



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholder

A 40% rise in the gold price during the year under review has made a significant difference to the outlook for our industry. Having been in this business for the past 111 years, DRDGOLD has considerable experience of both the good and the bad times. The financial risks and difficulties of operating when the gold price is low are obvious but now we must be ready to meet the challenges and opportunities of working in a high gold price environment. I am happy to be able to report that your company is in a good position to take advantage of the higher gold price.

It may seem strange to talk about the challenges of operating in a high gold price environment, as these conditions should make life much easier for any company mining gold. However, this is not always the case. The rise in the gold price has been accompanied by a rise in many of mining input costs, in particular energy and raw materials. This is not surprising since the prices of gold and of general commodities tend to move in the same direction. However, many of our competitors chose to sell forward their gold production and now have to deal with a low fixed gold price and rising costs. For many years DRDGOLD has maintained a no-hedging policy and, as a result, we are able to benefit fully from the higher gold price.

In every respect, DRDGOLD is re-focused, re-energised and well positioned to benefit from gold's recovery, not least in terms of human expertise and experience. We look forward to a year filled with promise

The higher gold price has helped DRDGOLD report a 30% increase in attributable ore resources during the year under review, which illustrates our substantial gearing to a higher gold price. We firmly believe that a no-hedging policy, combined with continual operating improvement, is the best way to maximise the return on gold assets over the long term.

Operating old, deep-level mines in South Africa, along with specific issues related to the re-engineering of Emperor Mines' Vatukoula mine, have presented the group with challenges in the past year. Our focus will continue to ensure that the operations perform at the optimal level for sustained long-term profitability for the benefit of our shareholders, the communities in which we operate and our stakeholders at large.

Recent restructuring has created a company with fit-for-purpose subsidiaries in South Africa and Australasia. The South African mines are in a black economic empowerment partnership with Khumo Gold and the Australasian operations are now part of our 78.9% owned subsidiary, Emperor Mines. These two regionally based subsidiaries have strong management teams with essential local knowledge and experience.

This regional focus is strengthened by the core company that provides cross-functional synergies, and financial and operational support where required.

Through the restructuring, we have developed a balanced portfolio of assets. The mature, deep-level mines in South Africa still have a significant resource base, especially as the gold price rises, and there are many opportunities to add substantial value. Not only are these mines sensitive to the gold price but also to cost, and we must continue to work with our suppliers to minimise the negative impact of rising costs on the operations. Balancing these assets are Emperor Mines' newer, shallower mines in PNG; both in PNG and in Fiji there is considerable exploration potential.

Refocusing DRDGOLD and setting it on a clear path forward would not have been possible without the commitment and dedication of many people – it was indeed a tremendous team effort. In particular I should like to acknowledge the contribution made by all our employees working both for the company and for its subsidiaries during the past year.



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A handwritten signature in black ink that reads "Geoffrey Campbell". The signature is written in a cursive, slightly slanted style.

Geoffrey Campbell
Chairman
17 October 2006