

DIRECTORS' REPORT

► Nature of business

DRDGOLD Limited was incorporated on 16 February 1895, and operates gold mines in South Africa and Papua New Guinea. The Company does not have a major or controlling shareholder and its Directors provide strategic direction on behalf of its shareholders.

DRDGOLD is a public company with its primary listings on the Johannesburg and Australian stock exchanges and secondary listings on the NASDAQ Small Cap Market and the London and Port Moresby Stock exchanges. The Company's shares are also traded on the Marche Libre in Paris, the Regulated Unofficial Market of the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets as well as Euronext Brussels in the form of International Depository Receipts.

► Mining rights and property

A schedule detailing the Group's mining rights and property is available at the Group's registered address.

► Share capital

Full details of authorised, issued and unissued share capital of the Company as at 30 June 2005 are set out in the notes to the financial statements on page 85 of this report.

The control over the unissued shares of the Company is vested in the Directors, in specific terms as regards allotments in terms of the DRDGOLD (1996) Share Option Scheme, as amended, and the allotment of shares for cash and in general terms as regards all other allotments.

The authorities granted to Directors in respect of control over unissued shares expire on the date of the annual general meeting of members to be held on 4 November 2005. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the Directors the then remaining unissued ordinary shares not required for purposes of the share option scheme.

During the financial year, a total of 55 000 new ordinary no par value shares were issued as a result of employees exercising their options under the DRDGOLD (1996) Share Option Scheme.

► Directorate

The following changes have been made to the Board of Directors since 1 July 2004:

Appointments	Date
J Turk	27 October 2004
DN Campbell	17 January 2005
J Sayers	5 September 2005
Resignations	Date
D van der Mescht	5 August 2004
DC Baker	27 October 2004
DN Campbell	12 February 2005
A Lubbe	23 March 2005

In accordance with the provisions of the Company's Articles of Association, Messrs MM Wellesley-Wood, RP Hume and J Turk retire at the forthcoming annual general meeting. They are eligible and have offered themselves for re-election.

► Directors' service contracts

Service contracts have been concluded with the Executive as well as the Non-Executive Directors. Details of the service contracts are set out in the table on page 56.

There were no conflicting interests of the Directors during the year under review and up to the date of notice of the Annual General Meeting.

► SHARES ISSUED

	2005		2004	
	Number of shares	R'000	Number of shares	R'000
At 1 July	233 307 667		184 222 073	
Issue of shares in terms of:				
Repayment of loans from				
Investec Bank Limited	23 348 465	240 000	41 463 639	775 653
Specific share issue to Baker Steel Capital Managers LLP clients	17 000 000	93 500		
Claw-back rights offer	15 804 116	86 923		
DRDGOLD (1996) Share Option Scheme	55 000	378	978 053	8 733
Porgera Joint Venture acquisition			6 643 902	106 768
Emperor Mines Limited acquisition	6 612 676	101 131		
Other ⁽¹⁾	78 124	1 146		
At 30 June	296 206 048		233 307 667	

⁽¹⁾Shares issued for services rendered

DIRECTORS' REPORT

► Share option scheme

The DRDGOLD (1996) Share Option Scheme (the Scheme) is used as an incentive tool for executive and senior employees whose skills and experience are recognised as being essential to the Company's performance. The number of issued and exercisable share options is approximately 4.4% of the issued ordinary share capital which is within the international accepted guideline of 3 to 5% for such schemes.

In addition, the participants in the Scheme are fully taxed at their maximum marginal tax rate on any gains realised on the exercise of their options.

In the past financial year, the Directors have exercised nil (2004: 174 853) share options. Details of share options held by Directors are listed on page 59.

Over the same period the Directors' gains on share options exercised were nil, compared to R2.0 million in the previous financial year.

The Directors have granted 5 794 784 options in terms of the Scheme in the current financial year compared to 3 436 117 options in the previous financial year.

► Financial statements and results

The Group financial statements include the results and financial position of the Company and its subsidiaries, associates and joint venture since the effective dates of acquisition.

The financial position, results of operations and cash flow information of the Company and Group are

presented in the attached financial statements. The annual financial statements have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the Companies Act in South Africa. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgement and estimates. The annual financial statements have been prepared on a going concern basis and the Directors are of the opinion that the Company's and Group's assets will realise at least the values at which they are stated in the balance sheet.

► Overall performance

The Group recorded an operating profit from gold of R18.5 million for the financial year compared to an operating loss from gold of R29.5 million for the previous financial year. Total attributable gold production of 23 915 kilograms (768 886 ounces) decreased by 15% against the previous financial year, mainly as a result of the liquidation of Buffelsfontein Gold Mines Limited on 22 March 2005.

The US Dollar gold price traded between US\$387 and US\$454 per ounce during the financial year. The appreciation of the South African Rand against the US Dollar significantly reduced the average price of gold in Rand terms from R87 211 per kilogram received in the previous financial year to R84 690 per kilogram this financial year.

Unit cost of sales, comprise of cash cost, depreciation and amortisation of assets, retrenchment costs, movement in provision for environmental rehabilitation cost and movement in gold in process. Cost of sales decreased from R88 383 per kilogram to R83 751 per kilogram year-on-year. In US Dollar terms unit cost of sales increased from US\$398 per ounce to US\$419 per ounce, mainly as a result of the strengthening of the Rand.

The Directors continually re-appraise the carrying value of the Group's assets and investments and make the appropriate adjustments as required. In the current year, the Group impaired the Buffelsfontein Gold Mines Limited mining assets (R213.4 million) and DRDGOLD Limited mining assets (R4.1 million) to fair value. The Group also impaired the investment in Emperor Mines Limited, or Emperor, (R72.1 million) to fair value.

► Change in business

On 10 June 2004, DRDGOLD announced a revised final offer of five of the Company's shares for every 22 shares in Emperor. On 30 July 2004, DRDGOLD's offer to Emperor's shareholders closed with the Company having received acceptances from Emperor's shareholders representing approximately 25.55% of Emperor's issued capital, thereby increasing the Company's shareholding in Emperor to 45.33%. Accordingly, the Company issued 6 612 676 shares in exchange for the 29 097 269 Emperor shares to the value of R101.1 million, based on the market value of the Company's

► DIRECTORS' SERVICE CONTRACTS

Director	Title	Date of appointment	Term	Unexpired term of directors' service contract
MM Wellesley-Wood	Chief Executive Officer	2000 ⁽ⁱ⁾	2 years	5 months
IL Murray	Chief Financial Officer	2000 ⁽ⁱ⁾	2 years	5 months
RP Hume	Independent Non-Executive	2001	3 years	Expired
GC Campbell	Senior Independent Non-Executive	2002	3 years	Expired
MP Ncholo	Non-Executive Chairman	2002 ⁽ⁱ⁾	2 years	19 months
DJM Blackmur	Independent Non-Executive	2003	2 years	4 months
J Turk	Non-Executive	2004	2 years	16 months

⁽ⁱ⁾ Reappointed in 2005

shares on the date issued, with share issue and transaction costs associated with the take-over offer, amounting to R10.7 million. With effect from 1 August 2004, the date that the Company began to exercise significant influence over Emperor, DRDGOLD accounted for Emperor as an investment in an associate using the equity method of accounting.

On 13 September 2004, Emperor announced an A\$20.4 million (R93.8 million) non-renounceable rights issue. Under the rights issue, eligible Emperor shareholders were

entitled to subscribe for four fully paid ordinary shares in Emperor for every ten ordinary shares held in Emperor at an issue price of A\$0.45 per share. The Company agreed to apply for its entitlement as well as to subscribe for any shortfall under the rights issue, subject to certain conditions. The rights offer closed on 12 November 2004 and the Company subscribed for 20 206 597 Emperor shares (being its entitlement under the Emperor rights issue), which at A\$0.45 per share, amounted to A\$9.1 million (R42.9 million). The Company did not participate in any shortfall to the rights offer.

Buffelsfontein Gold Mines Limited was placed in provisional liquidation on 22 March 2005, following a massive earthquake on 9 March 2005.

► Capital expenditure

Capital expenditure for the financial year amounted to R154.7 million compared to R185.7 million in the previous year. Assets which do not conform to the Company's core business were disposed of and cash of R13.6 million (2004: R23.4 million) was generated through this.

► DIRECTORS' EMOLUMENTS

2005	Board fees	Salary	Bonuses & performance related payment	Pension/provident scheme contributions	Change in ⁽⁷⁾ terms of employment payment	Retirement package	Total
Executive Directors							
MM Wellesley-Wood	–	3 372 313	1 647 000	–	131 795	–	5 151 108
IL Murray ⁽⁶⁾	–	3 678 448	1 263 590	300 000	1 425 270	–	6 667 308
DN Campbell ⁽²⁾	–	327 664	–	–	–	–	327 664
	–	7 378 425	2 910 590	300 000	1 557 065	–	12 146 080
Non-Executive Directors							
DC Baker ⁽³⁾	79 587	–	–	–	–	119 400	198 987
GC Campbell	316 457	–	89 544	–	–	–	406 001
RP Hume	206 007	–	84 069	–	–	–	290 076
Dr MP Ncholo	237 552	–	70 058	–	–	–	307 610
DJM Blackmur	206 942	–	91 075	–	–	–	298 017
J Turk ⁽⁴⁾	110 546	–	–	–	–	–	110 546
	1 157 091	–	334 746	–	–	119 400	1 611 237
Alternates							
D van der Mescht ⁽⁵⁾	9 677	111 045	–	16 262	–	1 452 492	1 589 476
A Lubbe ⁽⁶⁾	125 000	897 239	133 280	143 618	–	563 211	1 862 348
	134 677	1 008 284	133 280	159 880	–	2 015 703	3 451 824
Total	1 291 768	8 386 709	3 378 616	459 880	1 557 065	2 135 103	17 209 141

⁽¹⁾ Relinquished his position as Chief Financial Officer on 5 September 2005 to J Sayers

⁽²⁾ Appointed 17 January 2005; resigned 12 February 2005

⁽³⁾ Retired 27 October 2004

⁽⁴⁾ Appointed 27 October 2004

⁽⁵⁾ Resigned 5 August 2004

⁽⁶⁾ Resigned 23 March 2005

⁽⁷⁾ Under the terms of Mr Wellesley-Wood's agreement of employment effective from 1 December 2003, he was entitled to a change in terms of employment payment by virtue of his relinquishing the post of Chief Executive Officer of the Company, equal to 92% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. This payment accrued during May 2004, but was deferred for six months, at Mr Wellesley-Wood's request. The role of Chairman and Chief Executive Officer was split in accordance with the rules prescribed by the JSE Limited, which came into effect from 1 January 2004 and not as a result of any internal operating requirement of the Company. No other payment of this nature was made to any officer of the Company in fiscal 2004. The Remuneration and Nominations Committee approved the payment which amounted to R1.7 million plus interest of R0.1 million. Under the terms of Mr Murray's agreement of employment dated effective of 1 December 2003, he was entitled to receive a change in terms of employment payment by virtue of his relinquishing the post of Chief Financial Officer. Mr Murray was previously the Deputy Chief Executive Officer and Chief Financial Officer until December 2003 at which time the role of Chairman and Chief Executive Officer were split and Mr Wellesley-Wood was appointed as Executive Chairman and Mr Murray was appointed as Chief Executive Officer and Chief Financial Officer. By virtue of him relinquishing the post of Chief Financial Officer and appointing a replacement Chief Financial Officer, he became entitled to an amount equal to 93% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. Such payment amounted to R1.1 million plus interest of R0.3 million and was approved by the Remuneration and Nominations Committee which approved the agreement of employment.

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▶ DIRECTORS' EMOLUMENTS (CONTINUED)

2004	Board fees	Salary	Bonuses & performance related payment	Pension/provident scheme contributions	Change in terms of employment payment ⁽⁴⁾	Total
Executive Directors						
MM Wellesley-Wood	–	3 377 906	567 560	–	1 748 000	5 693 466
IL Murray	–	2 234 866	408 329	382 688	–	3 025 883
	–	5 612 772	975 889	382 688	1 748 000	8 719 349
Non-Executive Directors						
DC Baker	205 201	–	–	–	–	205 201
GC Campbell	223 024	–	–	–	–	223 024
RP Hume	196 698	–	–	–	–	196 698
Dr MP Ncholo	154 630	–	–	–	–	154 630
DJM Blackmur ⁽³⁾	145 891	–	–	–	–	145 891
	925 444	–	–	–	–	925 444
Alternates						
D van der Mescht ⁽¹⁾⁽²⁾	–	1 234 230	67 482	158 444	–	1 460 156
A Lubbe ⁽¹⁾	–	1 073 295	91 592	179 388	–	1 344 275
	–	2 307 525	159 074	337 832	–	2 804 431
Total	925 444	7 920 297	1 134 963	720 520	1 748 000	12 449 224

⁽¹⁾ Appointed 1 July 2003

⁽²⁾ Resigned 5 August 2004

⁽³⁾ Appointed 21 October 2003

⁽⁴⁾ Under the terms of Mr Wellesley-Wood's agreement of employment effective from 1 December 2003, he was entitled to a change in terms of employment payment by virtue of his relinquishing the post of Chief Executive Officer of the Company, equal to 92% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. This payment accrued during May 2004, but was deferred for six months, at Mr Wellesley-Wood's request. The role of Chairman and Chief Executive Officer was split in accordance with the rules prescribed by the JSE Limited, which came into effect from 1 January 2004 and not as a result of any internal operating requirement of the Company. No other payment of this nature was made to any officer of the Company in fiscal 2004. The Remuneration and Nominations Committee approved the payment which amounted to R1.7 million. Under the terms of Mr Murray's agreement of employment dated effective of 1 December 2003, he was entitled to receive a change in terms of employment payment by virtue of his relinquishing the post of Chief Financial Officer. Mr Murray was previously the Deputy Chief Executive Officer and Chief Financial Officer until December 2003 at which time the role of Chairman and Chief Executive Officer were split and Mr Wellesley-Wood was appointed as Executive Chairman and Mr Murray was appointed as Chief Executive Officer and Chief Financial Officer. By virtue of him relinquishing the post of Chief Financial Officer and appointing a replacement Chief Financial Officer, he became entitled to an amount equal to 93% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. Such payment amounted to R1.1 million and was approved by the Remuneration and Nominations Committee which approved the agreement of employment.

▶ SHARE OPTIONS AVAILABLE FOR ALLOCATION

	2005	2004
Balance of options available for allocation as at the beginning of the financial year	34 996 150	21 356 629
Number of options granted during the current financial year	(5 794 784)	(3 436 117)
Number of options lapsed during the financial year	1 022 361	399 414
Additional options available as a result of an increase in issued share capital during the current financial year	14 141 180	15 692 202
Number of options exercised during the current financial year and available for re-allotment	66 000	984 022
Balance of options available for allocation as at the end of the financial year	44 430 907	34 996 150

▶ SHARE OPTIONS

	Executive		Non-Executive						Other participants	Total
	MM Wellesley-Wood	IL Murray	DC Baker	GC Campbell	RP Hume	MP Ncholo	J Turk	DJM Blackmur		
Balance at 1 July 2004										
Number	1 023 912	793 371	49 600	54 900	73 750	47 800	–	–	6 302 030	8 345 363
Ave strike price	19.59	17.37	18.61	20.13	17.56	20.38	–	–	18.86	18.81
Granted during year										
Number	57 710	44 716	–	3 094	4 157	2 694	–	–	5 682 413	5 794 784
Ave strike price	5.50	5.50	–	5.50	5.50	5.50	–	–	7.25	7.21
Exercised during year										
Number	–	–	–	–	–	–	–	–	(66 000)	(66 000)
Ave strike price	–	–	–	–	–	–	–	–	6.50	6.50
Lapsed during year										
Number	–	–	–	–	–	–	–	–	(1 022 361)	(1 022 361)
Ave strike price	–	–	–	–	–	–	–	–	14.82	14.82
Balance at 30 June 2005										
Number	1 081 622	838 087	49 600	57 994	77 907	50 494	–	–	10 896 082	13 051 786
Ave strike price	18.84	16.74	18.61	19.35	16.92	19.59	–	–	13.26	14.04
Share gain for the year – R'000	–	–	–	–	–	–	–	–	–	–
Ave price exercised – R per share	–	–	–	–	–	–	–	–	–	–

▶ DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in the ordinary share capital of the Company as at 30 June 2005 were as follows:

	30 June 2005			30 June 2004		
	Beneficial direct	Beneficial indirect	Non-beneficial	Beneficial direct	Beneficial indirect	Non-beneficial
Executive Directors						
MM Wellesley-Wood	202 797	–	–	105 797	–	–
IL Murray	553 090	–	–	513 090	–	–
	755 887	–	–	618 887	–	–
Non-Executive Directors						
DC Baker ⁽¹⁾	–	–	–	–	943 300	–
MP Ncholo	–	–	–	–	3 196 593	–
GC Campbell	–	–	–	–	–	–
DJM Blackmur	–	–	–	–	–	–
RP Hume	–	15 000	–	–	10 000	–
J Turk	–	13 000	–	–	–	–
	–	28 000	–	–	4 149 893	–
Alternate Directors						
A Lubbe ⁽²⁾	–	–	–	–	–	–
D van der Mescht ⁽³⁾	–	–	–	–	–	–
Total	755 887	28 000	–	618 887	4 149 893	–

⁽¹⁾ Resigned on 27 October 2004

⁽²⁾ Resigned on 23 March 2005

⁽³⁾ Resigned on 5 August 2004

There have been no changes in the Directors' interests in share capital between 30 June 2005 and 15 September 2005.

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► SUBSIDIARIES

The following information relates to the Company's financial interest in its subsidiaries at 30 June 2005:

	Issued ordinary share capital		Shares at cost less provisions R'000	Effective date of acquisition	Indebtedness net of provisions R'000
	Number of shares	% held			
South Africa					
Argonaut Financial Services (Pty) Limited	100	100	–	1 Oct 1997	(1 055)
Blyvooruitzicht Gold Mining Company Limited	50 772 971	100	120 587	15 Sep 1997	205 804
Crown Consolidated Gold Recoveries Limited	51 300 000	100	–	14 Sep 1998	(146 806)
East Champ d'Or Gold Mine Limited	7	100	–	1 Apr 1996	–
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	2 963 000	100	–	1 Jan 1996	(42 092)
Roodepoort Gold Mine (Pty) Limited	1	100	–	1 Jan 1996	–
Stand 752 Parktown Extension (Pty) Limited	10	100	1 150	1 Nov 1998	2 821
West Witwatersrand Gold Holdings Limited	99 900 000	100	–	1 Apr 1996	(23 189)
Australasia/International					
Dome Resources NL	142 619 074	100	29 206	1 Apr 2000	22 796
DRD Australia APS	130	100	–	26 Jan 1999	34 617
DRD Australasia (Pty) Limited	100	100	–	15 Nov 1999	287 996
DRD International APS	125	100	–	28 Apr 1999	–
DRD (Isle of Man) Limited ⁽ⁱ⁾	1 843	100	138 919	5 Mar 1999	178 804
Total			289 862		519 696

⁽ⁱ⁾ DRD (Isle of Man) Limited holds the following investments: 45.33% of Emperor Mines Limited, 100% of DRD (Porgera) Limited (which in turn owns 20% of the unincorporated Porgera Joint Venture), 100% of Tolukuma Gold Mines Limited, 100% of DRD Australia Services Company (Pty) Ltd, 50.25% of Net-Gold Services Limited and 100% of Fortis (Pty) Limited.

► GOLD PRODUCTION

Metric	Year ended June 2005			Year ended June 2004			
	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group	
South Africa							
<i>Underground</i>							
Ore milled	– t'000	587	986	1 573	831	1 665	2 496
Gold produced	– kg	4 291	5 366	9 657	6 165	9 290	15 455
Yield	– g/tonne	7.31	5.44	6.14	7.42	5.58	6.19
<i>Surface treatment</i>							
Ore milled	– t'000	2 932	884	3 816	2 287	1 493	3 780
Gold produced	– kg	744	850	1 594	1 085	1 343	2 428
Yield	– g/tonne	0.25	0.96	0.42	0.47	0.90	0.64
Australasia⁽¹⁾							
Ore milled	– t'000	1 624	–	1 624	1 137	–	1 137
Gold produced	– kg	9 864	–	9 864	7 253	–	7 253
Yield	– g/tonne	6.07	–	6.07	6.38	–	6.38
Crown Gold Recoveries⁽²⁾							
Ore milled	– t'000	4 447	–	4 447	4 328	–	4 328
Gold produced	– kg	2 800	–	2 800	3 013	–	3 013
Yield	– g/tonne	0.63	–	0.63	0.70	–	0.70
Total attributable							
Ore milled	– t'000	9 590	1 870	11 460	8 583	3 158	11 741
Gold produced	– kg	17 699	6 216	23 915	17 516	10 633	28 149
Yield	– g/tonne	1.85	3.32	2.09	2.04	3.37	2.40

⁽¹⁾ These figures include 100% of Tolukuma and the Group's 20% attributable portion of the Porgera Joint Venture and 45.33% attributable portion of Emperor Mines Limited from 1 August 2004.

⁽²⁾ These figures represent the Group's 40% attributable portion of Crown Gold Recoveries (Pty) Limited which includes Crown and ERPM.

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► GOLD PRODUCTION

Imperial	Year ended June 2005			Year ended June 2004			
	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group	
South Africa							
<i>Underground</i>							
Ore milled	– t'ooo	649	1 088	1 737	916	1 834	2 750
Gold produced	– troy ounces	137 958	172 522	310 480	198 211	298 681	496 892
Yield	– ounces/ton	0.213	0.159	0.179	0.216	0.163	0.181
<i>Surface treatment</i>							
Ore milled	– t'ooo	3 233	976	4 209	2 522	1 647	4 169
Gold produced	– troy ounces	23 920	27 328	51 248	34 883	43 180	78 063
Yield	– ounces/ton	0.007	0.028	0.012	0.014	0.026	0.019
Australasia⁽¹⁾							
Ore milled	– t'ooo	1 793	–	1 793	1 256	–	1 256
Gold produced	– troy ounces	317 134	–	317 134	233 190	–	233 190
Yield	– ounces/ton	0.177	–	0.177	0.186	–	0.186
Crown Gold Recoveries⁽²⁾							
Ore milled	– t'ooo	4 902	–	4 902	4 772	–	4 772
Gold produced	– troy ounces	90 024	–	90 024	96 878	–	96 878
Yield	– ounces/ton	0.018	–	0.018	0.020	–	0.020
Total attributable							
Ore milled	– t'ooo	10 577	2 064	12 641	9 466	3 481	12 947
Gold produced	– troy ounces	569 036	199 850	768 886	563 162	341 861	905 023
Yield	– ounces/ton	0.054	0.097	0.061	0.059	0.098	0.070

⁽¹⁾ These figures include 100% of Tolukuma and the Group's 20% attributable portion of the Porgera Joint Venture and 45.33% attributable portion of Emperor Mines Limited from 1 August 2004.

⁽²⁾ These figures represent the Group's 40% attributable portion of Crown Gold Recoveries (Pty) Limited which includes Crown and ERPM.