

2006 FINANCIAL YEAR

**DRDGOLD LIMITED**

(Incorporated in the Republic of South Africa) • Registration No.1895/000926/06  
ARBN 086 277616 • JSE trading symbol: DRD • ISIN Code: ZAE 000058723  
Issuer code: DUSM • NASDAQ trading symbol: DROOY  
("DRDGOLD" or "the company")

**REVIEW OF OPERATIONS**

This provisional financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2005.

|                                 |    | 12 months to<br>30 June 2006 | 12 months to<br>30 June 2005 |
|---------------------------------|----|------------------------------|------------------------------|
| Group attributable production * |    |                              |                              |
| Australasian operations         | oz | 211 425                      | 317 134                      |
|                                 | kg | 6 578                        | 9 864                        |
| South African operations        | oz | 315 976                      | 251 902                      |
|                                 | kg | 9 828                        | 7 835                        |
| Discontinued operations         | oz | –                            | 199 850                      |
|                                 | kg | –                            | 6 216                        |
| Group                           | oz | 527 401                      | 768 886                      |
|                                 | kg | 16 406                       | 23 915                       |

\* Attributable – Emperor Mines Limited ("Emperor") consolidated 100% from 6 April 2006 (previously 39.52% attributable (45.33% 30 June 2005)) and Crown Gold Recoveries (Pty) Limited ("CGR") which included East Rand Proprietary Mines Limited ("ERPM") consolidated 100% from 1 December 2005 (previously 40% attributable).

For the year, total attributable gold production was 31% lower than the previous year at 527 401 ounces, reflecting the impact of a 33% decline in Australasian gold production to 211 425 ounces and the liquidation of the North West Operations. South African gold production rose by 25% to 315 976 ounces.

Gold production for Australasia included that attributable to the Group for the entire year. Emperor's preliminary Appendix 4E filed on the Australian Stock Exchange ("ASX") on 13 September 2006 reflected only the attributable gold production from the Vatukoula mine for the period after the acquisition of DRDGOLD's Australasian interests.

**STOCK**

**Issued capital**

320 035 078 ordinary no par value shares  
5 000 000 cumulative preference shares  
Total ordinary no par value shares issued and committed: 352 210 334

In November 2005 DRDGOLD fully incorporated Blyvoor, CGR and ERPM into a new entity, DRDGOLD SA – 85% owned by DRDGOLD and 15% by its black economic empowerment partner, Khumo Gold SPV (Pty) Limited.

In April 2006 the sale of DRDGOLD's Australasian operations into Emperor was concluded and the consequences of the transaction for DRDGOLD were an increased stake in Emperor (now 78.9%), US\$32.3 million in cash and US\$5.0 million purchase price adjustment.

On 31 July 2006 the Group issued a trading statement indicating that the company's headline loss per share would be in the range of 15% to 20% greater than the corresponding period and that the basic loss per share would be in the range of 60% to 70% lower than that reported in the 12 months ended 30 June 2005.

At the time of the trading statement a view was taken by management on the accounting for the Emperor transaction. A subsequent lengthy review of this transaction and its accounting treatment under International Financial Reporting Standards ("IFRS") resulted in a change in the accounting thereof. This, with a review of the deferred stripping costs at Porgera, resulted in the current reviewed position of the headline loss per share being 14% less than the previous period and the basic loss per share 83% less than the previous period.

KPMG's unmodified review report on the condensed consolidated IFRS financial statements contained in this announcement is available for inspection at the company's registered office.

## CONDENSED CONSOLIDATED INCOME STATEMENT

|  | Notes | 12 months to<br>30 June 2006<br>IFRS<br>R m | 12 months to<br>30 June 2005<br>IFRS<br>R m |
|--|-------|---|---|
| Continuing operations  |       |   |   |
| Gold and silver revenue  |       | 1 575.2                                     | 1 151.9                                     |
| Cash operating costs   |       | (1 292.2)                                   | (833.8)                                     |
| Cash operating profit  |       | 283.0                                       | 318.1                                       |
| Corporate administration and other expenses  |       | (157.2)                                     | (133.2)                                     |
| Share-based payments   |       | (13.3)                                      | (10.6)                                      |
| Exploration costs  |       | (16.5)                                      | (11.5)                                      |
| Care and maintenance costs   |       | (49.1)                                      | (10.6)                                      |
| <b>Cash profit from operations</b>   |       | <b>46.9</b>                                 | <b>152.2</b>                                |
| Retrenchment costs   |       | (5.6)                                       | (26.1)                                      |
| Investment income  |       | (4.1)                                       | (43.5)                                      |
| Finance charges  |       | (50.1)                                      | (36.2)                                      |
| <b>Net operating (loss)/profit</b>   |       | <b>(12.9)</b>                               | <b>46.4</b>                                 |
| Rehabilitation   |       | (42.1)                                      | (18.1)                                      |
| Depreciation   |       | (153.0)                                     | (137.1)                                     |
| Profit on financial instruments  |       | 40.0  | 6.7   |
| Movement in gold in process  |       | 3.5   | 10.7  |
| <b>Loss before taxation</b>  |       | <b>(164.5)</b>                              | <b>(91.4)</b>                               |
| Taxation   |       | (16.1)                                      | (78.1)                                      |
| Deferred taxation  |       | (8.3)                                       | 62.6  |
| <b>Loss after taxation</b>   |       | <b>(188.9)</b>                              | <b>(106.9)</b>                              |
| Profit on sale of investments  | 2     | 89.6  | 3.0   |
| Impairments  | 3     | 118.5                                       | (72.1)                                      |
| Loss from associates   |       | (152.0)                                     | (77.7)                                      |
| <b>Discontinued operation</b>  |       |   |   |
| Profit/(loss) for the period from discontinued operations  |       | 18.3  | (291.1)                                     |
| Loss for the period  |       | (114.5)                                     | (544.8)                                     |
| Attributable to minority interest  |       | 4.4   | –   |
| <b>Attributable to equity holders of the parent</b>  |       | <b>(110.1)</b>                              | <b>(544.8)</b>                              |
| Reconciliation from IFRS to SA GAAP  |       |   |   |
| – Cash costs   |       |   | (15.0)                                      |
| – Share-based payments   |       |   | 10.6  |
| – Convertible loan notes   |       |   | 27.0  |
| – Rehabilitation   |       |   | 0.4   |
| – Deferred taxation  |       |   | (20.3)                                      |
| – Amortisation and depreciation of mining properties, mine development costs and mine plant facilities |       |   | 26.2  |
| As reported under SA GAAP  |       |   | (515.9)                                     |
| <b>Headline loss per share – cents</b>   |       |   |   |
| – From continuing operations   |       | (108.4)                                     | (70.0)                                      |
| – From total operations  |       | (108.4)                                     | (125.5)                                     |
| <b>Basic loss per share – cents</b>  |       |   |   |
| – From continuing operations   |       | (41.3)                                      | (98.4)                                      |
| – From total operations  |       | (35.5)                                      | (211.4)                                     |
| Calculated on the weighted average ordinary shares issued of :   |       | 310 565 826                                 | 257 695 796                                 |
| <b>Diluted headline loss per share – cents</b>   |       | <b>(108.4)</b>                              | <b>(125.5)</b>                              |
| <b>Diluted basic loss per share – cents</b>  |       | <b>(35.5)</b>                               | <b>(211.4)</b>                              |

## SEGMENTAL INFORMATION

|                              | 12 months ending 30 June 2006 |                    | 12 months ending 30 June 2005 |                    |
|------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|
|                              | South Africa<br>R m           | Australasia<br>R m | South Africa<br>R m           | Australasia<br>R m |
| Gold and silver revenue      | 970.6                         | 604.6              | 426.3                         | 725.6              |
| Cash operating costs         | (855.5)                       | (436.7)            | (442.6)                       | (391.2)            |
| Cash operating profit/(loss) | 115.1                         | 167.9              | (16.3)                        | 334.4              |

## CONDENSED CONSOLIDATED BALANCE SHEET

|   |       | As at<br>30 June 2006 | As at<br>30 June 2005 |
|---|-------|-----------------------|-----------------------|
|   |       | IFRS                  | IFRS                  |
|   | Notes | R m                   | R m                   |
| Employment of capital                   |       |                       |                       |
| Net mining assets                       |       | 1 865.6               | 731.6                 |
| Investments                             |       | 7.1                   | 108.3                 |
| Environmental trust funds               |       | 60.4                  | 42.9                  |
| Other non-current assets                |       | 251.1                 | 215.2                 |
| Current assets                          |       | 820.6                 | 406.0                 |
| Inventories                             |       | 208.7                 | 110.7                 |
| Trade and other receivables             |       | 102.5                 | 54.1                  |
| Derivative instruments                  | 4     | 20.8                  | –                     |
| Cash and cash equivalents               |       | 488.6                 | 241.2                 |
|   |       | 3 004.8               | 1 504.0               |
| Capital employed                        |       |                       |                       |
| Shareholders' equity                    |       | 1 015.2               | 483.1                 |
| Shareholders' interest                  |       | 782.1                 | 477.3                 |
| Minority shareholders interest          |       | 233.1                 | 5.8                   |
| Long-term liabilities                   | 5     | 378.7                 | 466.5                 |
| Post retirement health care provisions  |       | 20.6                  | –                     |
| Financial liability                     | 6     | 27.9                  | –                     |
| Derivative instruments                  |       | –                     | 3.7                   |
| Rehabilitation                          |       | 322.3                 | 138.6                 |
| Deferred mining and income taxes        |       | 91.0                  | 82.7                  |
| Current liabilities                     |       | 1 149.1               | 329.4                 |
| Trade and other payables                |       | 346.1                 | 226.4                 |
| Provisions                              |       | 67.0                  | 38.3                  |
| Derivative instruments                  | 7     | 183.4                 | –                     |
| Current portion of long-term borrowings | 5     | 552.6                 | 64.7                  |
|   |       | 3 004.8               | 1 504.0               |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | 12 months to<br>30 June 2006 | 12 months to<br>30 June 2005 |
|---|------------------------------|------------------------------|
|   | IFRS                         | IFRS                         |
|   | R m                          | R m                          |
| Balance at the beginning of the year                                | 483.1                        | 456.9                        |
| Minority shareholders interest now reflected in shareholders equity | –                            | 5.8                          |
| Restated balance at the beginning of the year                       | 483.1                        | 462.7                        |
| Share capital issued  | 209.8                        | 506.5                        |
| – for acquisition finance and cash                                  | 199.9                        | 522.6                        |
| – for share options exercised                                       | 3.5                          | 0.5                          |
| – increase in share-based payment reserve                           | 13.3                         | 10.6                         |
| – for costs   | (6.9)                        | (27.2)                       |
| Net loss attributed to ordinary shareholders                        | (110.1)                      | (544.8)                      |
| Currency translation adjustments and other                          | 205.1                        | 58.7                         |
| Net loss attributed to minority shareholders                        | (4.4)                        | –                            |
| Increase in minorities  | 231.7                        | –                            |
| Balance as at the end of the year                                   | 1 015.2                      | 483.1                        |
| <b>Reconciliation of headline loss</b>                              |                              |                              |
| Net loss  | (110.1)                      | (544.8)                      |
| Adjusted for:   |                              |                              |
| – Impairment of assets and investments                              | (118.5)                      | 289.6                        |
| – Profit on discontinued operations                                 | (18.3)                       | (65.2)                       |
| – Profit on sale of assets and investments                          | (89.6)                       | (3.0)                        |
| Headline loss   | (336.5)                      | (323.4)                      |
| <b>Equity reconciliation of previous SA GAAP to IFRS</b>            |                              |                              |
| Shareholders' equity as previously reported                         |                              | 620.6                        |
| – Property, plant and equipment                                     |                              | (26.7)                       |
| – Convertible loan notes  |                              | (107.2)                      |
| – Translation of a foreign operation                                |                              | (3.6)                        |
| As reported under IFRS  |                              | 483.1                        |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | 12 months to<br>30 June 2006 | 12 months to<br>30 June 2005 |
|--|------------------------------|------------------------------|
|  | IFRS<br>R m                  | IFRS<br>R m                  |
| Net cash outflow from operations                           | (13.2)                       | (114.2)                      |
| Working capital changes                                    | (136.6)                      | (1.4)                        |
| Net cash outflow from investing activities                 | (232.7)                      | (298.1)                      |
| Net cash inflow from financing activities                  | 538.7                        | 526.7                        |
| Increase in cash and cash equivalents                      | 156.2                        | 113.0                        |
| Translation adjustment                                     | 91.2                         | (12.7)                       |
| Opening cash and cash equivalents                          | 241.2                        | 140.9                        |
| Closing cash and cash equivalents                          | 488.6                        | 241.2                        |
| <b>Reconciliation of net cash out flow from operations</b> |                              |                              |
| Net operating (loss)/profit                                | (12.9)                       | 46.4                         |
| Net operating profit/(loss) from discontinued operation    | 18.3                         | (128.3)                      |
|  | 5.4                          | (81.9)                       |
| Adjusted for:  |                              |                              |
| Interest provision on convertible loan notes               | 28.5                         | 27.3                         |
| Amortisation of convertible loan notes issuance costs      | 9.9                          | 7.5                          |
| Financial instruments                                      | (3.7)                        | (9.9)                        |
| Unrealised foreign exchange loss                           | 19.6                         | 16.5                         |
| Growth in Environmental Trust Funds                        | (5.6)                        | (4.9)                        |
| Other non cash items                                       | 13.3                         | 16.6                         |
| Interest paid  | (50.7)                       | (24.6)                       |
| Taxation paid  | (29.9)                       | (60.8)                       |
| Net cash outflow from operations                           | (13.2)                       | (114.2)                      |

## NOTES REGARDING FINANCIAL INFORMATION

### Note 1 – Summary of significant accounting policies

#### Basis of preparation

The provisional condensed annual financial statements are based on our annual financial statements for the 12 months ended 30 June 2005 prepared in accordance with IFRS. DRDGOLD will be releasing US GAAP financial statements for the 12 months ended 30 June 2006 on or before 31 December 2006, which it will file with the US Securities and Exchange Commission ("SEC") on Form 20F.

#### Compliance with IFRS

##### Basis of preparation

DRDGOLD has adopted IFRS for the annual period beginning on 1 July 2004. These provisional condensed annual financial statements for the year ended 30 June 2006 have been prepared in accordance with IFRS and International Accounting Standards ("IAS") 34, "Interim Financial Reporting".

The principal accounting policies adopted in the preparation of the condensed annual financial statements have been consistently applied to all the years presented, unless otherwise stated.

##### Transition to IFRS

The transition to IFRS has been implemented in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards", and DRDGOLD's transition date is 1 July 2004. Comparative information has accordingly been restated from this date. There are certain voluntary exemptions, as discussed below, where the full retrospective restatement of comparatives is not required.

##### Voluntary exemptions

DRDGOLD has applied its accounting policies retrospectively from the date of transition, with the exception of the following permitted exemptions:

- Share-based payment transactions – DRDGOLD has elected not to apply IFRS 2, "Share-based payments", to share options granted prior to 7 November 2002 as well as those share options granted after that date which had vested before 1 January 2005.
- Business combinations – DRDGOLD has elected not to apply IFRS 3, "Business Combinations", to past business combinations that occurred before the date of transition to IFRS and DRDGOLD has not applied IAS 21, "The Effects of Changes in Foreign Exchange Rates", retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRS.
- Fair value or revaluation as deemed cost – Certain items of mining assets have been measured at their fair value at the transition date and that fair value has been used as their deemed cost at that date.

#### IFRS and other adjustments

##### Share-based payments

Under SA GAAP, DRDGOLD did not recognise any expense for share options granted to employees. Under IFRS 2, options to acquire the entity's equity instruments that were granted post 7 November 2002 and which remained unvested at 1 January 2005 are measured at fair value at grant date. The expense is recognised over the vesting period, adjusted to reflect actual levels of vesting.

The cumulative effect of DRDGOLD's equity-settled schemes on opening accumulated loss at 1 July 2004 is an increase in accumulated loss of R6.0 million. The corresponding credit is to the share-based payments reserve. The effect on the loss for the 2005 financial year is an increase in the loss of R10.6 million. There are no taxation implications of these adjustments.

### Property, plant and equipment

Previously IAS 16, "Property, plant and equipment" did not clearly set out the requirement for separate depreciation of significant components of property, plant and equipment. The revised IAS 16 requires significant components of an asset, with useful lives that differ significantly from the asset as a whole, to be depreciated separately over their useful lives.

### Translation of a foreign operation

Previously IAS 21, "The effects of changes in foreign exchange rates" allowed an entity to translate the financial statements of a foreign operation that was integral to the operations of the entity as if the transactions of the foreign operation had been those of the reporting enterprise. This allowed non-monetary assets and liabilities of the foreign operation to be translated at historical exchange rates and monetary assets and liabilities to be translated at closing exchange rates. The revised IAS 21 does not contain a distinction between an "integrated foreign operation" and a "foreign entity" and all assets and liabilities of a foreign operation are translated at closing exchange rates.

### Convertible bond

In December 2003 the revisions to IAS 32 Financial Instruments added another part to the definition of a financial liability as follows:

"(b) a contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments."

The International Financial Reporting Interpretations Committee ("IFRIC") considered whether a fixed amount of foreign currency represents a fixed amount of cash or other financial asset. IFRIC concluded that although the issue is not directly addressed in IAS 32, when addressing the question in conjunction with guidance in other Standards (more specifically IAS 39), it is clear that any obligation denominated in a foreign currency represents a variable amount of cash.

Consequently, IFRIC noted that contracts, whether embedded in a bond or freestanding, that will be settled by an entity delivering a fixed number of its own equity instruments in exchange for a fixed amount of foreign currency should be classified as liabilities.

Therefore, the conversion feature in a convertible bond denominated in a foreign currency with a conversion option to convert a fixed amount of bond into a fixed number of shares denominated in the functional currency, should be entirely classified as a liability.

|  | 2006<br>R m | 2005<br>R m |
|--|-------------|-------------|
| <b>Note 2 – Profit on sale of investments</b>  |             |             |
| Profit on sale of investments  | 1.2         | 3.0         |
| Profit on reduction of interest in Emperor from 88.3% to 78.9%   | 88.4        | –           |
|  | <hr/>       | <hr/>       |
|  | 89.6        | 3.0         |
| <b>Note 3 – Impairments</b>  |             |             |
| Write-off on IDC Loan purchased  | (28.9)      | –           |
| Reversal of prior year impairment investment in Emperor  | 74.4        | (72.1)      |
| Reversal of prior year impairment on investments   | 73.0        | –           |
|  | <hr/>       | <hr/>       |
|  | 118.5       | (72.1)      |
| <b>Note 4 – Derivative instruments</b>   |             |             |
| Gold call options at fair value  | 20.8        | –           |
| This current asset represents the positive mark-to-market on gold call options to the value of R 20.8 million. |             |             |
| <b>Note 5 – Long-term liabilities</b>  |             |             |
| ANZ Banking Group Limited – Emperor loan facility  | 407.2       | –           |
| Industrial Development Corporation of South Africa Limited   | 19.4        | 26.9        |
| Investec Bank (Mauritius) Limited  | –           | 67.0        |
| Convertible loan notes   | 490.1       | 437.3       |
| Leases and other   | 14.6        | –           |
|  | <hr/>       | <hr/>       |
|  | 931.3       | 531.2       |
| Less: Payable within one year shown under current liabilities  | (552.6)     | (64.7)      |
|  | <hr/>       | <hr/>       |
|  | 378.7       | 466.5       |
| <b>Note 6 – Financial liability</b>  |             |             |
| Class A Preference shares issued to Khumo Gold SPV (Pty) Limited   | 27.9        | –           |
| <b>Note 7 – Derivative instruments</b>   |             |             |
| Gold forward contracts   | 183.4       | –           |

The liability in relation to derivative instruments represents the mark-to-market on the gold forward contracts of the consolidated Emperor entity of R183.4 million (A\$34.5 million) at 30 June 2006.

The total ounces to be delivered under the gold forward contracts is 145,695 ounces and the delivery into these derivative instruments will be in accordance with the maturity schedule agreed with the corresponding bank as follows:

| Period           | 30 June 2007 | 30 June 2008 | 30 June 2009 |
|------------------|--------------|--------------|--------------|
| Committed ounces | 41,526       | 82,992       | 21,177       |

The fair value of the derivative instruments that is expected to mature within coming year is R52.5 million (A\$9.9 million) relating to 41,526 ounces.

#### Note 8 – Contingencies

The Inland Revenue Commission of Papua New Guinea ("IRC") has issued tax assessments to Tolukuma Gold Mines Limited ("TGM") for the years 1996 to 2004. The IRC has reduced the amount of allowable capital expenditure ("ACE") claimed in the statement of taxable income for the above years. The IRC has reduced the amortisation claim by estimating the life of mine to be eight years for the year ended 30 June 1996 and six years for the years ended 30 June 1997 to 30 June 2004. The mine life used by TGM and our tax advisors to calculate the amortisation of ACE was, five years for 30 June 1996, four years for 30 June 1997 and from 30 June 1998 to 30 June 2004 the mine life used was two years. The result of these adjustments are a tax payable amount of PGK6.8 million (R15.8 million). TGM has lodged an objection with the IRC in relation to this matter based on the grounds that the mine life of TGM based on the reserves and annual production was in accordance with claims in the tax return. The IRC has allowed TGM to defer payment of the assessment until such time as the matter is resolved. No provision has been recorded in the financial statements as presented.

#### Note 9 – Subsequent events

DRDGOLD has concluded an agreement with AngloGold Ashanti Limited to purchase the remaining extent of Erf 1 Park Central Township or better known as Top Star dump in central Johannesburg.



## DRDGOLD LIMITED

## REVIEW OF OPERATIONS

Directors (\* British) (\*\* Australian) (\*\*\*) American)

Non-executives:

J Turk\*\*\*

Executives:

MM Wellesley-Wood (Chief Executive Officer)\*

JWC Sayers (Chief Financial Officer)

Independent non-executives:

RP Hume

GC Campbell\* (Non-Executive Chairman)

D Blackmur\*\* (Senior Independent Non-Executive Director)

Group Company Secretary:

T Gwebu

## INVESTOR RELATIONS

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