



CEO's review of operations

The 2007 financial year for DRDGOLD was a sobering one, with our plans for our Australasian investment no sooner announced at the outset than they began to go awry. The reasons were well recorded during the year and I will reflect on these and the consequent Emperor balance sheet restructuring – which included the disposal of the Vatukoula mine in Fiji and the 20% stake in the Porgera Joint Venture in Papua New Guinea – later in this review.

Our investment in South African-based DRDGOLD SA was more rewarding, with some exciting new growth opportunities. Our long track record of success in surface retreatment continued to hold us in good stead, and stabilisation plans for the mature underground operations, while not without setbacks, were beginning to show positive results by year-end.

Overall group operational performance was well below what was anticipated mainly because events in Australasia carried through to the bottom line. A disenchanted investing community read the signs, and the DRDGOLD share price closed at R5.25 for the year, down 48% on the previous year. The company's market capitalisation weakened by 39% to R1 944.3 million. By year-end, however, with the afore-mentioned Emperor balance sheet restructuring substantially completed, the way ahead for DRDGOLD was clear, with a pronounced focus on growth in South Africa.

SAFETY, HEALTH AND ENVIRONMENT

With deep regret I must record the death of eight group employees in work-related incidents during the 2007 financial year – six, who were employees of DRDGOLD SA operations, and two employees of Emperor's Tolukuma mine who died in a helicopter crash with two other passengers.

Those employees who died were Augustino Lebaka, Nkosana Sikhafungana, Jacinto Chivambo and Mojalefa Semano of Blyvoor, Ernesto Vuma and Siyakudumisa Qwetssha

of ERPM, and Lawrence Aua and Linus Kopa of Tolukuma. I would like to extend my deepest condolences to their families, friends and colleagues.

While DRDGOLD SA's disabling injury frequency rate (DIFR) declined marginally from 10.81 to 10.46, its reportable injury frequency rate (RIFR) rose from 3.81 to 4.75 and its fatal injury frequency rate (FIFR) remained virtually unchanged at 0.21. Falls of ground – gravity- and seismicity-related – were overwhelmingly the biggest single cause of injury. Several initiatives to effect safety performance improvements at the operations of DRDGOLD SA are reported upon in greater detail elsewhere in this report.

Turning to the operations of Emperor, Tolukuma's lost time injury frequency rate (LTIFR) deteriorated from 2.58 to 2.81 as a consequence of the helicopter crash. If this is excluded, injuries were fewer and less severe overall. For the period in 2007 of Emperor's ownership of Vatukoula and investment in Porgera, safety at both operations showed improvement.

Activities in respect of health care and environmental management in both South Africa and Australasia are reported upon on pages 24 to 29 of this report. While one can never be sanguine, I am satisfied that all issues continue to be addressed in a responsible manner, with input from the relevant stakeholders.

GOLD MARKET

The gold market performed strongly in the year under review. Whilst the gold price did not again breach \$700/oz after June 2006, the average spot price was 21% higher than in the previous year, at \$638/oz. Amid continuing global economic uncertainty, investors turned once more to gold – notably to safe-haven products such as Exchange Traded Funds (ETFs) and this, together with more de-hedging activity and a slowdown in new mine supply, particularly from South Africa – saw demand exceed supply. The average gold price received by DRDGOLD for

the year was 19% higher at \$642/oz. Looking ahead, the fundamentals for our product are encouraging. There are unlikely to be any immediately effective solutions to current global economic pressures and investors, we believe, will continue to favour gold in its various investment forms. The supply side shortfall is likely to continue because of an amalgam of circumstances; these include new mines having missed their start-up dates and the challenge – particularly to South African producers such as ourselves – of maintaining profitable production in the face of increasing depth and rising costs.

GROUP PERFORMANCE

Group gold production for the year decreased by 10% to 477 157 ounces due to lower Australasian gold production but we saw an encouraging increase in gold production from the South African operations. While group revenue from continuing operations was 32% higher at R2 087.7 million, reflecting the higher average gold price received, group cash operating costs were 41% higher at R1 813.5 million. Consequently group cash operating profit was 8% lower at R274.2 million.

SOUTH AFRICAN PERFORMANCE

A 6% increase in South African gold production to 334 496 ounces was achieved in spite of various operational setbacks referred to in my operation-by-operation commentary below, and point to continuing satisfactory performance overall from the surface retreatment operations and encouraging progress by year-end in the drive to restore stability at the underground operations.

Although cash operating costs were 12% higher at \$540/oz, increased production and the much healthier average gold price received resulted in a net profit of R55 million compared with the previous year's R30 million net loss.

BLYVOORUITZICHT

Total gold production declined year-on-year by 5% to 151 269 ounces. While



underground gold production was 8% lower at 110 471 ounces, gold production from surface sources increased by 3% to 40 798 ounces.

Reduced underground production reflects implementation during the year under review of a new, 'lower grade, higher volume' mine plan to address safety concerns arising from increasing levels of seismicity in the high-grade area of the mine's No 5 shaft. The new plan, initially targeting a production level of 70 000 tonnes a month, involved reducing production from the seismically active high-grade area of No 5 shaft and

and the latter to \$287/oz. Cash operating profit was nevertheless 93% higher, a consequence of the higher gold price received.

Good progress was made during the year on Blyvoor's Way Ahead Project (WAP) which replaced the No 2 Sub-shaft Project. WAP involves accessing the No 2 sub-shaft reserves from levels 27 to 35 of No 5 shaft at a substantially reduced cost of R37 million over the next three years.

At year-end, encouraging results had been obtained from a drilling programme to define the uranium resource in Blyvoor's slimes dam

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simultaneously increasing volumes mined from the No 4 and No 6 shaft areas. Implementation of the new plan continued during the year under review but not without setbacks. These included a power failure-induced shaft incident which caused damage to No 6 shaft infrastructure, an underground fire, and illegal strike action. Towards year-end, monthly production reached 60 000 tonnes and a review indicated this to be a more realistic production level for the mine's underground operations going forward. For the year, underground throughput was 2% higher at 690 000 tonnes and the average yield 10% lower at 4.98g/t.

Higher surface gold production resulted from a 2% throughput increase to 3 694 000 tonnes, which offset the impact of a 10% decline in the average yield to 0.34 g/t. Total cash operating costs were 15% higher at \$547/oz, reflecting 16% increases in both underground and surface cash operating costs, the former to \$642/oz

material and RSG Global (Pty) Limited was appointed both to audit these results in order to declare a uranium, gold and sulphur surface resource conforming to the SAMREC Code, and to define an underground uranium resource.

ERPM

Total gold production was 80 216 ounces, surface gold production was 22 153 ounces and underground gold production 58 063 ounces.

Underground, a planned shift from low-volume, high-grade scattered mining in the west of the lease area to high-volume, lower-grade longwall mining in the east below 70 level proved problematic on various fronts. Delays in the supply of services to the newly developed longwalls reduced volumes mined and navigation of faulting encountered had a negative impact on both volumes and yield.

By year-end a catch-up in the delivery of services saw a recovery in volumes and throughput for the year was 19% higher at

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continued

269 000 tonnes. The average yield was 19% lower, however. Fault navigation is expected to continue for between six and nine months into the new financial year; to limit the negative impacts of this, more focus will be directed towards grade management.

A three-year, R35-million plugging programme to isolate ERPM's Far East Vertical (FEV) shaft from water rising in the Central Witwatersrand Basin is scheduled for completion in October 2007. This ambitious project, involving the construction of eight underground plugs, was 65% funded by the Department of Minerals and Energy (DME). Effectively ensuring the mine's future, it is a tribute to government's vision and commitment to the gold mining sector.

Increased throughput from ERPM's Cason dump, made possible through upgrades to pumps and piping and an increased milling capacity at the Knights plant, offset the impact of a slight drop in grade, resulting in higher surface gold production.

Total cash operating costs increased by 36% to \$641/oz, a consequence both of a 42% increase in underground cash operating costs to \$654/oz and a 21% increase in surface cash operating costs to \$606/oz.

CROWN

Gold production for the year was 103 011 ounces, reflecting an improvement in throughput tonnes made possible through improvements to pipelines and other infrastructure.

Cash operating costs were only 4% higher at \$450/oz, a consequence of the substantially higher gold production.

Towards year-end, as declining sources of high-grade material began to have a negative impact on production, reclamation of the 7.64-million-tonne 3L2 slimes dam began. Material from the dump will be processed through the Crown plant at a rate of 270 000 tonnes a month over 24 months, recovering some 115 000 ounces of gold.

This provides critical breathing space for Crown, pending approval of the company's application to the DME for licence to mine, over a period of two years, the 5.1-million-tonne Top Star dump, estimated to contain 128 000 ounces of gold.

AUSTRALASIAN PERFORMANCE

Total gold production from the Australasian operations for the year – excluding Vatukoula, which was closed in December 2006 and subsequently sold, with its environmental obligations – was 37% lower at 115 751 ounces.

The Australasian operations' net loss for the year was R1 344 million after accounting for Vatukoula's net loss of R1 022 million.

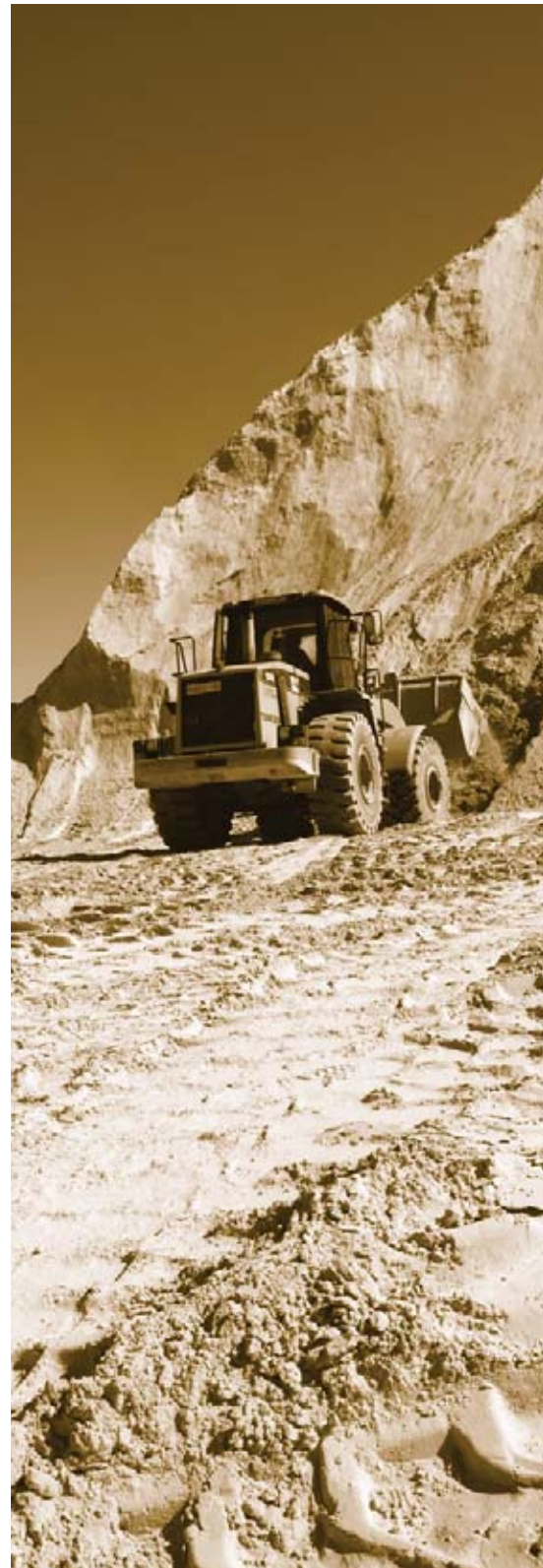
TOLUKUMA

A number of factors contributed to a 19% drop in gold production for the year to 44 181 ounces. Safety concerns led to a suspension of mining from the Gulbadi area, significantly reducing underground tonnage. This, together with problems related to inventory and cash flow, led to mill feed being sourced primarily from low-grade surface stockpiles. A major breakdown of the SAG mill also had a negative impact on production.

Lower production and a consequent 54% hike in average cash operating costs to \$868/oz led to a deepening of the mine's cash operating loss to R52.5 million from the previous year's R4.6 million loss.

PORGERA

In April 2007, Emperor announced the sale of its 20% interest in the Porgera JV to Barrick Gold Corporation for \$250 million plus an additional adjustment amount of \$5 million, paid in cash – a necessary step to relieve the company's serious debt burden, a primary cause of which was Vatukoula's difficulties, summarised briefly below. For the first three quarters of the financial year to the end of the March quarter – the effective date of the transaction – Porgera's gold production was 71 570 ounces. Cash



operating costs averaged \$450/oz, and cash operating profit for the nine-month period was R13.2 million.

VATUKOULA

At the start of the financial year, the troubled Vatukoula operation embarked upon its remedial Accelerated Development Programme and in the first quarter produced 17 338 ounces. A host of problematic issues then arose – not least industrial and political unrest and a hoisting incident that caused major damage to the mine's key producing Philip shaft. After a three-month review the decision was taken in December 2006 to discontinue operations and in March 2007 the mine, together with the rest of Emperor's Fijian assets, was sold to Westech Gold (Pty) Limited. For the year, prior to disposal, Vatukoula produced a total of 26 910 ounces at an average cash operating cost of \$795/oz.

RESERVE AND RESOURCE MANAGEMENT

While DRDGOLD's attributable Ore Reserve decreased by 28% year on year to 6.3 million ounces, its attributable Mineral Resource rose by 14% to 54.2 million ounces.

A 95% drop in the attributable Mineral Resource of the Australasian operations to 0.322 million ounces – a consequence primarily of the Porgera and Vatukoula disposals – was more than offset by a 33% increase in the attributable Mineral Resource of the South African operations to 53.9 million ounces. Some 6.2 million ounces of these resulted from the granting of the ERPM Ext 2 prospecting right and a further 12.4 million ounces were identified in ERPM's Southern Lease area.

In spite of an 11% lower stake in DRDGOLD SA – arising from black economic empowerment partner Khumo Gold SPV increasing its interest from 15% to 20% and a further 6% being reserved for the formation of a DRDGOLD SA employee trust – DRDGOLD's attributable Ore Reserve from the South African operations decreased by only 0.480 million ounces to 6.2 million ounces. The attributable Ore Reserve

from the Australasian operations was 95% lower at 0.108 million ounces due to the disposal of Porgera and Vatukoula.

BOARD AND MANAGEMENT CHANGES

In January 2007 I took over from Mark Wellesley-Wood as Chief Executive Officer (CEO) of DRDGOLD. Mark served the company variously as CEO and Executive Chairman for more than six years. Group Financial Manager Kobus Dissel succeeded me as Chief Financial Officer, in an acting capacity.

ACKNOWLEDGEMENTS

The demands of Emperor's balance sheet restructuring, of stabilising the South African operations, and of exploring and buttoning down new growth opportunities during the year have been extraordinary. I am enormously grateful to the Board of Directors of DRDGOLD, DRDGOLD SA and Emperor, to the DRDGOLD corporate office staff and the management teams in both South Africa and Australasia for their unwavering support, often in very challenging circumstances.

LOOKING AHEAD

As a consequence of Emperor's balance sheet restructuring – and in particular, the conclusion of the sale of the Porgera JV stake in August 2007 – DRDGOLD's own balance sheet position is enormously improved. With Emperor's debt repayment of \$25.8 million and its capital distribution from the Porgera proceeds of \$33.5 million, DRDGOLD now has cash in hand of almost R1.0 billion.

This positions us well for taking forward our planned growth in South Africa. We now have the financial resources we need to continue to stabilise the mature, underground mining operations here, to consolidate our position as the world's leader in the retreatment of surface tailings to recover gold, and to aggressively pursue our programme of brownfields exploration.

In the latter half of the year under review we announced two important joint ventures (JVs) with Mintails SA – one in respect of both

underground mining and surface retreatment for the recovery of gold and uranium on the West Rand and the other in respect of surface retreatment for the recovery of gold on the East Rand, centred around the Ergo infrastructure previously owned by AngloGold Ashanti. We look forward to reporting on progress towards production by both JVs in the 2008 financial year.

Indeed, we are now enormously motivated to identify and pursue further growth opportunities within South Africa. Our stronger financial position and the likelihood of continuing strength in the gold market aside, we have a strong core of both expertise and experience that knows South African gold mining – with all of its opportunities and challenges – best.

To coin a phrase, 'the jury is still out' regarding both our continued investment in Emperor, and on our possible investing in gold mining elsewhere in Africa. We expect to be in a position to report shortly on our intentions with regard to the former; in respect of the latter, we have investigated numerous possibilities and have yet to be convinced that there is not better value and a more conducive operating environment to be had here at home.



John Sayers
Chief Executive Officer