PNG mining sector and, indeed, in the country's economy as a whole.

In March 2004, we announced our intention to acquire the remaining 80.22% of the ordinary shares in Emperor Mines Limited (Emperor), owner of the Vatukoula Gold Mine in Fiji, in which we had a 19.78% interest at the time. When our offer to Emperor shareholders closed on 30 July 2004 we had increased our 19.78% interest at 30 June 2004 to 45.33%. On 4 August 2004 DRDGOLD announced that Emperor's board of directors appointed Executive Chairman, Mr Wellesley-Wood as Managing Director of Emperor and Mr Johnson, Divisional Director of Australasia, as a Non-Executive Director of

Emperor, both with effect from 3 August 2004. On 9 September 2004, Emperor shareholders approved a resolution to remove two independent directors from the board of Emperor and to confirm Mr Johnson’s appointment as a Non-Executive Director of Emperor. As a result, there are now three DRDGOLD representatives on the six member Emperor board. On 14 September 2004, Emperor announced an A\$20.4 million non-renounceable rights issue to fund a portion of its Phase 2 expansion project. Under the rights issue, eligible Emperor shareholders will be entitled to subscribe for four fully paid ordinary shares in Emperor for every ten ordinary shares held in Emperor at an issue price of A\$0.45 per share. Whilst the rights offering is not underwritten, Emperor is offering shareholders the ability to subscribe for shares in addition to their entitlement under a shortfall facility. DRDGOLD has agreed to apply for its entitlement under the rights issue, as well as any shortfall to the issue (subject to certain conditions) under the shortfall facility. Emperor’s rights offering is currently scheduled to close on 8 October 2004.

While the Vatukoula Mine currently has a high-cost, low-margin profile, it is a long-life operation with attractive reserves and resources. We are confident that, by applying our knowledge and experience of mining deep-level, Witwatersrand-type reefs in South Africa to the mining of Vatukoula’s similar, epithermal orebody, we can substantially improve this mine’s overall performance. By identifying and exploiting synergies – in areas such as logistics and procurement, for example – between Vatukoula and

our other Australasian interests, we believe additional value can be added.

A primary focus of attention will be completion of Vatukoula’s Phase 2 development.

Our Australasian portfolio – featuring Porgera’s strong cashflow, Tolukuma’s attractive exploration potential and Vatukoula’s long-life – is well balanced. With this first phase of our growth strategy virtually complete, we are well positioned to pursue the second phase. This is likely to feature additional production from Australasia and possibly, from a third region that offers similar benefits – a Dollar-denominated revenue stream, ‘mining-friendly’ administrations and long-life ore bodies similar to those of which we have experience in exploring and exploiting.

In April 2004, the Group acquired 50.25% of the shares in a subsidiary (Net-Gold Services Limited) of the internet-based gold investment company, G.M. Network Limited (GoldMoney.com) to promote and enhance the Group’s participation in marketing of gold and the various uses thereof. The entity brokers the payment of purchases made by subscribers, through settlement in gold.

BALANCE SHEET STRENGTHENING

A number of factors have contributed to a strengthening of our balance sheet in the year under review.

Through three separate transactions with the South African based Investec Group between August 2003 and June 2004,

some 41.5 million new DRDGOLD ordinary shares were issued, raising a total of R775.7 million. The greater proportion of these proceeds were to fund the acquisition of a 20% interest in the Porgera Joint Venture for R542.3 million, which substantially boosted our mining assets during the year under review. A total of R164.9 million was used to close out 265 000 ounces under of the Eskom “gold for electricity” contract and the balance was used for general funding requirements.

OPERATIONAL PERFORMANCE

Although the operational performance for the Group as a whole in the year under review was good, given the strength of the Rand, on closer examination it can be described more accurately as a tale of two geographical regions.

Blyvooruitzicht Mine (Blyvoor) in South Africa, identified for some time as our engine room, was able to sustain its reputation at least for the first half of the year under review, and ranked amongst the top six performers in the country in terms of production costs per kilogram.

In the second half, and more particularly in the last quarter of the year, the combined negative effect of a number of issues – the low Rand gold price, cost increases largely beyond management control, a shift from Main Reef to Carbon Leader mining, operational difficulties, increased lock-up in the plant due to the ending of surface rock dump feed to the mill and poor initial recoveries from the Slimes Dam Project – has been enormous.

Our Tolukuma operation in Papua New Guinea has become our flagship for improvement and consistency, producing more than 7 000 ounces a month for 16 consecutive months

► CEO'S REVIEW AND REVIEW OF OPERATIONS

In spite of work done by a stakeholder task team, there was no discernible improvement in either production or operating efficiencies in the second half and consequently, Blyvoor entered an independently monitored 60-day review of operations on 28 June 2004, initiating facilitated consultations with organised labour on downsizing. These culminated early in September with an agreement between management and labour organisations on the retrenchment of up to 2 000 of Blyvoor's 4 400 employees by October 2004 in order to reduce overheads immediately, return the mine to breakeven and then to, at most, an R80 000 per kilogram cost level. There will be no shaft closures, thus preserving the mine's existing infrastructure in order to have a sound platform for further remedial action over a six-month period, and for a strategy to take Blyvoor into the future.

At our **North West Operations (NWO)**, a 60-day review was conducted in the first quarter of the financial year in order to address losses incurred since the December 2002 quarter, mostly due to the mining of low and medium grade areas in the No 6 shaft at Harties. This resulted in the cessation of all surface recovery operations, the closure of several business units, the retrenchment of approximately 3 000 employees and a 5% reduction in gold produced by the end of the first quarter. Working costs were reduced by 26% in the same period.

The positive turnaround trend continued through the second quarter and by the end of the third quarter the NWO had returned to profitability. In the final quarter of the year,

due to the continued strength of the Rand and the low Rand gold price, and rising costs of various key consumables, it became necessary to enter a further 60-day review process in respect of two of the NWO's three marginal Buffelsfontein shafts and the North Plant.

Notwithstanding rationalisation measures at the NWO, development and the opening up of high-grade reserves has continued throughout the year. As a consequence, the average Ore Reserve grade is attractive at 7.2 grams per ton and the life of mine remains at 15 years.

The fortunes of our **Crown/ERPM** associate, in which we have a 40% interest, have been mixed in the year under review. The Crown surface retreatment operation has maintained a steady-state performance in respect of throughput, cost management and gold production. ERPM – and in particular its underground operations – was severely affected by the strong Rand. Despite ERPM recovering well from a near-devastating fire in February 2003, the mine did not escape the effects of the Rand for the next part of the year, except in the first quarter of the year under review when it reported its first cash operating profit since acquisition in October 2002.

As a result of the 11.2% deterioration in the Rand gold price received, exacerbated by increased seismicity related to underground faulting, the withdrawal of the state pumping subsidy and the aging infrastructure throughout the underground section, management announced a review

of underground operations in April 2004. Following a facilitated 60-day review process and extensive consultations with organised labour in which various survival options were considered, it was decided to proceed with a 10-month phase-out of the underground operation to be completed in March 2005. It is hoped that the closure of the loss making unit, coupled with the proposed restructuring of the R140.7 million debt position, will be sufficient for ERPM to continue into the future as a surface retreatment operation, the flywheel of which, provided there is no further deterioration on the Rand gold price, should be the Cason Dump surface retreatment project. This has a six-year life and is expected to produce 0.3 million ounces of gold at an average grade of 0.41 grams per ton.

In the year under review, our **Tolukuma** operation in PNG has become our flagship for improvement and consistency, producing more than 7 000 ounces a month for 16 consecutive months and pointing to the benefits to be derived from stable, sound management. It is gratifying to report that recruitment and training initiatives have resulted in a workforce that is more than 90% Papua New Guinean.

The primary focus of attention from a production perspective has been the development of the Gulbadi vein, resumption of stoping in the Tinabar vein after an eight-month re-development phase, and the re-accessing of old workings in the Tolukuma vein which has yielded surprisingly good grades and tonnages.

We remain firm in our belief that the US Dollar gold price will keep strengthening in the medium- and long-term due to the likely continuing uncertainty surrounding the US currency itself and investor disenchantment with paper-based investments that lack gold's substance and endurance

For the first time since its acquisition in 2000 as a short-life asset, Tolukuma has been able to fulfill the exploration potential we began to recognise soon afterward. The Milaihamba project has progressed apace and with R11.4 million of capital expenditure directed towards the acquisition of new drill rigs and other mobile plant and equipment, exploration, development and the exploitation of the newly discovered Zine vein has been accelerated. We are now better positioned, also, to pursue further regional exploration of neighbouring tenements to which we have access.

Our 20% interest in the **Porgera Joint Venture (Porgera)** has proved to be a very satisfactory investment for us. Ably managed by 75% shareholder Placer Dome Inc., the mine exceeded forecast production in calendar 2003, at an average cost of \$256 per ounce. By June 2004, production was some 19% above forecast and cash costs were averaging US\$216 per ounce. Our consolidated share of operating profit for the nine months since acquisition in October 2004 was R207.0 million (US\$30.0 million).

Open pit mining at Porgera is currently in stages four and five of a five-stage open pit mining plan. While stage four remains the principal source of ore in 2004, it will be replaced by stage five in 2005, through to completion in late 2006. Underground production is expected to continue until late 2007 and treatment of accumulated lower grade ore stockpiles to 2012. More recently with the discovery of the Eastern Zone, this will add further reserves to

Porgera and extend the life of mine. This, together with continuing exploration activity, amply fulfils our vision for this investment as an engine for further growth in the Australasian region.

RISK MANAGEMENT

Our commitment to meeting the requirements of the Second Report of the King Commission on Corporate Governance 2002, or King II, and of the Sarbanes-Oxley Act 2002 in the United States, led us to create a sub-committee of the DRDGOLD Board to address risk management.

This committee, headed by Professor Doug Blackmur, an Independent Non-Executive Director, who joined the Board in October 2003, sets policy that drives the day-to-day risk management activities of our in-house legal counsel and group risk manager.

As a consequence of these initiatives, risk management within DRDGOLD is being addressed in a holistic, thorough-going manner.

BENEFICIATION

Towards fulfillment of our belief in gold's intrinsic value as currency – or, to be more to the point – as a form of currency, and in order to encourage private ownership of gold internationally, we acquired a 50.25% interest in the subsidiary (Net-Gold Services Ltd) of internet-based gold marketing company, G.M. Network Ltd (GoldMoney.com), in two separate transactions during the year for a total investment of R12.9 million (US\$2 million).

From the time we acquired our initial stake in January 2004, GoldMoney.com has enjoyed record growth. Its customer base has risen by more than 44% in the first half of 2004 to 13 700 worldwide and it has increased its holding of physical gold by 215%, from 66 London Bullion Market Association (LBMA) good delivery bars to 142.

DRDGOLD shares the view of GoldMoney.com founder Mr James Turk, the well-known and internationally respected authority on gold, that his creation is the easiest and most economical way to buy and sell gold, using the internet as a trading platform further, that there is enormous potential for gold to be used more for low-cost, on-line payments worldwide.

We look forward to growing our association with GoldMoney.com, to seeing it gain more prominence as international markets seek alternatives to the US Dollar as the currency for international trade, and to announcing similar downstream activities into the future.

All of the LBMA bars added to the GoldMoney system have been sourced from South Africa's Rand Refinery, in which we are a 10.6% shareholder. Our minority stake in Rand Refinery does not preclude our vigorous participation in its activities via our representation on its Board. We are both supportive and appreciative of its continuing efforts to source feed material internationally and at marketing a range of value-added products.

Particularly pleasing, in the year under review, was Rand Refinery's securing of good delivery

▶ CEO'S REVIEW AND REVIEW OF OPERATIONS

referee status by the LBMA – one of just five refineries worldwide to have done so. As an LBMA referee, Rand Refinery is required to assist the LBMA to ensure that all accredited refiners, as well as new applicants, are able to maintain the exacting standards set for LBMA accreditation.

In addition, to maximise insurance benefits and minimise the associated costs, we established, in June 2004, a cell captive arrangement in White Rock Insurance Company PPC Limited. Furthermore, we established an insurance company, in May 2004, Fortis Limited at a cost of R4.4 million to provide workers compensation insurance to our workers at Tolukuma in PNG, which will result in a year-on-year reduction of 90% in related insurance premiums.

LOOKING AHEAD

We remain firm in our belief that the US Dollar gold price will keep strengthening in the medium- and long-term due to the likely continuing uncertainty surrounding the US currency itself, concerns over the US economy, political instability in the Middle East and investor disenchantment with paper-based investments that lack gold's substance and endurance.

The logic for our diversification and growth into Australasia, where our revenues are US Dollar-denominated is compelling, as is our intention to pursue the so-called "third leg" of our growth strategy, similarly in a US Dollar-denominated, environment. Such diversification into other geographical regions should not, however, be interpreted

as an exit from South Africa. We remain committed to the region and our core competency of effective margin management in mining deep-level, Witwatersrand-type ore bodies. Our South African operations, we believe, are a valuable component of our asset mix and risk-spread, and will remain so.



Ian Murray
Chief Executive Officer
Chief Financial Officer