



## ▶ CHAIRMAN'S STATEMENT

This has been a year of substantial transformation for Durban Roodepoort Deep, Limited (DRDGOLD). We have sought to capture some of this change through considered and economical application of a new corporate identity that will commence shortly with a slight adjustment in our name to DRDGOLD Limited. DRD has been retained as a reminder of the best from our long history and GOLD will be introduced, lest there be any doubt regarding our focus on and dedication to exploration for and mining of this extraordinary metal.

Our vision, after careful review, remains to be the gold investment of choice. Our core value statement, expressed in full on page 2 of this report, has been expanded to capture our commitment to delivering value to our shareholders, safely and with respect for other stakeholders; learning from the past and being flexible in pursuit of the future; making sure we do 'clean' business; and, in particular, taking pleasure in all that we do. Words, of course, are not wholly adequate; within the organisation and beyond we are engaged in a programme of action to ensure that they are met with deeds.

Our acquisition during July 2004 of an additional 25.55% of Emperor Mines Limited of Australia and the acquisition in October 2003 of the 20% interest in the Porgera Joint Venture in Papua New Guinea (PNG), together with a strong performance from our wholly owned Tolukuma Mine in PNG, brings the Group within reach of its target of 400 000 ounces of low-cost annual gold production from this region in a relatively short space of time.

This, together with the closure of high-cost business units in South Africa over the past few years, has substantially reduced our risk profile and significantly, most of our profits now originate from outside of South Africa. Most of our gold reserves – some 9.9 million ounces or 84.2% of total attributable reserves – are in South Africa and when the Rand weakens, as we believe inevitably it must, these reserves have the potential to add significant value to our business.

In respect of our South African operations, we continue our efforts to counter the negative impact of the local currency's strength and above-inflation increases in key consumables such as electricity, steel and water, with drives to increase efficiencies and to improve grade control. When, patently, there are no alternatives, we may well have to close down further areas of high-cost production in these mines.

While the gold price has risen when measured against a weakening Dollar, it has failed to break out against relatively strong currencies such as the Rand – against which it has fallen by 16%. Even in Dollar terms, the gold price appears undervalued when one considers that it is still at the same Dollar price as it was nearly a quarter of a century ago. By comparison, fiat currency (that is, currency not backed by gold) has increased at an incredible rate over the same period. Our long-term confidence in the future of gold remains intact; underpinning this is the metal's intrinsic value, when all else fails, as money.

DRDGOLD's interactions with the communities in which it operates have both increased in scope and improved in substance in the year under review. At Tolukuma, we have been able to help residents of surrounding villages with crop development and marketing, in particular with the export of locally-grown coffee. In addition, we have assisted with the provision of water pumps and health and education infrastructure. We have made good progress with our localisation programme and now more than 90% of our workers are PNG nationals. Due to our expanded presence in PNG, we felt it necessary to provide investors in that country with access to DRDGOLD shares and so we listed on the Port Moresby Stock Exchange in August 2004.

In South Africa, somewhat paradoxically, we have been brought closer to the communities in which we operate through the various consultation processes accompanying our restructuring initiatives. At the North West Operations and at ERPM, we have worked closely with all of the stakeholders to develop and implement social plans that seek to manage and thus minimise the inevitable social impacts of downsizing. The Scorecard accompanying South Africa's Broad-based Socio Economic Charter has served to provide integrity to our various developmental initiatives in respect of our employees and the broader community. Our Adult Basic Education and Training (ABET) programme continues to expand and compliments our new "Train for the Nation" initiative designed to identify, develop and retain historically

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disadvantaged South Africans. We are also making good progress with the conversion of single-sex hostel accommodation to family units and are engaged with various local authorities in discussion on the transfer of surplus mine social infrastructure, such as clinics and recreational facilities, for community use.

In the year under review, we have also been paying more attention to how we govern ourselves. Your Board has formed a Risk Committee, which not only monitors risk on a Group basis but has also taken an overseeing role for our safety, health and environmental programmes. It is a pleasure for me to welcome Professor Doug Blackmur to the DRDGOLD Board and to the chairmanship of this important new committee. I have split my previous combined role of Chairman and Chief Executive Officer, retaining the former and passing the latter to Ian Murray, who

continues also as Chief Financial Officer. We have appointed Geoff Campbell as Senior Independent Non-Executive Director, and we have developed the parameters for continuous improvement through our own Board evaluation exercise.

Our shareholding base has changed substantially. We now have more shareholders in Australia than in South Africa, and our institutional ownership has risen to 30% of the total. However, by far the greater segment of our ownership is with US based investors and our principal trading market is NASDAQ in the United States of America. There is also a growing and important market in Europe on the Frankfurt Stock Exchange. Share turnover continues to grow, with more than 450% of our shares changing hands this past year which made us the fifth most active stock on the NASDAQ SmallCap Market.

The combination of risk reduction, improving competitiveness and high share liquidity has defined our niche as a mid-cap, growing gold investment. While there has been considerable consolidation in the industry, I believe that DRDGOLD now represents a unique proposition capable of outperforming its larger peers.

I would like to thank our staff, suppliers and advisers, all part of the greater DRDGOLD family, for their role in the road travelled thus far. We have a marvellous product, the potential of which will come to be appreciated by a broader constituency of investors in years to come. I am looking forward to the rest of our journey and hope all of our stakeholders will travel it with us.



**Mark Wellesley-Wood**  
Chairman