

Chairman's letter



Dear shareholder

A few months ago I was struck by an aerial photograph of our Top Star dump in downtown Johannesburg. It illustrates the changing nature of our business. Johannesburg has grown up around the Top Star dump and this pile of sand and crushed rock is now surrounded by industrial units, only a stone's throw from the centre of the city. The photograph shows the huge bite taken out of the dump where we have started surface mining operations. Over the coming months the dump material will be piped to our retreatment plants. Here the gold will be extracted and the material placed far away from the centre of the city. The ground on which the dump now rests will become available for development and serve the growing needs of the community. Where there was an unsightly dump with wind blown dust there will be clean land. It is the ultimate regeneration scheme.

This is a story that is being repeated all around Johannesburg. Our surface retreatment operations are removing dumps that have accumulated over the last 100 years or so. Our state-of-the-art processing facilities remove the residual gold and then the material is placed on our deposition facilities, far away from any built-up areas. The scale of these operations is staggering – 200 tonnes of material is needed to produce one ounce of gold. However, there is massive tonnage available to us and this is what makes our surface operations profitable. In reclaiming these dumps we are changing the environment for the better.

DRDGOLD is uniquely positioned to continue the growth of its surface operations. Not only do we have a very experienced team, we also have the dumps, processing plants, water, deposition sites and we have the right of way for our pipes. All of these are essential for a successful surface mining operation.

Surface production will make up around 70% of our output, partly as a result of growing surface operations and partly because of reduced underground production. In September 2008 while carrying out a routine check at ERPM, two of our employees died tragically

as a result of an unexpected release of carbon dioxide. Since it is no longer possible to guarantee a safe working environment, we are now closing the underground operation.

Safety continues to be our primary concern at our operations and our efforts to bring about a cultural change in behaviour have helped improve the safety record. Blyvoor achieved one million fatality free shifts for the second consecutive year and recorded no fatalities in the second half of 2009. However, it is extremely distressing that there were three fatalities on the mine in the first half of the financial year.

There is no question that mining in the old, deep mines that we own is very challenging. Everyone at DRDGOLD is constantly striving to ensure that these assets are safe and profitable places to work. With so much gold still underground, we are looking for ways to preserve the viability of these mines so that we reap the benefit of a higher gold price when it comes along. Nevertheless, they must run as profitable entities; it is not in the long-term interest of the company to subsidise loss-making operations.

Our plan to reposition the company as a South African gold producer with a stable cash flow is working. The new ErgoGold operation is nearing full production and poised to start making a return on investment. Our surface operations are solidly profitable, and we will continue to build on these. We operate in a constantly changing environment and we must be both innovative and resourceful to ensure the long-term viability of our underground operations. The prosperity of the company depends on the efforts of all our employees, and I take this opportunity to thank them all for their hard work over the last year.

Geoffrey Campbell
Chairman
16 September 2009