

Letter from Mark

This letter comes to you in the midst of some of the most interesting and exciting of times for DRDGOLD as a company. We are truly living through a transformation and recently we have seen the best of success and achievement and the worst of challenge and obstacle.

We are truly a global company, yet it is in South Africa that we have experienced the most challenges. Short of a plague of locusts, we have endured pretty well every other misfortune but we have also achieved some major steps forward that will allow us to focus and take clear and positive steps to a co-created future.

Clearly, the earthquake that rocked our South African North West Operations (NWO) on 9 March was the worst of the 'acts of God', but other events presented some significant challenges to us. Throughout them all we have buckled down to 'do what we say'; that is, to operate safely and profitably wherever we can.

The first action has been to stop the losses at NWO – amounting to 75% of our total losses recently. Since November, the NWO have not been able to get their production back up to scratch, so we have now posted a notice under South African labour law, enabling us to review them thoroughly.

The long period of Rand strength is now really constraining the ability of our management to keep the SA mines alive, so it is with great relief that I see the exchange rate has weakened to above R1/\$6. Meanwhile, we have been cutting into the South African overheads and are well on track to achieve a 25% reduction in these. Also on the upside, the team at Blyvoor has done well and is meeting forecasts, which is encouraging.

It has been tough on the DRDGOLD team as a whole, but we have to face up to the realities imposed by the Rand, and if this means a smaller business in South Africa, then we are prepared for this. There is much screaming from the sidelines in South Africa as we tackle the problems – from unions, from some of our friendly competitors (some of whom need to put their own houses in order), and of course, from those who owe us money like JCI, in respect of which we are resorting to our legal rights to get our dues.

But there is also support and applause for what we are doing, most notably from our shareholder stalwarts and the investing market at large.

We take great heart from the continued success of our Australasian operations. Fortunately, cyclone Ingrid has caused only minor disruption to those in Papua New Guinea (PNG). We have reviewed the Australasian operations in their entirety and have refocused our strategic efforts in the region. A significant cost component in the last six months has been investigation of possible acquisitions but these are not going to happen at our current low share price. We can get even leaner and meaner not only in South Africa but also in PNG and Fiji. You will see the results of this work shortly.

One of the most outstanding achievements of recent months has been the extraordinary loyalty, energy and effort put into meeting the challenges by all management and staff of the company. DRDGOLD is truly blessed with extremely talented and hard working people, and ultimately it is they who are making the difference that sustains us through these difficult times.

I said at the start of this letter that this is a period of transformation for DRDGOLD. As we emerge from the turbulence, I expect that the company will be much more resourceful, stronger, leaner and productive.

Regards,

Mark Wellesley-Wood
Chief Executive Officer

Post-quake assessment at NWO begins

Management at DRDGOLD's North West Operations (NWO), in conjunction with government inspectors and insurance assessors, has begun the painstaking task of assessing damage to the NWOs' No 5 Shaft which bore the brunt of last Wednesday's earthquake. While two men died and 40 others were injured – one seriously – the balance of the 3 200 employees underground at the NWOs' eight shafts at the time the 'quake struck were brought safely to surface in a matter of hours.

In less than a day, all of the shafts, except No 5 Shaft, were back in production. Indications at this stage are that No 5 Shaft sustained substantial damage in the 'quake, which measured 5.3 on the Richter Scale. It may be some weeks before an informed

decision can be made regarding its future. Prior to the 'quake, No 5 Shaft's monthly production was around 11% of the NWOs' total.

DRDGOLD has pledged its full support for a Government inquiry into the cause of the 'quake. The company said in a statement on Friday, however, that preliminary assessments indicate that it was not caused by current mining activities at the North West Operations. It referred to the United States Geological Survey which registered tectonic activity at a depth of 15 kilometres below surface. DRDGOLD's own measurements suggested a point of origin approximately 2 000 metres below surface, in a fault which traverses the Stilfontein area. The NWO have no current mining activity within three kilometres of the 'quake.

60-day review process under way at NWO

The 60-day operational review at DRDGOLD's North West Operations (NWO) continues this week in the wake of last week's earthquake, together with consultations between management and unions in terms of Section 189 (3) of South Africa's Labour Relations Act.



Louis Lamsley

Section 189 (3) details the requirements of a formal consultative process management is obliged to enter into with employees when it envisages dismissals based on changed operational and financial circumstances. In the six months to 31 December 2004, DRDGOLD recorded a total net loss of R370.1 million, of which R279.2 million, or 75%, was incurred by the North West Operations. Currently, the NWO are losing some R20 million a month.

DRDGOLD's Chief Executive Officer, Mark Wellesley Wood, says that, while the stronger Rand and the consequent weaker Rand gold price have been factors in the North West Operations' poor performance, there has been a failure to deal with these realities by continuously improving productivity and reducing costs. To survive the current crisis, Wellesley-Wood says,

productivity at the North West Operations must increase by 35% in terms of grams per total employee costed and current working costs of R71 million a month must be slashed to R40 million.

The North West Operations currently employ 6 513 people. Some 2 780 people were retrenched as part of a restructuring process some 18 months ago but subsequent performance improvements were not sustained. From the consultation process thus far, agreement has been reached on the deployment of multi-disciplinary, multi-level task review teams at each shaft. The task teams' brief is to intensively monitor and report on workplace practice and propose interventions for improvement.

Veteran mine manager and "back-to-basics" proponent Louis Lamsley, who led the 60-day review and Section 189 processes at the ERPM* mine last year that saw the mine's underground operations return to profitability, has taken over the helm at the North West Operations. "We can do this," he says about restoring the North West Operations to profitability. "It's about getting back to where we were in October last year, before we lost the plot and production plummeted by 40%.

"It's about applying underground the basics of good mining such as face advance, stope width and grade control, as well as ensuring efficient processing when the ore reaches the plant."

*ERPM is wholly owned by Crown Gold Recoveries, a joint venture between Khumo Bathong Holdings (60%) and DRDGOLD (40%). DRDGOLD manages ERPM under contract.

New non-executive chairman appointed



Dr Paseka Ncholo

Dr Paseka Ncholo (41) was recently appointed Non-Executive Chairman of DRDGOLD.

Previously a non-executive director of the company, Dr Ncholo is a director of Crown Gold Recoveries (Pty) Limited and a non-executive director of Mvelaphanda Resources Limited.

Prior to founding Khumo Bathong Holdings (Pty) Limited and becoming Chairman of East Rand Proprietary Mines Limited (ERPM) in 1999, he was Director-General of the Department of Public Service and Administration in the South African Government.

He was awarded a doctorate in law in 1992 and admitted as an advocate to the High Court in South Africa in 1994. Commenting on his appointment, Dr Ncholo said: "I am looking forward to the challenges this presents and hope to be able to bring my experience of marginal gold mining to bear on the re-positioning of DRDGOLD in South Africa that the continued weakening of the Rand gold price dictates."



Blyvoor makes it seven in a row

DRDGOLD's Blyvooruitzicht Mine (Blyvoor) recently won the West Rand Mine Managers' Inter-mine Safety Competition for the seventh year in succession. Blyvoor's General Manager, Mark Munroe (left) is congratulated by the Divisional Director of DRDGOLD's South African Operations, Michael Marriott. A full report on this and other safety achievements by DRDGOLD's operations appears on page 2.

Porgera shines

The Porgera mine in Papua New Guinea (PNG) continues to shine amongst DRDGOLD's international investments. The mine produced 1 million ounces for the first time in 2004 – 13% above its forecast of 904 000 ounces – at a phenomenal cash cost of US\$192 per ounce. "And there are more good things to come from Porgera," says a confident Richard Johnson, DRDGOLD's Divisional Director: Australasia. The mine's underground potential has been firmed up, he says, and mining from this source – re-started in 2002 – is now expected to continue to 2012. Underground ore in 2005 is being sourced from the

mine's Central, North and Eastern Deeps zones. Open pit mining at Porgera is currently in stages 4 and 5 of a 5-stage plan, says Johnson. With stage 4 scheduled for completion by mid-2005, stage 5 will become the principal ore source. Latest reserve numbers, he says, are "very healthy". Proven and probable reserves at 31 December 2004 are estimated at 7.3 million ounces with a projected mine life of 10 years. DRDGOLD acquired its 20% stake in the Porgera Joint Venture late in 2003 for US\$73 million. Placer Dome holds 75% of the JV and operates the mine, and the PNG provincial government of Enga, through Mineral Resources Enga, owns the balance of 5%.



Richard Johnson

Blyvoor wins again

Blyvooruitzicht Mine (Blyvoor) has won the West Rand Mine Managers' Inter-mine Safety Competition trophy for the seventh year in succession.

Elandsrand Mine won the competition when it started in 1997, and came second for the next two years before yielding to Blyvoor, which has held undisputed sway ever since.

Blyvoor's average Lost Time Injury Frequency Rate (LTIFR) in 2004 was 6.94 (an 11.2% improvement from the previous year), compared with the 9.91 achieved by its nearest rival, AngloGold Ashanti's Mponeng Mine. The LTIFR measures lost time injuries per million man-hours. "Production is a priority but safety is mandatory:

safety is ultimately about total commitment from everyone on this mine," says Blyvoor's General Manager Mark Munroe.

"The mine showed a considerable improvement in dressing station cases in 2004. We believe that prompt investigation into the causes of small incidents ultimately helps prevent serious accidents."

Blyvoor's dressing station rate improved by an impressive 32.4% in 2004.

***DRDGOLD's North West Operations (NWO) and Crown Gold Recoveries' surface retreatment operations (in which DRDGOLD has a 40% interest and which the company manages) both recorded one million fatality-free shifts recently.**

Pumping new life into ERPM



Pumping and plugging: lifelines for ERPM. Shaft foreman Gideon Cramer checks the pressure gauge on the 58 level plug at the mine's Far East Vertical Shaft

A couple of financial lifelines from the South African Government has contributed to the turnaround in the fortunes of East Rand Proprietary Mines Limited (ERPM), which faced closure of its underground operations less than a year ago.

The combined effects of a strengthening Rand, weakening Rand gold price, declining productivity and rising costs

had put the century-old, deep-level gold mining operation into a serious loss-making spiral that was considerably worsened when the South African Government suspended a long-standing monthly underground water pumping subsidy in April last year.

A 60-day review process saw some improvement in productivity from the mine's underground operations, coinciding with the takeoff of its Cason surface retreatment operations after some initial teething problems. While 800 employees were retrenched, the jobs of more than 2 000 were saved.

Then, in December, came the news that the Government had approved the partial reinstatement of the pumping subsidy. Instead of R1.6 million previously received monthly, the mine would receive R1 million a month to March this year, backdated to April last year.

At the same time, the Government approved a R7.1 million grant to ERPM to help fund the first phase of a plugging project that will isolate its high-production Far East Vertical Shaft and South East Vertical Shaft from the rest of the underground operations that will then be allowed to flood.

Work on phase one began in December, is progressing well and should be completed by May this year.

ERPM expects to hear shortly if its application to the Government for an extension of the pumping subsidy for another year and for a further R8.4 million grant towards phase two of the plugging project has been approved. DRDGOLD's cautious view is that, provided there are no further unpleasant surprises in respect of the Rand and the Rand gold price, and that productivity improvements are sustained, the Government's assistance will help keep ERPM in production for a further eight years.

The man in the middle...

...is how André Labuschagne describes himself. André recently joined Group Divisional Director Richard Johnson in Australia to establish DRDGOLD's Australasian presence.

This involves opening and registering the DRDGOLD Australasian services company in Brisbane, and managing the financial and administrative aspects of projects in the region. He is the vital link between South Africa and Australasia, providing detailed input for the company's marketing and strategic direction.

André joined DRDGOLD in November 2002 at North West Operations, before joining the new business team involved with the Porgera Mine acquisition in Papua New Guinea. André previously gained experience at AngloGold (now AngloGold Ashanti).

André's current focus is to develop and implement standardised systems and controls for the Australasian operations, as well as developing growth opportunities, reviewing life of mine (LOM) and consolidation plans and ensuring corporate governance. "One of my main goals is to break down interdepartmental boundaries and ensure effective teamwork between operations: this can be a major challenge in any international company," says André.

In the meantime, André and his family are enjoying settling into life in Brisbane.



André Labuschagne

DRDGOLD 
LIMITED


DRDGOLD Building, 45 Empire Road,
Parktown, Johannesburg
PO Box 390, Maraisburg 1700
Tel: +27 (11) 381 7800, www.durbans.com

WANT A QUICK RESPONSE TO YOUR QUESTIONS ABOUT DRDGOLD?

Email: ilja.graulich@za.drdgold.com

Some of the information in this brief may contain projections or other forward-looking statements regarding future events or other financial performance, including forward-looking statements and information relating to DRDGOLD that are based on the beliefs of management, as well as assumptions made by and information currently available to management. When used in this brief, the words "estimate", "project", "believe", "anticipate", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect management's current views with respect to future events and are subject to risks, uncertainties and assumptions. These statements include the Company's ability to continue as a going concern, its ability to successfully restructure the South African operations and, in particular the North West operations, its ability to significantly reduce its costs in South Africa, its ability to fund its future commitments, including the restructure of the North West Operations. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, adverse changes or uncertainties in general economic conditions in the markets we serve, a drop in the gold price, a continuing strengthening of the Rand against the Dollar, regulatory developments adverse to DRDGOLD or difficulties in maintaining necessary licenses or other governmental approvals, changes in DRDGOLD's competitive position, changes in business strategy, any major disruption in production at our key facilities or adverse changes in foreign exchange rates and various other factors. These risks include, without limitation, those described in the section entitled "Risk Factors" included in our annual report for the fiscal year ended 30 June 2004, which we filed with the United States Securities and Exchange Commission on 29 November 2004 on Form 20-F, as amended by the Form 20-F/A filed on December 3, 2004, and those detailed from time to time with the United States Securities and Exchange Commission. You should not place undue reliance on these forward-looking statements, which speak only as of the date thereof. We do not undertake any obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report or to the occurrence of unanticipated events.