

CHAIRMAN'S STATEMENT

I have become Chairman of DRDGOLD in what surely must be one of the most challenging environments it has had to contend with in its 110-year history.

It would be easy – but somewhat disingenuous – to blame all of our difficulties on the strength of the South African Rand. That said, however, there can be no disputing that Rand strength over the past 18 months has dealt the South African mining industry a body blow, the long-term effects of which have yet to fully manifest themselves.

An owner-operator of mature South African gold mines, it is hardly surprising that we were among the first to feel the Rand's bite. Much of the year under review (FY05) has been spent in bids – hugely demanding on our financial, manpower and other resources – to save first ERPM underground operation, then Blyvoor and finally, NWO.

At ERPM and Blyvoor, in spite of the odds stacked against us, we managed to fight back and survive, fending off margin annihilation arising substantially from a weak Rand gold price and soaring Rand-driven costs. This was achieved at ERPM by reaching pacts of sorts with labour and government in terms of which the former backed a rigorous down-sizing of the operation and the latter restored much-needed financial subsidies for pumping and advanced grants for an ambitious underground

plugging project to save the mine's Far East Vertical (FEV) Shaft.

At Blyvoor, the support of labour, similarly, was a catalyst, but survival here had as much to do with right-sizing, and with developing and successfully implementing a new mining plan with the flexibility needed to deal with the demands of the times.

It will always be a cause of enormous regret to me that the NWO did not survive under our ownership and management. While there was clearly the will amongst both management and the workforce to commit to a second bid within an 18-month timeframe to save the NWO, nature harshly intervened on 9 March 2005.

The impact of the earthquake on that day, coupled with the losses sustained by the NWO in the preceding three months, was devastating. To have continued with a rescue bid in such circumstances – more specifically, to have continued subsidising the NWO from DRDGOLD's profitable Australasian operations – could well have brought the whole DRDGOLD to its knees.

The decision to seek provisional liquidation of NWO was not easy – in fact, it has probably never been more difficult for DRDGOLD to meet its maxim, 'We Do What We Say'. That it was the right decision, however – the most responsible decision for the Company's stakeholders as a whole – was clear from the general improvement in DRDGOLD's results in the third and fourth quarters. For

the first time in 18 months, we have had reason to believe we have turned the corner.

Such have been the demands of survival for our South African operations during the year, we achieved much less than we envisaged in terms of meeting the requirements of the Mining Charter Scorecard. Indeed, down-sizing and right-sizing, together with severely curtailed resources, resulted in little or no progress in respect of most of the Scorecard's elements.

After year-end, however, DRDGOLD announced that it had signed a Memorandum of Understanding (MOU) with its Black Economic Empowerment (BEE) partner, Khumo Bathong Holdings (Pty) Limited (KBH) – of which I am also Chairman – in terms of which KBH will acquire 15% of DRDGOLD's South African operations, with an option to lead a BEE consortium in the acquisition of a further 11%.

Fulfilment of the terms of the MOU will mean that DRDGOLD will have met, in full, the 10-year, 26% equity target stipulated by the Scorecard. This; a restructuring of the debt of Crown Gold Recoveries (CGR) and ERPM also announced after year-end; and continued careful management of the existing South African operations provides a sound platform for DRDGOLD to pursue a new and energetic role in the South African gold mining industry.

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“It is imperative we support our Australasian interests through the challenges they currently face”

At the time the MOU was announced, I said that I foresaw the new DRDGOLD in South Africa as ‘pared-down’. Leanness will be an imperative if we are to make the most of the brownfields opportunities that come our way in an industry that is mature, and if we continue to have to deal with Rand – and thus Rand gold price – uncertainty.

The ‘intensive care’ required of our South African operations in the year under review took its toll on our growth aspirations in Australasia and beyond. While there were few brown – or greenfields propositions in any event, there is no doubt our resources would have been sorely tested had we felt the need to pursue anything of particular interest during this difficult time.

It has been a challenging year for our existing Australasian interests. Our wholly owned Tolukuma mine in Papua New Guinea (PNG) has had various operational challenges to overcome while continuing to pursue an extensive exploration programme, success with which is expected to take it to ‘big mine’ status; Porgera, also in PNG and in which we have a 20% stake, is currently resolving pit wall stability issues that presented in the second half of calendar year 2005. In response to an extremely difficult year at Emperor in Fiji, in which we hold 45.3%, we announced a financial and operational assistance package soon after year-end.

Clearly, on balance, we ended the 2005 financial year better off than we started it. Were we the winning team

retreating from the field however, we would have been bruised nonetheless, and very mindful that we had lost some valued support from amongst our loyal supporters in the course of the match.

Looking ahead, we need to be mindful that we continue to face considerable challenges. While at the time of writing the Rand appears to be stabilising at lower levels against a strengthening US Dollar, I cannot but feel that we – and the South African mining industry as a whole – would benefit in the longer term from meaningful debate and some consensus with government about what the ‘right’ level for the Rand should be.

There is need for urgent clarity, also, on the Royalty Bill which, as originally scoped, would certainly sound the death knell of mature gold mining operations such as ours. Uncertainty is never a desirable state of affairs.

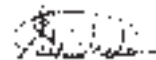
Having substantially restructured our South African operations for the future, we must secure continuing stakeholder support for what we want to do, not least from labour and government.

There is an element of ‘chicken and egg’ in this – to deliver on expectations we need support and yet, to secure support, we must deliver on expectations. The winning formula would appear to include a climate of trust and some give and take on all sides. Innovative agreements on, for example, remuneration linked to

productivity will be the kind of trade-offs necessary for the Company to create jobs and maintain job security in South Africa, and to fulfil its broader, socio-economic obligations as scoped in the Scorecard.

With the South African operations getting back on track, it is imperative we support our Australasian interests through the challenges they currently face, and resume our international growth trajectory. Investors internationally have made it clear to us that, while they continue to value the gold price optionality afforded by our substantial South African reserve and resource base, they seek avenues to invest in growth vehicles active in various ore bodies in different geographical locations. We must provide the flexibility they seek.

In closing, I should like to acknowledge the enormous contribution made to DRDGOLD's process of recovery in FY05 by the thousands of men and women who work for DRDGOLD. In this annual report, we have sought to characterise and celebrate their indomitable spirit by profiling a handful of their number as our Champions in 2005. I am grateful to all who have stayed the course and trust that in the year ahead their loyalty and efforts are vindicated.



Dr Paseka Ncholo
Non-Executive Chairman