CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
Lead Plaintiff Hachette Group ("Lead Plaintiffs"), by their undersigned attorneys, on behalf of themselves and the class they seek to represent, for their Consolidated Amended Class Action Complaint (the "Complaint"), allege the following upon knowledge as to their own acts, and upon the investigation conducted by plaintiffs’ counsel as detailed in ¶12 below.

NATURE OF THE ACTION

1. Lead Plaintiffs bring this securities fraud class action against DRD GOLD Limited ("DRD" or the "Company"), formerly known as Durban Roodepoort Deep, Limited, Mark Wellesley-Wood ("Wellesley-Wood") and Ian Louis Murray ("Murray") on behalf of themselves and all persons who purchased or otherwise acquired the securities of DRD between October 23, 2003 and February 24, 2005, inclusive (the "Class Period"), alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations promulgated thereunder.

2. DRD is a gold exploration and mining company which operates gold mines in South Africa, Australia and Papua New Guinea. Prior to the start of the Class Period, DRD had experienced significant financial problems with its North West Operations in South Africa (the "NWO") due to, inter alia, high fixed costs which resulted in the Company being unable to operate the NWO profitably. At the start of the Class Period, DRD announced that it implemented a major restructuring of the NWO. Since DRD’s NWO were a significant part of DRD’s business, the successful restructuring of DRD’s NWO was material to DRD’s business and prospects going forward.

3. Throughout the Class Period, Defendants positively highlighted the restructuring efforts of its NWO. Defendants knew, however, or recklessly disregarded, that the restructuring of the NWO was not progressing as represented but instead was a failure. In fact, due to high fixed costs at the NWO, the restructuring effort at the NWO was doomed to fail from the start and DRD’s
NWO were substantially impaired. Rather than admitting that existing union contracts resulting in very high labor costs and the antiquated infrastructure of the NWO made it impossible for DRD to operate them at any where near break-even, DRD repeatedly insisted that the restructuring was successful.

4. Defendants were desperate to expand beyond the tightly regulated South African gold mining industry. Defendants’ materially false and misleading statements concerning the failure of the restructuring of the NWO and its significant and negative impact on the Company as a whole, caused the price of DRD stock to be artificially inflated during the Class Period.

5. In connection with their fraudulent scheme alleged herein, Defendants used DRD artificially inflated stock to acquire interests in companies outside of South Africa and raise cash through financing activities, in order to attempt to minimize the negative impact of its NWO. DRD acquired Emperor Mines Limited (“Emperor”), an Australian gold mining company, and interests in other companies outside of South Africa, as part of its strategic plan of diversification.

6. Furthermore, in furtherance of their fraudulent scheme, Defendants materially misrepresented DRD’s financial statements and hid from investors that throughout the Class Period DRD’s internal controls and procedures “were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the US Securities Exchange Act of 1934 as a result of material weaknesses in its internal control over financial reporting” requiring the restatement of DRD’s financial results during the Class Period.

7. Following Defendants’ misrepresentations about the success of DRD’s restructuring of the NWO, its financial performance and the Company’s internal controls, DRD’s securities traded consistently at more than $3 per share, rising as high as $4 per share in January 2004. Defendant
Wellesley-Wood took advantage of DRD’s artificially inflated stock price and quietly sold close to 20% of his entire holding in the Company on a South African stock exchange.

8. On November 29, 2004, DRD revealed that it materially misstated its financial statements during the Class Period. DRD announced that for the quarters ended September 30, 2003 and December 31, 2003, it materially understated its net losses (by 11% and 46%, respectively) and that for the quarter ended March 30, 2004, it materially overstated its net profit by 102.1%. DRD also announced that its internal controls were inadequate during the Class Period. In response to this news, the price of DRD stock dropped over the next three days by approximately 12.5% on heavy trading volume. However, investors were still not told the whole truth.

9. On February 24, 2005, after nearly a year and a half of repeatedly insisting that the NWO could be operated profitably and that the restructuring and retrenching efforts at the NWO had been successful, the truth was revealed that this was a falsehood. DRD was forced to acknowledge the failure of its restructuring of the NWO and that the Company was teetering on the verge of insolvency and would have to write down the entire value of the NWO, which amounted to R214 million resulting in a net loss of R370.1 million for the six months ended 31 December 2004. This impairment charge of DRD’s NWO should have been taken at the beginning of the Class Period. Furthermore, DRD’s auditor issued a “going concern” opinion about DRD’s financial viability, and defendants admitted: “We don’t have a mandate from shareholders to put money down a black hole.” Finally, in March and April 2005, DRD submitted to the liquidation of the NWO.

10. When the truth about DRD’s precarious financial condition and the failure of the restructuring efforts at the NWO were revealed to the market, DRD’s stock price declined more than 25% on extremely heavy volume of 40 million shares.
The decline in DRD’s stock price near and at the end of the Class Period was a direct result of the nature and extent of Defendants’ prior misstatements and fraudulent conduct finally being revealed to investors and the market. The timing and magnitude of DRD’s stock price declines negate any inference that the loss suffered by Lead Plaintiffs and other Class members was caused by changed market conditions, microeconomic or industry factors or Company-specific facts unrelated to the Defendants’ fraudulent conduct. The economic loss, i.e., damages, suffered by Lead Plaintiffs and other members of the Class was a direct result of Defendants’ fraudulent scheme to artificially inflate DRD’s stock price and the subsequent significant decline in the value of DRD’s stock when Defendants’ prior misrepresentations and other conduct were revealed.

BASIS OF ALLEGATIONS

The following allegations against Defendants are based upon the investigation conducted by and under the supervision of plaintiffs’ counsel, which included reviewing and analyzing information relating to the relevant time period obtained from numerous public and proprietary sources (such as LEXIS-NEXIS, Dow Jones and Bloomberg) – including, inter alia, Securities and Exchange Commission (“SEC”) filings, other regulatory filings and reports, publicly available annual reports, press releases, published interviews, news articles and other media reports (whether disseminated in print or by electronic media), and reports of securities analysts and investor advisory services, in order to obtain the information necessary to plead plaintiffs’ claims with particularity. In the course of their investigation of the underlying claims, Lead Plaintiff’s counsel also interviewed a number of former DRD employees who possessed direct knowledge of the wrongdoing alleged herein. Lead Plaintiff believes that further substantial evidentiary support will

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1 Lead Plaintiffs’ counsel interviewed the following former DRD employees, among others: (i) “CW1,” a former manager of DRD’s NWO Mines and Divisional Director of DRD’s New Business
exist for the allegations set forth herein after a reasonable opportunity for discovery.

JURISDICTION AND VENUE

13. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and the rules and regulations promulgated thereunder by the SEC, including Rule 10b-5, 17 C.F.R. §240.10b-5.

14. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa.

15. Pursuant to the “effect test” of extraterritorial jurisdiction, this Court may properly exercise subject-matter jurisdiction over the claims of: (a) all investors who purchased or acquired DRD securities traded on U.S. markets; and (b) American investors who purchased or acquired DRD securities, regardless of where those securities traded.

16. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts charged herein, including the dissemination of materially false and misleading information, occurred in substantial part in this District and DRD’s securities are traded over the NASDAQ Small Cap Market (“NASDAQ”) which is based in this District.

17. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

18. Lead Plaintiffs Jerome Hachette, William Kmosko, Christopher Karram, Tom Christenbury and Hong Brice Hui Bon Hoa (collectively, the “Hachette Group”), as set forth in the

and Growth Projects. CW1 was employed by DRD throughout the entire Class Period; and (ii) “CW2,” who served as the Company’s Secretary from 1997 to 2003.
certifications previously filed with this Court, and incorporated by reference herein, purchased the securities of DRD at artificially inflated prices during the Class Period and have been damaged thereby.

19. Defendant DRD is a corporation organized under the laws of South Africa, with its principal executive offices located in Johannesburg, South Africa. DRD is a gold exploration and mining company. The Company operates gold mines in South Africa, Australia and Papua New Guinea.

20. Defendant Mark Wellesley-Wood (“Wellesley-Wood”) served, at all relevant times herein, as Chairman of the Company’s Board of Directors.

21. Defendant Ian Louis Murray (“Murray”) served, at all relevant times herein, as the Company’s Chief Executive Officer and Chief Financial Officer.

22. Defendants Wellesley-Wood and Murray are collectively referred to herein as the “Individual Defendants.”

23. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of DRD were privy to confidential and proprietary information concerning DRD, its operations, finances, financial condition, present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning DRD, as discussed in detail below. Because of their positions with DRD, the Individual Defendants had access to non-public information about its business, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and board of directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants
knew or recklessly disregarded the fact that adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

24. The Individual Defendants are liable as direct participants in, and as co-conspirators with respect to the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors were “controlling persons” within the meaning of Section 20 of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of DRD’s business.

25. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company’s reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

26. Additionally, defendants Wellesley-Wood and Murray “designed . . . disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision” and “evaluated the effectiveness of [DRD’s] disclosure controls and procedures.”

27. As senior executive officers and/or directors and as controlling persons of a publicly-traded company whose American Depositary Receipts (“ADRs”) were, and are, registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ and governed by the federal
securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to DRD’s financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so that the market price of DRD’s ADRs would be based upon truthful and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

28. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of DRD securities by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding DRD’s business, operations and management and the intrinsic value of DRD securities; (ii) enabled the Company to acquire Emperor Mines Limited, and interests in other companies, using DRD’s artificially inflated stock as consideration; (iii) enabled the Company to raise cash by issuing DRD’s artificially inflated stock as consideration; (iv) allowed the Company to obtain tens of millions of dollars in loan facilities on more favorable terms than it would have had the truth been known; (v) enabled defendant Wellesley-Wood to sell almost 20% of his personal DRD holdings at artificially inflated prices; and (vi) caused Plaintiff and members of the Class to purchase DRD securities at artificially inflated prices and suffer losses when the truth was ultimately disclosed.

SUBSTANTIVE ALLEGATIONS

The Fiction of DRD’s Restructuring of Its North West Operations

29. DRD is a gold exploration and mining company. The Company operates gold mines through its South African and Australasian operations. The Company’s South African operations consist of the NWO, comprising the Harties Section and the Buffels Section, the Blyvoor Section
and the Company’s 40% interest in Crown Gold Recoveries or CGR comprising the Crown Section
and ERPM Section. The Company’s Australasian operations consist of the Tolukuma Section and
its 20% interest in the unincorporated Porgera Joint Venture, or Porgera, both of which are in Papua
New Guinea and a 45.33% interest in Emperor Mines Limited, or Emperor, as of October 31, 2004
(19.78% as of June 30, 2004), which owns the Vatukoula gold mine in Fiji.

30. The Company’s NWO accounted for a significant and material portion of DRD’s total
business prior to and during the Class Period. For example, as acknowledged by the Company in its
Form 20-F filed with the SEC on December 30, 2003, “Gold production at our North West and
Blyvoor operations together accounted for approximately 90% of our total gold production in fiscal
2003 and 77% in fiscal 2002.”

31. For several years, DRD was a struggling gold mining company in South Africa,
hampered by antiquated infrastructures and high cost union contracts especially at its NWO, which
represented nearly two-thirds of DRD’s total revenues and employment. DRD was unable to operate
the NWO profitably due to, inter alia, high fixed costs, including labor costs associated with labor
contracts.

32. Realizing that investors were concerned about the problems at the NWO and the
negative impact such problems were having on DRD’s stock price, defendants represented to
investors that DRD could restructure the NWO in order to return it to profitability. The Company
represented in its Form 20-F filed with the SEC on December 30, 2003 that, “On July 21, 2003, we
entered into a 60-day review period on the North West Operations designed to restore the operations
to profitability.” From the start, however, this restructuring plan was doomed and the NWO was
significantly impaired. The true purpose of the Company’s announcements concerning the
restructuring of the NWO was to enable Defendants to capitalize on DRD’s artificially inflated stock
price to expand the business outside of South Africa by acquiring other companies and raising cash through the issuance of DRD’s stock.

33. Throughout the Class Period, Defendants represented to investors that the restructuring of the NWO was proceeding according to plan and that it would ultimately be successful. Defendants knew, or recklessly disregarded, however, that the restructuring of the NWO was not performing as represented and was not returning the NWO to profitability. Contrary to Defendants’ representations, the restructuring of the NWO was doomed from the start and the NWO was substantially impaired. As explained herein, these problems resulted in the Company being forced to take a significant impairment charge and announce that it might not be able to operate as a going concern.

34. Throughout the Class Period, defendants maintained a close watch over the restructuring efforts at the NWO and the impact on its profitability. Defendants utilized certain metrics that are common in the gold mining industry which enabled defendants to determine whether the restructuring efforts would reap positive results.

35. According to CW1, a former manager of DRD’s NWO mines and Divisional Director of DRD’s New Business and Growth Projects, companies, such as DRD, used very specific metrics and formulas to continuously analyze the profitability of a gold mine, and incorporate the fluctuations in the price of gold. “A key analytical tool used by all mining companies is the so-called ‘tonnage gradecurve.’”

36. DRD analyzed the NWO and determined a “pay limit” calculation, which provided them with a guideline as to how many workers could have been employed economically at the NWO. Throughout the Class Period, Defendants knew, or recklessly disregarded, that the restructuring of the NWO would not have resulted in a “pay limit” which would have enabled the
NWO to be operated economically. The fixed costs, including the labor costs, at the NWO were simply too high for the NWO to be operated economically, notwithstanding the restructuring of the NWO.

37. DRD used metrics such as the tonnage gradecurve to “calculate the grade of ore that can be mined profitably” based upon currency and price of gold fluctuations.

38. DRD kept a very close watch on the profitability of the NWO in light of currency and gold price fluctuations. Throughout the Class Period, Defendants knew, or recklessly disregarded, that the restructuring effort would not result in a return to profitability of the NWO and that the NWO were substantially impaired throughout the entire Class Period.

39. In fact, it was only after certain costs, such as high labor costs, were reduced as a direct result of the NWO being forced into liquidation that the NWO could be profitably operated. It was at this time that another entity determined to acquire the NWO. It only made economic sense to purchase the NWO after the labor costs were reduced and such labor costs could only have been reduced to the extent that they were during liquidation.

40. According to CW2, Company insiders were aware that operations “were performing well below expectations and that there [were] very many undisclosed illegalities which when disclosed [would] have a marked impact on the DRD share price.”

**Defendants Used DRD’s Artificially Inflated Stock to Raise Cash Through Financing Activities**

41. Understanding that unless drastic actions were taken, the Company would run out of cash and be forced to liquidate its NWO, Defendants raised working capital by issuing and selling DRD artificially inflated shares to investors. Defendants misrepresented the dire state of affairs at the NWO in furtherance of their scheme to use DRD’s artificially inflated stock price to raise capital through financing activities.
42. DRD raised approximately R644 million in the second half of 2003 and approximately R270 million during 2004, raising approximately R239 million in the first half of 2004 alone.

43. On October 23, 2003, DRD announced that it issued 27 million shares to Investec Group ("Investec") raising R483 million (US$64 million). In connection with this financing, on or about August 25, 2003, DRD first announced that it had entered into an agreement with Investec, under which Investec had secured an option to acquire 18 million new fully paid up DRD ordinary shares. The option was an American-style call option with a strike price in US Dollars equal to 95% of the trade-weighted average price of DRD American Depository Receipts (ADRs) trading on NASDAQ for the 30 days prior to exercise date. The option carried an expiration date of October 3, 2003.

44. The Company’s misrepresentations about the restructuring of the NWO and DRD’s other South African operations enabled DRD to obtain the financing on much more favorable terms than had the truth about Defendants’ fraud been revealed. In fact, defendant Wellesley-Wood acknowledged that the potential of the NWO was an important factor in DRD’s ability to obtain this financing: “[t]he [Investec] agreement was as much a vote of confidence in the potential of the South African mining sector as a whole, as it was in DRD.” The proceeds had been used for the NWO restructuring costs and to substantially fund a 20% stake in a company called Porgera JV, in addition to other “general working capital requirements.”

45. On February 19, 2004, DRD announced that “the Investec Group ("Investec") had exercised an American call option to acquire 10.2 million new Company ordinary shares under an option agreement entered in December 2003. The option agreement gave Investec the right to acquire the shares at an issue price equivalent to 95.5% of the trade-weighted average price of the
Company’s ADR’s on the NASDAQ Smallcap Market for the ten trading days prior to the date of exercise. The total cash raised through the issue was $32.8 million.”

46. On June 28, 2004, the Company issued a press release announcing that it closed out its only remaining hedge contract in line with its policy of not hedging gold production. The hedge was a “gold for electricity” contract with Eskom, the South African power utility. To fund the closing out of the Eskom hedge, DRD had agreed on a US$15.8 million (R100 million or A$22.6 million) short-term loan facility with Investec. The loan was repayable at DRD’s election, either in cash, in DRD shares or a combination of both.

47. On or about June 24, 2004, DRD entered into a loan agreement with Investec under which Investec provided to DRD a loan facility. On or about September 15, 2004, DRD entered into another loan agreement with Investec under which Investec provided to DRD a loan facility. In the aggregate, Investec provided under the June and September 2004 loan facilities R200 million. During 2004, DRD drew down approximately R160 million under these Investec loan facilities. DRD settled the R160 million it borrowed from Investec under these loan facilities by issuing more than 13 million new Company shares under its general authority to issue shares for cash granted to the Company’s directors at DRD’s annual general meeting held on November 28, 2003.

48. On November 15, 2004, DRD announced that it had “reached agreement with the Investec Group (“Investec”) for the provision of a US$50 million three-year loan facility (“the acquisition facility”). The acquisition facility was to be used specifically for acquisitions in the furtherance of DRD’s growth strategy and was secured by DRD’s international investments.”
DRD Used Its Artificially Inflated Stock as Currency for Acquisitions

Emperor Mines Limited

49. From December 2002 to July 2004, DRD acquired a 45.33% interest in Emperor Mines Limited ("Emperor"), an Australian listed gold mining company with a single gold mine based in Vatukoula, Fiji.

50. As of December 31, 2002, DRD acquired 14.15% of Emperor for approximately A$11.9 million ($6.7 million). By April 2003, DRD had increased its percentage holding in Emperor through additional purchases on the open market to 19.81% at a total additional cost of A$4.3 million ($2.6 million). At June 30, 2004, DRD’s effective holding had decreased to 19.78% as a result of additional shares issued by Emperor during fiscal 2004. Given the size of its holding, Emperor appointed two of DRD’s representatives to the board of Emperor in January 2003.

51. On March 8, 2004, DRD announced a conditional takeover offer to acquire all of the outstanding shares in Emperor that were not already owned by DRD for a consideration of one of DRD’s shares for every five shares in Emperor. At that time, the offer valued Emperor at approximately A$105 million ($79.8 million). On June 10, 2004, DRD announced a revised final offer of five of its shares for every twenty-two shares in Emperor. The revised offer represented a 14% increase over the previous offer. On July 30, 2004, DRD’s offer to Emperor’s shareholders closed with DRD having received acceptances from Emperor’s shareholders representing approximately 25.55% of Emperor’s issued capital, thereby increasing DRD’s shareholding in Emperor to 45.33%.

52. Subsequently, DRD issued 6,612,676 shares in exchange for the 29,097,269 Emperor shares to the value of $16.6 million, based on the market value of DRD’s shares on the date issued. Thereafter, Emperor’s board of directors appointed defendant Wellesley-Wood as Managing
Director of Emperor and DRD’s Divisional Director: Australasian Operations. As of September 9, 2004, three of Emperor’s six board of directors members were DRD employees.

Porgera Joint Venture (Papua New Guinea)

53. On or about October 14, 2003, DRD announced that it was acquiring all the shares of Orogen Minerals (Porgera) Limited (“OML”), and Mineral Resources Porgera Limited (“MRP”), from Oil Search Limited (“OSL”). The transaction was effected through the amalgamation of OML and MRP and DRD’s wholly-owned subsidiary, Dome Resources (PNG) Limited which was subsequently renamed DRD (Porgera) Limited.

54. This transaction resulted in DRD acquiring an effective 20% interest in an unincorporated gold mining joint venture, the Porgera Joint Venture, which has fifteen mineral tenements which form part of the Porgera mine located in Papua New Guinea. The final purchase price of $77.1 million comprised $60.3 million in cash and 6,643,902 ($16.7 million) of DRD’s ordinary shares based on the prevailing market value on November 22, 2003, being the final settlement date.

Net-Gold Services Limited

55. On or about April 28, 2004, DRD acquired a 50.25% interest in Net-Gold Services Limited, a company that brokers the payment of purchases made by subscribers, through settlement in gold, for a consideration of $2.0 million.

DRD Had Undisclosed Material Weaknesses in Its Internal Controls with Respect to Its US GAAP Financial Reporting

56. During the Class Period, DRD’s internal controls experienced significant problems. Defendants knew, or recklessly disregarded, these internal control weaknesses. As discussed in detail below, DRD’s public statements were materially false and misleading because defendants failed to reveal these internal control problems to investors.
57. DRD’s disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in its SEC filings. The material weaknesses comprised of, *inter alia*, the following:

(a) a lack of sufficient knowledge and experience among the Company’s internal accounting personnel regarding the application of US GAAP Generally Accepted Accounting Principles (“GAAP”) and SEC requirements;

(b) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and

(c) insufficient emphasis by management on evaluating our compliance with US GAAP requirements.

58. The internal control problems manifested themselves in accounting misrepresentations during the Class Period as detailed further herein in ¶¶106-51 infra.

**MATERIALLY FALSE AND MISLEADING STATEMENTS MADE DURING THE CLASS PERIOD**

59. On October 23, 2003, DRD issued a press release announcing its financial results for its fiscal first quarter for the period ending September 30, 2003. For the quarter, the Company reported cash and cash equivalents of R612 million or US$86 million. The press release also provided details of the Company’s restructuring of its NWO, stating, in pertinent part, as follows:

*A 60-day review process and restructuring exercise focused on returning the North West Operations (NWO) of Durban Roodepoort Deep, Limited (JSE: DUR; NASDAQ: DROOY; ASX: DRD) to profit* had resulted in a reduction in wage costs to 44% of total working costs and a planned 26% reduction in monthly working costs, from R106 million (US$14 million) in July to R78 million (US$11 million) in October, Chairman and Chief Executive Officer Mark Wellesley-Wood said today (23.10.03), at the release of the company’s results for the quarter ended 30 September 2003.

* * *
Cash and cash equivalents increased to R612 million (US$86 million) from R332 million (US$44 million), mainly as a result of the capital raising completed during the quarter. [Emphasis added.]

60. On October 31, 2003, DRD filed with the SEC on Form 6K its Report To Shareholders For The 1st Quarter Ended 30 September 2003 Of The 2004 Financial Year, (the “Sept. 2003 6-K”). The Sept. 2003 6-K contained the Company’s financial statements. The Sept. 2003 6-K touted the restructuring of the NWO and stated in pertinent part as follows:

OVERALL PERFORMANCE

Our principal focus has been on turning around the North West Operations. This has been achieved without resort to industrial action and the co-operation of all parties in the review process has been much appreciated.

*   *   *

FINANCIAL

The cash operating loss of R 21 million (US$ 2.7 million) is due to the loss of R 41.8 million (US$ 5.6 million) incurred at the North West Operations. All other operations recorded cash operating profits. The purpose of the North West Operations restructure is to return the mine to profit and to restore a meaningful margin to shareholders.

Cash and cash equivalents increased to R 612 million (US$ 86 million) from R 332 million (US$ 44 million), mainly as a result of the capital raising completed during the quarter. New shares were issued to Investec Bank on 9 September 2003 (18 million shares) and on 12 September 2003 (9 million shares), at an average price of R 17.86 (US$ 2.40) and R 17.94 (US$ 2.42) respectively, raising a total of R 483 million (US$ 64 million).

The proceeds from the placements are to be used for the North West Operations restructuring costs and to substantially fund the purchase price for the 20% stake in the Porgera Joint Venture (see Acquisition, below), as well as for general working capital requirements.

*   *   *

OUTLOOK

Prospects for the immediate future will depend on the Rand/Dollar exchange rate.
61. The statements referenced above in ¶¶59-60 were each materially false and misleading because: (i) the restructuring of DRD’s NWO was performing worse than represented; (ii) the fixed costs at the NWO were too high for the NWO to be operated economically, notwithstanding the “restructuring” of the NWO; (iii) the restructuring of the NWO was doomed to fail from the start; (iv) the NWO was substantially impaired; and (v) the Company’s failure to properly report the impairment to its NWO enabled defendants to use the Company’s artificially inflated stock price to make acquisitions and raise capital through financing activities. The statements referenced in ¶¶59-60 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

62. The statement referenced in ¶60 that “[t]he purpose of the North West Operations restructure is to return the mine to profit and to restore a meaningful margin to shareholders” was materially false and misleading because the purpose of the NWO restructure was not to return the mine to profit but to paint an optimistic picture about DRD’s future to enable defendants to capitalize on DRD’s artificially inflated stock price.

63. The Sept. 2003 6-K was also materially false and misleading because while defendants disclosed that “[p]rospects for the immediate future will depend on the Rand/Dollar exchange rate,” the Sept. 2003 6-K omitted to disclose that the prospects for the immediate future will also depend on the ability of the Company to fund its operations from financing activities and continue its misrepresentations about the restructuring of the NWO.

64. On or about December 31, 2003, DRD filed its Form 20-F with the SEC, including its Annual Report for the fiscal year ended June 30, 2003 (the “2003/20-F”). The 2003/20-F commented on the restructuring of the NWO on p. 5 as follows:

On July 21, 2003, we entered into a 60-day review period on the North West Operations designed to restore the operations to profitability. On August 25, 2003,
management announced a proposal to meet this target. This proposal was submitted to all stakeholders, including organized labor, the Department of Labor and the Department of Minerals and Energy for their input.

An agreement was reached with all labor organizations and the process was finally completed on September 21, 2003, with some 3,000 employees retrenched at a cost of $5.4 million and the placing of certain infrastructure (Shaft Number 6) on a ‘care and maintenance’ program. This resulted in a 5% reduction of the planned production profile at the North West Operations. Any further negative developments affecting these operations (such as seismic events, underground fires and labor interruptions) could cause our results of operations, cash flows and the price of our securities to decline.

65. The statements referenced above in ¶64 were each materially false and misleading because of the reasons set forth in ¶61. The statements referenced in ¶64 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

66. The 2003/20-F also represented to investors that the Company’s controls and procedures were effective. For example, the 2003/20-F stated on pages 136-37 in pertinent part as follows:

ITEM 15. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this Annual Report, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that the material financial and non-financial information required to be disclosed in Form 20-F and filed with the Securities and Exchange Commission is recorded, processed, summarized and reported timely. The evaluation was performed with the participation of our key corporate senior management and under the supervision of our Executive Chairman, M.M. Wellesley-Wood and our Chief Executive Officer and Chief Financial Officer, Ian Murray. In evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing, our management, including Messrs. Wellesley-Wood and Murray, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal
controls subsequent to the date of the evaluation. Therefore, no corrective actions were taken.

67. Defendants Wellesley-Wood and Murray also filed certifications with the SEC along with the Company’s 2003/20-F (the “2003 Certifications”) certifying that the Company’s “annual report [did] not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading” including statements concerning the “effectiveness” of the Company’s disclosure controls and procedures.

68. The statements referenced above in ¶66-67 were each materially false and misleading because defendants knew, or recklessly disregarded, that the Company’s disclosure controls and procedures were not “effective.” Rather, as subsequently admitted by the Company, DRD’s disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in its SEC filings. The material weaknesses comprised of, inter alia, the following:

(a) a lack of sufficient knowledge and experience among the Company’s internal accounting personnel regarding the application of US GAAP and SEC requirements;

(b) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and

(c) insufficient emphasis by management on evaluating our compliance with US GAAP requirements.

69. The 2003/20-F also stated in part on p. 90:

Impairment of assets

During fiscal 2002, we recorded an impairment charge against the residential property at the Durban Deep Section of $2.2 million. The market value of these
assets had declined further during the current year. We had not recorded an impairment charge against these assets during fiscal 2001 as there was a potential buyer for these assets. However, the sale was not consummated and the Durban Deep Section has now been fully impaired. In fiscal 2001, we recorded an impairment charge against the assets of the Durban Deep Section of $2.8 million based on the fair value of the assets at June 30, 2001.

70. The statements referenced above in ¶69 from the 2003/20-F were materially false and misleading because while discussing the impairment of assets, the 2003/20-F omitted to disclose that the NWO was impaired and that the 2003/20-F omitted to disclose this information to investors to enable defendants to use the Company’s artificially inflated stock to raise capital through financing activities and make acquisitions. The statements referenced in ¶69 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

71. On January 29, 2004, DRD issued a press release announcing its financial results for the fiscal second quarter, the period ending December 31, 2003. For the quarter, the Company reported that it had “‘substantially beat’ the negative impact of the stronger Rand during the quarter,” resulting in a cash operating profit of US$14.1 million or R94.7 million. The press release continued, in pertinent part, as follows:

Durban Roodepoort Deep, Limited [JSE: DUR; NASDAQ: DROOY; ASX: DRD] increased gold production by 20% and reduced costs by 13% to “substantially beat” the negative impact of the stronger Rand during the quarter ended 31 December 2003, Executive Chairman Mark Wellesley-Wood said at a briefing on the company’s results for the quarter today.

* * *

Higher gold production was achieved both through the acquisition of a 20% interest in the Porgera Joint Venture [PJV] in Papua New Guinea and stronger performances from all of the company’s operations other than its North West Operations [NWO] where production was lower, in line with restructuring undertaken during the previous quarter.

* * *
Looking ahead, Wellesley-Wood said DRD’s investment in eight operating gold mines and significant diversification of earnings in various currencies provided a platform to deliver consistent results, while a strong balance sheet positioned the company well to fund further growth.

* * *

South African Operations

Restructuring at the company’s North West Operations during the quarter had delivered the anticipated results in terms of gold production, grade and costs, Wellesley-Wood said. [Emphasis added.]

72. The statements referenced above in ¶71 were each materially false and misleading because of the reasons set forth in ¶61. The statements referenced above in ¶71 that DRD had a “strong balance sheet” was materially false and misleading because DRD did not have a “strong” balance sheet. DRD’s NWO was substantially impaired and DRD was dependent upon using its artificially inflated stock to raise cash. The statements referenced above in ¶71 were also materially false and misleading because they touted the restructuring efforts even though the NWO was impaired and minimized the negative and material impact of the financial problems at the NWO on DRD’s business as a whole. The statements referenced in ¶71 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

73. On February 25, 2004, the Company filed with the SEC its financial results for the quarter ended December 31, 2003 on Form 6-K (the “Dec. 2003/6-K”). The Dec. 2003/6-K contained a letter to shareholders from defendant Wellesley-Wood, which stated in pertinent part, as follows:

South African Operations

The restructure of the North West Operation was our principle focus of the South Africa operations during the quarter. Cash operating costs (in absolute terms) reduced by 23% in Rand terms and production decreased by 11%. Unit cash operating costs reduced by 6% in Dollar terms to US$ 399 per ounce and 14% in
Rand terms to R 86,738 per kilogram. The treatment of ore at the High Grade Gold Plant has ceased and all underground ore is treated at the Low Grade Gold Plant and South Plant. Quarter on quarter, the underground grade improved from 4.74 grams per tonne to 5.72 grams per tonne. In the December cost month, gold production of 30,125 ounces (937 kilograms) was on budget and the cash operating unit cost of US$ 364 per ounce (R 76,393 per kilogram) was lower than the average for the quarter under review.

* * *

Financial

The cash operating margin for the company has increased to 20% from a loss in the previous quarter. This was achieved as a result of delivering on the stated strategy and reducing the average cash operating unit cost to US$ 330 per ounce (R 71,766 per kilogram) from US$ 378 per ounce (R 90,520 per kilogram). Stockholders’ equity has increased to US$ 85.6 million (R 570.5 million) from US$ 53.8 million (R 376.9 million) in the previous quarter with the ratio of interest-bearing debt to stockholders’ equity down to 82% from 134% in the previous quarter. The company has a strong balance sheet to fund further acquisitions.

74. The statements referenced above in ¶73 were each materially false and misleading because of the reasons set forth in ¶61. The statements referenced above in ¶73 that DRD had a “strong balance sheet” was materially false and misleading because DRD did not have a “strong” balance sheet. DRD was dependent upon using its artificially inflated stock to raise cash. The statements referenced above in ¶73 were also materially false and misleading because they touted the restructuring efforts even though the NWO was impaired and minimized the negative and material impact of the financial problems at the NWO on DRD’s business as a whole. The statements referenced in ¶73 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

75. On March 15, 2004, DRD issued a press release announcing that it will appoint a “stakeholder task team to help fight [the] impact of rand strength on [operating] margins.” The press release stated, in pertinent part, as follows:

Durban Roodepoort Deep, Limited’s (JSE:DUR; NASDAQ:DROOY; ASX:DRD) Blyvooruitzicht Mine has appointed an eight-person task team, representative of
management and organised labour, to urgently investigate the negative impact on the operation’s margins by the effect of Rand strength on costs and revenues, and to propose counter measures.

*The multi-disciplinary task team, whose simple brief is to “beat the gold price before it beats us,” has two weeks to work fulltime on the project.*

It began work on Monday, 8 March and is scheduled to report on its findings and recommendations to the Blyvooruitzicht Forum, an established body representative of management and organised labour, and to other stakeholders at the Blyvooruitzicht Recreation Club on Tuesday, 23 March, 2004 at 13:00.

Announcing the establishment of the task team, Divisional Director of DRD’s South African Operations Deon van der Mescht said: “It simply isn’t constructive to complain that the strength of the Rand is beyond our control and to kid ourselves that we can try to run our business as usual.

“Central to the task team’s brief is that it identifies practical work practices, over and above those we already have in place, to increase productivity and efficiencies.

“We have every confidence that, working fulltime, the task team will be able to deliver constructive input by its deadline; apart from participating fully in the process through its representation on the task team, management has offered its full co-operation and assistance. [Emphasis added.]

76. The statements in ¶75 were materially false and misleading because while commenting on the potential negative impact of the Rand on the Company’s business, the press release omitted to disclose that the restructuring of the NWO was not performing as represented and that at that time the NWO was substantially impaired. The statements referenced above in ¶75 were also each materially false and misleading because of the reasons set forth in ¶61.

77. On April 28, 2004, DRD issued a press release announcing its financial results for the fiscal third quarter, for the period ending March 31, 2004. For the quarter, the Company reported cash operating profit of US$19.1 million or R130.4 million. Significantly, the press release also stated that the Company’s balance sheet continued to improve and a weakening of the South African Rand was “no longer a prerequisite for sustaining” its gold operation. Specifically, the press release provided, in pertinent part, as follows:
Executive Chairman Mark Wellesley-Wood said today (28.04.04) that the recording of continued growth in the face of a flat gold price and strong Rand, combined with a focused acquisition strategy, shows there is scope for adding further value to a mature asset portfolio.

“Our balance of margin on current ounces of production and leverage on increasing reserve life has now been established; while a weakening of the South African Rand would be helpful for the margin, we believe this is no longer a pre-requisite for sustaining our gold production.”

With the current ratio at 1.09 and the Interest-bearing debt (including the convertible bond) to stockholders’ equity down to 52% from 82% in the previous quarter, the company’s balance sheet continues to improve, Wellesley-Wood said.

Cash and cash equivalents doubled from US$21.9 million (R145.4 million) to US$47.9 million (R304.4 million). Net cash inflow from operating activities after changes in working capital was US$21.8 million (R147.9 million) compared to US$1.5 million (R10.1 million) in the previous quarter.

South African operations

While production at the South African operations was 144,775 ounces compared with 145,677 ounces in the previous quarter, average cash operating costs were lower at US$373 per ounce (US$376 per ounce) or R81 398 per kilogram (R81 697 per kilogram) Cash operating profit doubled to US$4.6 million (US$2.3 million) or R32.0 million (R15.4 million).

The North West Operations returned to profitability for the first time since the December 2002 quarter. Cash operating profit was US$4.3 million or R28.9 million compared with the previous quarter’s cash operating loss of US$0.5 million or R3.9 million. Gold production has been sustained at more than 900 kilograms (28,900 ounces) per month and average cash operating costs were US$357 per ounce or R77 859 per kilogram.

“We have now recorded two quarters in succession of profitable growth; this, and in particular record margins of 28% in the quarter under review, position us very well for the future,” Wellesley-Wood concluded. [Emphasis added.]

78. The statements referenced above in ¶77 were each materially false and misleading because of the reasons set forth in ¶61. The statement referenced above in ¶77 that DRD had a
“strong balance sheet” was materially false and misleading because DRD did not have a “strong” balance sheet. DRD was dependent upon using its artificially inflated stock to raise cash. The statements referenced above in ¶77 were also materially false and misleading because they touted the restructuring efforts even though the NWO was impaired and minimized the negative and material impact of the financial problems at the NWO on DRD’s business as a whole. The statements referenced in ¶77 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶¶106-51.

79. On or about May 10, 2004, the Company filed its Report To Shareholders For The 3rd Quarter Ended 31 March 2004 Of The 2004 Financial Year on Form 6-K. The 6-K contained a letter to shareholders from defendants Wessley-Wood and Murray dated April 28, 2004, which stated, in pertinent part, as follows:

Gold reached another high during the quarter under review, touching US$432.75 per ounce on 22 March 2004, on the back of the continued economic and geopolitical uncertainty that we highlighted in our previous quarterly report . . . . The Australasian operations delivered 73,014 ounces, representing an increase of 7.5% quarter on quarter. **Overall, the South African operations continued to deliver, with the turnaround at the North West Operations demonstrating sustainability.** Cash operating profit increased by a respectable 35% (38% in Rand terms) to US$19.1 million (R130.4 million) from US$14.1 million (R94.7 million) in the previous quarter. At the South African operations, cash operating profit doubled to US$4.6 million (R32.0 million) and at the Australasian operations increased by 23% to US$14.5 million (R98.4 million) quarter on quarter. Unit cash operating costs continued to improve quarter on quarter reducing by 3.6% to US$318 per ounce and 3.4% to R69 329 per kilogram.

South African operations

*The North West Operations returned to profitability during the quarter for the first time since the December 2002 quarter.* Cash operating profit was US$4.3 million (R28.9 million) compared to a cash operating loss in the previous quarter of US$0.5 million (R3.9 million). Gold production has been over 900 kilograms (28,900 ounces) per month and average cash operating costs were US$357 per ounce (R77,859 per kilogram) for the quarter. **This result reflects the sustainability of the turnaround since completing the 60-day review and subsequent restructuring in September 2003.**
Outlook

* Every operation in the DRD stable has now been the subject of a successful turnaround. A weakening of the South African Rand would be helpful for the margin, but we believe that it is no longer a pre-requisite to sustaining our gold production. [Emphasis added.]

80. The statements referenced above in ¶79 were each materially false and misleading because of the reasons set forth in ¶61. The statements referenced above in ¶79 were also materially false and misleading because they: (i) touted the restructuring efforts even though the NWO was impaired; and (ii) minimized the negative and material impact of the financial problems at the NWO on DRD’s business as a whole. The statements in ¶79 were also materially false and misleading because while commenting on the potential negative impact of the Rand on the Company’s business, the press release omitted to disclose that the restructuring of the NWO was not performing as planned and that at that time the NWO were substantially impaired. The statements referenced in ¶79 were also materially false and misleading because DRD’s financial statements were not prepared in accordance with GAAP as detailed in ¶106-51.

81. On August 10, 2004, DRD issued a press release announcing its financial results for the fiscal fourth quarter and year end, the period ending June 30, 2004. For the quarter, the Company reported cash operating profit of US$8.0 million. The press release continued, in pertinent part, as follows:

* * *

South African operations

DRD’s North West Operations continued to stabilize following September 2003’s restructuring, Murray said, and the focus currently is on opening up higher-grade panels and reducing costs.
82. The statements referenced above in ¶81 were each materially false and misleading because of the reasons set forth in ¶61. Also, the statement that DRD’s NWO continued to “stabilize” was materially false and misleading because at that time DRD’s NWO were not “stabilizing” because it was substantially impaired and conditions were deteriorating.

83. On or about August 19, 2004, the Company filed its Report To Shareholders For The 4th Quarter Ended 30 June 2004. The 6-K contained a letter to shareholders from defendants Wessley-Wood and Murray dated August 10, 2004, which stated, in pertinent part, as follows:

* * *

South African Operations

The North West Operation has continued to stabilize following the completion of the restructuring exercise undertaken in September 2003. The current focus is on opening up higher-grade panels and reducing costs. Selective mining has re-started at No 6 Shaft, but continued mining at two of the Buffels Shafts – Nos 9 and 11 Shaft – is currently under review. The clean up at the old High Grade Gold Plant has been completed and milling is now concentrated in the South Plant. Further upgrades to the South Plant have been planned to improve efficiencies and further reduce operating costs.

* * *

Outlook

The impact of continued Rand strength has become an industry-wide problem in South Africa and one of national importance. Faced with this pressure, we will continue to re-position our assets for the future. Unfortunately, this will inevitably lead to more job losses. DRD has been fortunate to acquire relatively low-cost overseas production (averaging US$200 per ounce this quarter), which has enabled the South Africa mines to be restructured. However, this will not prevent us continuing to further diversify our assets, and grow in the Pacific region where we are now establishing critical mass. [Emphasis added.]

84. The statements referenced above in ¶83 were each materially false and misleading because of the reasons set forth in ¶61. Also, the statement that DRD’s NWO continued to “stabilize” was materially false and misleading because at that time DRD’s NWO were not “stabilizing” because it was substantially impaired and conditions were deteriorating.
On October 27, 2004, DRD issued a press release announcing its financial results for the fiscal first quarter, the period ending September 30, 2004. The press release stated, in pertinent part, as follows:


Group gold production was slightly down quarter on quarter at 220,524 oz (6,859 kg), due mainly to lower production from the South African operations, specifically Blyvooruitzicht (Blyvoor), where a 60-day review was completed, resulting in a slowdown in production.

Group unit costs were slightly higher as a direct result of lower production in South Africa but the second quarter’s costs are expected to be in line with those of the June quarter now that restructuring has been completed.

The average gold price received for the quarter under review was US$403 per ounce (R82,785 per kilogram) compared to US$395 per ounce (R85,804 per kilogram) the previous quarter.

SOUTH AFRICAN OPERATIONS

At Blyvoor, following the retrenchment of 1,619 employees, a six-month plan is in place, aimed at returning the mine to breakeven. The basis of the plan is to reduce mining of areas serviced by expensive infrastructure and to focus on areas where improved efficiencies will result.

At the North West Operations, the Buffels Nos 9 and 11 shafts have been kept in production. The main focus, however, is on improving recovered grade and so the balance of mining will move to the higher grade Nos 2, 4 and 5 shafts, with only selective mining taking place at Nos 6, 7 and 8 shafts. [Emphasis added.]

The statements referenced above in ¶85 were each materially false and misleading because of the reasons set forth in ¶61. The statements referenced above in ¶85 were also materially
false and misleading because they minimized the negative and material impact of the financial problems at the NWO on DRD’s business as a whole.

87. On January 27, 2005, DRD issued a press release announcing its financial results for the fiscal second quarter, the period ending December 31, 2004. The press release stated, in pertinent part, as follows:

PRODUCTION

Attributable gold production for the Group increased marginally quarter on quarter. This reflects a 13% increase in offshore attributable production, due mainly to the inclusion of the 45.33% attributable production from Emperor Mines Limited (Emperor) for the full quarter. Production from the South African operations decreased by 5%, mainly the result of restructuring at Blyvooruitzicht (Blyvoor) during the previous quarter. Production from the North West Operations was slightly lower, reflecting the impact of various infrastructural constraints. These are being addressed.

* * *

SOUTH AFRICAN OPERATIONS

The South African operations continue to suffer from the effects of the strong Rand. As a consequence, they are monitored continuously and remedial action is implemented promptly.

Notwithstanding some positive indicators in respect of underground yield in the quarter, continuing poor results into December have necessitated the placement of the North West Operations under operational review. [Emphasis added.]

88. The statements referenced above in ¶87 were each materially false and misleading because of the reasons set forth in ¶61. The statement that “continuing poor results into December have necessitated the placement of the North West Operations under operational review” is materially false and misleading because the cited problems with DRD’s NWO were not limited to recent problems but existed since the beginning of the Class Period.

89. On February 2, 2005, an article appeared in South Africa’s Business Day entitled “Rand Puts DRD’s SA Mines At Risk” and stated, in pertinent part, as follows:
DRD may have to close its South African operations unless it can cut costs, Merrill Lynch warned yesterday.

* * *

Closure of the South African mines would involve “significant retrenchment and other costs”. DRD spokesman Ilja Graulich said yesterday: “We are currently in a closed period so we cannot comment on the company’s financial position.

“Our most recent results are being reviewed by our auditors in the normal course of events and will be released on February 24.

“However, we are not aware of any causes for concern.”

In November, DRD CE Ian Murray said the company had restructured its local operations and the “cash burn” was over. [Emphasis added.]

90. The statements referenced above in ¶89 were each materially false and misleading because of the reasons set forth in ¶61. The statements that DRD was not “aware of any causes for concern” and that the “cash burn” was over were materially false and misleading because since the beginning of the Class Period defendants knew, or recklessly disregarded, that: (i) there were many causes for concern to DRD’s financial well-being, including the impairment of the NWO; and (ii) the “cash burn” at the NWO was continuing.

91. During the Class Period, defendants materially misled the investing public, thereby inflating the price of DRD’s securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants’ statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

92. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the
Class Period, defendants made or caused to be made a series of materially false or misleading statements about DRD’s business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of DRD and its business, prospects and operations, thus causing the Company’s securities to be overvalued and artificially inflated at all relevant times. Defendants’ materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company’s securities at artificially inflated prices, thus causing the damages complained of herein.

The Truth Begins to Emerge

DRD Restates Its Financial Statements

93. On or about November 29, 2004, DRD filed with the SEC its Annual Report on Form 20-F for the fiscal year ended June 30, 2004 and disclosed that DRD’s financial statements were false and misleading during the Class Period, due to, *inter alia*, the fact that it had inadequate internal control procedures in place throughout the Class Period resulting in DRD’s financial statements being materially inaccurate.

94. DRD admitted that it’s quarterly results for fiscal 2004 as filed with the SEC on Forms 6-K on October 31, 2003, February 25, 2004, May 5, 2004, May 10, 2004, and August 19, 2004 were materially false and misleading. As detailed in ¶¶106-51, DRD’s restatement arose with respect to several accounting issues. The Company admitted that as of June 30, 2004, DRD’s disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the US Securities Exchange Act of 1934 as a result of material weaknesses in DRD’s internal control over financial reporting.
95. During the three days after DRD restated its financial results, DRD’s stock declined by approximately 12.5% on heavy volume.

96. These material weaknesses in DRD’s internal controls comprised of:

   (i) a lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements;

   (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and

   (iii) insufficient emphasis by management on evaluating our compliance with US GAAP requirements.

97. The Company stated the following with respect to DRD’s internal control deficiencies:

   In order to address these material weaknesses our senior management, under the supervision of our Audit Committee, is in the process of conducting a thorough review of our US GAAP financial reporting processes and will prepare and implement a US GAAP action plan. This plan will be designed to generally improve our US GAAP reporting processes and to strengthen our control processes and procedures in order to prevent a recurrence of the circumstances that resulted in the need to restate our quarterly financial statements. Our senior management intends to complete its review and implement a US GAAP action plan as soon as practicable.

98. On April 21, 2005, DRD filed an Amendment to its Annual Report on Form 20-F for fiscal 2004 and provided further information about the Company’s false and misleading statements concerning its internal control problems. DRD disclosed contained, for the first time, the following “Risk” of investing in DRD stock:

   We have discovered material weaknesses in our internal controls in relation to our US GAAP financial reporting. If we fail to remedy these weaknesses and establish and maintain an effective system of internal controls, our reported financial results under US GAAP may not be accurate. As a result, current and potential shareholders could lose confidence in our financial reporting, which could adversely affect the trading price of our shares.
99. On February 18, 2005, the Company issued a press release announcing that it expected to report a massive drop in first-half earnings. The Company said its interim headline loss for the six months ending December 31, 2004, would be more than 200 percent higher than the year before due largely to a higher tax charge. The February press release stated, in pertinent part, as follows:

**TRADING STATEMENT**

* * *

Shareholders are advised that despite a 45% increase in cash operating profit for the six-month period 31 December 2004 compared to the six-months ended 31 December 2003, and a 21% reduction in net cash operating loss in the same comparable period, the board of directors of DRD expects that the company’s headline loss per share will be more than 200% higher than that reported for the six months ended 31 December 2003. This is as a result of a higher tax charge, resulting mainly from the suspension of deferred tax asset accounting in June 2004 largely as a result of the strengthening of the Rand, and the recording of an equity loss of R20m from associates following the acquisition of an increased shareholding in Emperor Mines in August 2004. In addition, basic loss per share will be impacted by an impairment, not yet quantified, to the carrying value of the South African based mining assets. The above financial information refers to changes in bottom line losses as calculated using SA GAAP accounting standards. The financial information on which this trading statement has been based has not been reviewed and reported on by the company’s auditors. The reviewed results for the six months ended 31 December 2004 are expected to be announced on or about 24 February 2005. [Emphasis added.]

100. Then, on February 24, 2005, DRD issued a press release announcing its interim financial statements for the six months ended December 31, 2004 prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The press release stated, in pertinent part, as follows:

**South African Operations**

*Attributable production from the South African operations decreased by 14%, mainly as a result of restructuring and rightsizing at Blyvoor, together with various infrastructural constraints at the North West Operations that are currently being*
addressed . . . . Gold production at the North West Operations decreased by 10% as a result of rationalization of non-profitable mining areas. During the period under review, the North plant was re-commissioned and fed with screened waste rock dump material. Average cash operating unit costs for the period increased to US$459 per ounce (R91 814 per kilogram). DRD’s attributable share of production from Crown Gold Recoveries (Pty) Limited (CGR) was down 5% for the period under review compared to the previous six months ended 30 June 2004 . . . .

Impairment

The strong Rand environment in which we are operating has caused us to review the carrying value of our South African assets. The ongoing poor performance of the North West Operations in the low Rand environment has necessitated a full impairment of the mining assets amounting to R214 million resulting in our net loss increasing to R370.1 million for the six months ended 31 December 2004.

* * *

Corporate developments

Broadly speaking, the Company’s offshore operations are performing very satisfactorily, but its South African operations continue to be impacted negatively by the strength of the South African Rand; in this, of course, we are not alone – the whole of the South African gold mining sector is being adversely affected. The mature profile of our South African operations, however, means that we are amongst those whose situation is most acute. Task teams have been appointed to examine the particular circumstances of the South African operations and to identify and report on options for their sustainability into the future, all in the context of the Company’s broader international growth strategy going forward.

* * *

Going concern

We incurred significant losses during the six months and continue to incur losses at the South African operations. In order to reduce these losses, the North West Operations are in the process of being restructured and investors will be advised of the final outcome. As at 31 December 2004, we had cash and cash equivalents of R143 million (30 June 2004: R141 million), and a negative working capital (defined as current assets less current liabilities) of R65 million (30 June 2004: negative working capital of R21 million). Cash generated by offshore assets may not be adequate to cover future commitments with respect to this restructuring. We expect to finance our commitments from existing cash resources, the sale of assets and funding facilities we have in place or are seeking to negotiate. It is management’s belief that existing cash resources, net cash generated from offshore operations and additional funding will be sufficient to meet our anticipated commitments.
101. Also, on February 24, 2005, DRD filed its Form 6-K with the SEC, which included the following “Going Concern” disclosure section:

**Going concern**

We incurred significant losses during the six months and continue to incur losses at the South African operations. *In order to reduce these losses, the North West Operations are in the process of being restructured and investors will be advised of the final outcome.*

As at 31 December 2004, we had cash and cash equivalents of R143 million (30 June 2004: R141 million), and a negative working capital (defined as current assets less current liabilities) of R65 million (30 June 2004: negative working capital of R21 million).

Cash generated by offshore assets may not be adequate to cover future commitments with respect to this restructuring. We expect to finance our commitments from existing cash resources, the sale of assets and funding facilities we have in place or are seeking to negotiate.

It is management’s belief that existing cash resources, net cash generated from offshore operations and additional funding will be sufficient to meet our anticipated commitments. In making this statement, management has assumed that there will be a significant decrease in costs at its South African operations, due to continued restructuring and that management will be successful in negotiating additional working capital facilities to be used for restructuring and general working capital purposes. Accordingly, the condensed consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Our estimated working capital and commitments, as well as our sources of liquidity, will be adversely affected if:

--there is any adverse variation in the price of gold or foreign currency exchange rates in relation to the US Dollar, particularly with respect to the Rand;

--we are delayed in reducing costs at our South African operations or our planned cost reductions are less than anticipated;

--our offshore operations fail to generate net cash flows consistent with current levels;

--we default on our current borrowing facilities and we are therefore required to accelerate the repayment of funds; or

--negotiations with funders to secure a debt facility over DRD Isle of Man assets to restructure the North West Operations are unsuccessful.
If such circumstances arise this might result in us having insufficient cash resources to meet our current obligations in the normal course of business, which may have an adverse impact on our financial ability to continue operating as a going concern.

102. In response to these announcements, the price of DRD ADRs fell $0.38 per share, or more than 25%, to close at $1.11 per share, on extremely heavy trading volume.

**Post Class-Period Disclosures and Admissions**

103. DRD announced on March 3, 2005 that it was undertaking a 60-day review of the NWO. The press release stated in part:

In the six months to 31 December 2004, DRD 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 North West Operations are losing some R20 million a month.

DRD’s Chief Executive Officer, Mark Wellesley Wood, said today that, while the stronger Rand and the consequent weaker Rand gold price were 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 said, productivity at the North West Operations would have to increase by 35% in terms of grams per total employee costed and current working costs of R71 million a month would have to be slashed to R40 million.

“We are acutely aware that, in the event of failure to achieve these targets, placing the entire North West Operations on care and maintenance becomes an option we must consider.”

* * *

“We remain open to all offers and suggestions, either to sustain mining at the North West Operations or to retain access to their reserves,” Wellesley-Wood said.

On March 22, 2005, DRD announced that it had filed that it was filing to liquidate the North West Operations. The press release stated in part:

Shareholders are advised that following the passing of a resolution by the Board of Directors of Buffelsfontein Gold Mines Limited (“BGML”) (commonly known as the North West Operations), application will be made today to the High Court of South Africa for the provisional liquidation of BGML.
BGML is a wholly owned subsidiary of DRD. An announcement as to the outcome of the application will be made in due course and accordingly, shareholders are advised to exercise caution when dealing in DRD securities.

104. That same day, the High Court of South Africa issued an Order for the liquidation of the NWO. Not long after, three provisional liquidators were appointed.

105. On April 21, 2005, DRD issued a press release entitled “‘Decisive Actions’ Create Platform for Recovery and Growth,” which stated in part:

DRD Limited (JSE: DRD; NASDAQ: DROOY; ASX: DRD; POM SoX: DRD) today announced that remedial actions taken in the past quarter, coupled with a continued turnaround at the South African operations’ Byvooruitzicht (Blyvoor) mine, have established a sound platform for the company’s recovery and future growth, says Chief Executive Officer Mark Wellesley-Wood.

Key amongst these actions was the provisional liquidation of Buffelsfontein Gold Mines Limited (Buffels) and the consequent discontinuation of mining at the North West Operations.

* * *

The effect of the liquidation of Buffels, Wellesley-Wood said, was to immediately staunch the unsustainable drain on DRD’s resources, particularly from its offshore operations, in the preceding six months.

**DRD’s Financial Reporting During the Class Period Was Materially False and Misleading and Violated GAAP**

106. At all relevant times during the Class Period, DRD represented that its financial results were prepared in accordance with U.S. GAAP. These representations were materially false and misleading because DRD’s financial reporting was materially misstated and violated GAAP in numerous respects during the Class Period.²

² GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. Generally Accepted Auditing Standard (“GAAS”) §AU 411.02. Regulation S-X [17 C.F.S §210.4-01(a)(1)] states that financial statements filed with the SEC that are not prepared in conformity with GAAP
107. In fact, DRD has now partially admitted that the financial statements it issued during the Class Period were materially false and misleading when it restated its interim 2004 and six-month ended December 31, 2003 pro-forma financial results. With respect to its U.S. GAAP reporting processes, **DRD has acknowledged that circumstances contributing to “material” internal control weaknesses existed “as early as fiscal 1996.”**

108. Section 13 of the Exchange Act (*i.e.*, the Foreign Corrupt Practices Act) requires companies to devise and maintain a system of internal controls sufficient to reasonably assure that transactions are recorded in accordance with GAAP.

109. In its Annual Report on Form 20-F for the fiscal year ended June 30, 2004, filed with the SEC on November 29, 2004, DRD disclosed:

**RESTATEMENT OF US GAAP QUARTERLY RESULTS**

We have restated certain items in our quarterly results for fiscal 2004 as filed with the SEC under cover of Forms 6-K on October 31, 2003, February 5, 2004, May 5, 2004, May 10, 2004, and August 19, 2004. Although this resulted in the restatement of the financial results for each of the quarters during fiscal 2004, this did not result in a restatement or revision to our financial results for fiscal 2004 as a whole, which were originally announced on August 10, 2004, and subsequently furnished to the SEC on August 19, 2004 under cover of a Form 6-K.

Due to the restatement of our quarterly results for the first and second quarters of fiscal 2004, we have also restated the unaudited pro forma financial statements of the Company and Orogen Minerals (Porgera) Limited and Mineral Resources Porgera Limited for the six months ended December 31, 2003, giving effect to our acquisition of a 20% interest in the Porgera Joint Venture, as originally filed with the SEC under cover of a Form 6-K on October 1, 2004, which restatement is reflected in a Form 6-K filed with the SEC concurrently with this Annual Report.

The restatement arises with respect to two separate accounting matters.

*Harties Number 6 Shaft, North West Operations*

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are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP. 17 C.F.R. 210.01-01.
With the conclusion of the 60-day review performed at the North West Operations, including Number 6 Shaft, on July 21, 2003, in our first quarter we accelerated the depreciation charge with respect to the mining assets associated with the Number 6 Shaft. The expectation at the time was that the shaft would not be utilized in the future. However, in January and February 2004, following a detailed survey at the Number 6 Shaft to consider if limited high grade mining into some of the remaining pillars was financially viable, we made a business decision to bring the upper section of Shaft 6 and the associated mining assets back into production. The accelerated depreciation charge reported in the first quarter of fiscal 2004 was reversed in the third quarter of fiscal 2004. Due to the fact that no activities had taken place to indicate the abandonment of the Number 6 Shaft, depreciation should not have been accelerated in the first quarter and subsequently reversed in the third quarter.

DRD’s Violations of U.S. GAAP

Violations of APB Opinion No. 18

110. Pursuant to U.S. GAAP, in Accounting Principles Board ("APB") Opinion No. 18, investments in corporate entities over which the investor can exert significant influence (but not control) should be accounted for using the "equity method" of accounting. The investor is presumed to have significant influence if it holds 20% or more of the voting rights in a corporate investee.

111. Under the equity method, the investment should be recorded initially at cost, with subsequent adjustments being made to the initially recorded amount to reflect the recognition of the investor’s share of post-acquisition profits and losses. Accordingly, the equity method requires the investor to record its investment in the investee as an asset and to reflect its proportionate share of the investee’s net income/loss in its earnings.

112. These GAAP requirements were not lost on the DRD defendants. For example, in its 2002 Form 20-F signed by defendant Wellesley-Wood and filed with the SEC, DRD disclosed:

On July 1, 2002, we sold a 60% interest in the Crown Section leaving us with 40% of the Crown Section through our wholly-owned subsidiary, Crown. We will account

3 The operations of Crown Gold Recoveries ("CGR") include those of the Crown and ERPM Sections.
financially for our interest in the Crown Section under the equity method commencing July 1, 2002.

113. **In fact, Wayne Koonin, DRD Divisional Director in charge of Finance, attempted to educate securities analysts about the technical aspects of APB Opinion No. 18 on a January 29, 2004 conference call** held to discuss DRD’s financial results for the quarter ending December 31, 2003.

114. In its 2003 annual financial statements filed with the SEC on Form 20-F, which was also signed by defendant Wellesley-Wood, DRD expanded its disclosure about equity method accounting:

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has the ability to exercise significant influence, but which it does not control. The ability to exercise significant influence is presumed where the Group owns more than 20% of the voting stock of an investment.

115. Such Form 20-F also disclosed:

On July 1, 2002, we sold 60% of our interest in CGR for R105 million ($10.1 million). Prior to the sale, CGR was wholly-owned by Crown Consolidated Gold Recoveries Ltd, or Crown, our wholly-owned subsidiary. Accordingly, we no longer exercise full board control over the Crown Section and cannot unilaterally cause CGR to adopt a particular budget, pay dividends or repay its indebtedness, including debt held by us.

* * *

In October 2002, CGR purchased ERPM, a South African gold mining company. CGR acquired ERPM as is, without indemnification for any disclosed or undisclosed liabilities, which could ultimately have a material adverse effect on CGR’s results of operation and financial condition by requiring CGR to incur significant financial obligations to satisfy any liability. ERPM is exposed to all the risks applicable to a mining operation in the ordinary course. In particular, during October and November 2002, ERPM experienced some labor unrest during which several striking contract workers were wounded and two workers were killed by employees of a private security company. ERPM’s business could suffer if such activities are repeated. Additionally, there is a regular ingress of water into the underground workings of ERPM, and the failure of the mine’s pumping operations or the installed plugs could result in significant flooding. This flooding could result in ERPM incurring
significant financial liability which would increase its costs and reduce its profitability.

116.  Then, after using the equity method to account for its 40% interest in CGR for the entire 2003 fiscal year, DRD inexplicably ceased using the equity method to account for CGR in fiscal 2004, which, not coincidentally, materially overstated the Company’s reported interim 2004 operating results.

117.  In its Annual Report on Form 20-F for the fiscal year ended June 30, 2004, filed with the SEC on November 29, 2004, DRD disclosed:

Equity in losses of CGR

Under US GAAP, an investment in an associate includes the equity investment in and funds advanced to the entity. Under US GAAP we have treated CGR, which owns the Crown and ERPM Section, as an associate and, accordingly, our interest in CGR is equity accounted. Our investment in CGR was reflected as $nil as at June 30, 2003.

Under US GAAP, advances made by us to CGR and ERPM in fiscal 2004 were incorrectly reflected as separate financial instruments during the quarters presented. CGR and ERPM recorded significant losses throughout fiscal 2004. No impairments of these loans, however, were recorded in our first, second and third quarters of fiscal 2004. The loans were fully impaired in the fourth quarter of fiscal 2004.

Under US GAAP, our portion of the losses recorded by our associate, CGR, should have been recognized against the advances, forming part of our investment, in the respective quarters in which the losses were recorded. [Emphasis added.]

Violations of SFAS No. 144

118.  Pursuant to U.S. GAAP, in Statement of Financial Accounting Standards (“SFAS”) No. 144, if an entity commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, depreciation estimates shall be revised to reflect the use of the asset over its shortened useful life. When a long-lived asset ceases to be used, the reported amount of the asset should equal its salvage value, if any.
119. In its Annual Report on Form 20-F for the fiscal year ended June 30, 2004, filed with the SEC on November 29, 2004, DRD disclosed:

_**Harties Number 6 Shaft, North West Operations**_

With the conclusion of the 60-day review performed at the North West Operations, including Number 6 Shaft, on July 21, 2003, in our first quarter we accelerated the depreciation charge with respect to the mining assets associated with the Number 6 Shaft. The expectation at the time was that the shaft would not be utilized in the future. However, in January and February 2004, following a detailed survey at the Number 6 Shaft to consider if limited high grade mining into some of the remaining pillars was financially viable, we made a business decision to bring the upper section of Shaft 6 and the associated mining assets back into production. The accelerated depreciation charge reported in the first quarter of fiscal 2004 was reversed in the third quarter of fiscal 2004. *Due to the fact that no activities had taken place to indicate the abandonment of the Number 6 Shaft, depreciation should not have been accelerated in the first quarter and subsequently reversed in the third quarter.*

[Emphasis added.]

120. DRD has now admitted that its accounting for its investments and depreciation during the Class Period violated GAAP and materially misstated its operating results during the Class Period. As a result, DRD restated the 2004 interim financial statements it issued to investors.

121. While DRD has corrected its above noted violations of GAAP via the restatement of its 2004 interim financial statements, it improperly delayed the recognition of the impairment in the values of its NWO mining assets until the end of the Class Period. In so doing, defendants otherwise materially overstated DRD’s operating results during the Class Period.

122. In its fiscal year end 2002 financial statements filed with the SEC on Form 20-F, DRD disclosed:

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (“SFAS 144”), which is effective for financial statements issued for fiscal years beginning after December 15, 2001. SFAS 144 applies to all long-lived assets (including discontinued operations) and it develops an accounting model for long-lived assets that are to be disposed of by sale. Management does not believe that the standard will have a significant impact on the Company’s financial results.
Then, in its fiscal year end 2003 financial statements filed with the SEC on Form 20-F, DRD disclosed the following as a significant accounting policy:

**Impairment of mining assets**

The impairment of long-lived assets is accounted for in terms of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of an asset or asset group is assessed by comparing the carrying amount of an asset or group of assets to the estimated future undiscounted net cash flows of the asset or group of assets. Estimates of future cash flows include estimates of future gold prices and foreign exchange rates. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of our mining assets. If an asset or asset group is considered to be impaired, the impairment which is recognized is measured as the amount by which the carrying amount of the asset or group of assets exceeds the discounted future cash flows expected to be derived from that asset or group of assets. The asset or asset group is the lowest level for which there are identifiable cash flows that are largely independent of other cash flows. The lowest level for which there are identifiable cash flows that are largely independent of other cash flows is on a mine-by-mine basis. Therefore, we make the analysis on a mine-by-mine basis.

With respect to long-lived assets, U.S. GAAP, in SFAS No. 144, establishes three categories of assets for purposes of determining whether assets are impaired: 1) assets that are to be held and used; 2) assets that are to be disposed of other than through sale; and 3) assets that are to be disposed of through sale.

Pursuant to SFAS No. 144, long-lived assets classified as to be held and used are required to be tested for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The following are cited in SFAS No. 144 as being examples of such events or changes in circumstances:

(a) A significant decrease in the market price of a long lived asset or asset group;

(b) *A significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition;*
(c) A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator;

(d) An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group;

(e) A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; and

(f) A current expectation that, more likely than not (meaning a level of likelihood greater than 50%), a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

126. If any such conditions exist, GAAP requires that long-lived assets be tested for impairment. In testing long-lived assets for impairment, if the projected future cash flows of the assets are less than the carrying (or reported) value of such assets, an impairment loss is recorded based on the fair value of the assets.

127. In violation of GAAP and its publicly disclosed accounting policy, DRD failed to timely write down the value of its impaired NWO mining assets. As noted in the chart below, DRD’s NWO experienced sustained cash operating losses prior to and during the Class Period.\(^4\)

\(^4\) Cash operating profits equal gold and silver revenue less cash operating costs, which is a non U.S. GAAP financial metric used by DRD to measure a mine’s performance, profitability, efficiency and trend in costs.
128. As defendants knew, or recklessly ignored, such sustained operating losses at DRD’s NWO indicated that the NWO mining assets were impaired prior to the end of the Class Period. This stems from the fact that NWO’s cash operating costs during the Class Period were disproportionately high.

129. Indeed, defendants knew that the market would question the viability of DRD’s NWO given its repeatedly poor financial performance prior to and during the Class Period. Accordingly, defendants falsely reassured the market by announcing that DRD would return its NWO to profitability by “restructuring” (i.e., reducing) its operating costs. Defendants, however, knew that any such “restructuring” efforts would ring hollow because a significant percentage of DRD’s NWO mine cost structure was fixed in nature.

130. In fact, CW1, a former DRD Division Director of Finance and member of the South African Institute of Chartered Accountants, explained that mine companies could accurately predict their costs because the cost structures remained relatively stable. For example, CW1 explained that
many of DRD’s mine variable costs were fixed in that they were largely labor related which were contractually set with the National Union of Miners (NUM) for a fixed period of time. As a result, the ability to lay-off miners was restricted by union contracts.

131. Moreover, DRD’s NWO mines were largely mature, underground mines and, accordingly, the ore from them would not become less difficult, or costly, to extract. In addition, according to CW1 as a mine matures, its shafts become “mined out” resulting in an inability to mine enough ore to efficiently operate the plant.

132. Nonetheless, DRD improperly failed to timely record an impairment in the value of its NWO mining assets, thereby misleading investors about the viability of its NWO. As noted below, defendants misled investors about its NWO because such assets were responsible for a disproportionate amount of the Company’s gold production. Defendants knew that when DRD recorded an impairment in the value of its NWO mining assets, the Company’s stock would decline precipitously.

133. Indeed, defendants knew this because, for example, when DRD recorded a valuation allowance (i.e., an accounting reserve) against its deferred tax asset associated with its NWO on August 10, 2004, DRD’s stock declined by 26%.5

134. Ultimately at the end of the Class Period, DRD shocked the investing public when it issued a press release announcing that it had recorded a “full” impairment in the value of its NWO mining assets. Indeed, such assets did not go from being unimpaired to “fully” impaired

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5 U.S. GAAP, in SFAS No. 109, requires that a valuation allowance be established if it is “more-likely-than-not” that a deferred tax benefit will not be realized. That is, SFAS No. 109 provides guidance for assessing the impairment of a deferred tax asset by providing for a valuation allowance when it is more likely than not that there will not be sufficient taxable income of the appropriate timing and character in order to realize the tax benefit.
overnight. In fact, defendants announced that DRD had recorded a “full” impairment in the value of its North West mining assets less than one month before it filed to liquidate the NWO.

135. As result, DRD’s financial statements violated GAAP and its publicly stated accounting policies by improperly delaying the recognition of an impairment in the value of the Company’s North West mining assets until the end of the Class Period.

Other GAAP Violations:

136. The DRD defendants had the responsibility to apply GAAP in a manner appropriate to reflect DRD’s business activities in accordance with Section 13 of the Exchange Act. As Section 13 of the Securities Exchange provides:

Every issuer which has a class of securities registered pursuant to Section 12 of this title and every issuer which is required to file reports pursuant to Section 15(d) of this title shall --

A. make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and

B. devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that --

i. transactions are executed in accordance with management’s general or specific authorization;

ii. transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (b) to maintain accountability for assets;

iii. access to assets is permitted only in accordance with management’s general or specific authorization; and

iv. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
137. In addition to the accounting improprieties stated above, DRD presented its financial statements during the Class Period in a manner which also violated at least the following provisions of GAAP:

(a) The principle that “interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements” (APB No. 28, 10);

(b) The concept that “financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions” (Concepts Statement No. 1, 34);

(c) The concept that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events and circumstances that change resources and claims to those resources (Concepts Statement No. 1, 40);

(d) The concept that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (Concepts Statement No. 1, 50);

(e) The concept that financial reporting should provide information about an enterprise’s financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors’ expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (Concepts Statement No. 1, 42);
(f) The concept that financial reporting should be reliable in that it represents what it purports to represent. That information should be reliable as well as relevant is a notion that is central to accounting (Concepts Statement No. 2, 58-59);

(g) The concept of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions (Concepts Statement No. 2, 79); and

(h) The concept that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (Concepts Statement No. 2, 95, 97).

138. In failing to file financial statements with the SEC which conformed to the requirements of U.S. GAAP, DRD repeatedly disseminated financial statements that were presumptively misleading and inaccurate. The Forms 20-F and 20-F/A filed by DRD with the SEC during the Class Period were also materially false and misleading in that they failed to disclose significant factors that affected the company’s financial condition and results of operations for the historical periods covered by the financial statements included in such filings and management’s assessment of factors and trends which are anticipated to have a material effect on the company’s financial condition and results of operations in future periods, as required by Item 5 of Form 20-F.

**DRD’s Financial Misstatements During the Class Period Were Material**

139. As a result of the foregoing deceptions, DRD has restated its fiscal 2004 quarter-end financial statements. In so doing, DRD has made the determination that such financial statements were materially misstated because GAAP, in Accounting Principles Board (“APB”) Opinion No. 20, provides that only materially misstated financial statements need be retroactively restated.
140. The impact of DRD’s restatement is reflected in the following table:

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net Profit (Loss) Originally Reported</td>
<td>$(21,800)</td>
<td>$(1,400)</td>
<td>$9,700</td>
<td>$(42,300)</td>
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<tr>
<td>Restatement adjustments</td>
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<td>(1,200)</td>
<td>(4,900)</td>
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<tr>
<td>Restated Net Profit (Loss)</td>
<td>$(24,500)</td>
<td>$(2,600)</td>
<td>$4,800</td>
<td>$(33,500)</td>
</tr>
<tr>
<td>Percent Over (Under) Stated</td>
<td>(11.0%)</td>
<td>(46.0%)</td>
<td>102.1%</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

141. In addition to the material financial misstatements during the Class Period that DRD has now admitted to as reflected in the chart above, defendants have continued their financial deception by failing to restate the Company’s financial statements to correct the delayed recognition of a R214 million impairment in the value of DRD’s NWO mining assets in accordance with APB Opinion No. 20. As a result, investors are unable to meaningfully compare the Company’s historical operating performance with those of its peers.

142. The following create a strong inference of defendants’ intent to misstate the Company’s financial reporting during the Class Period:

- DRD’s net income (loss) as reported in its fiscal 2004 quarter end financial statements were misstated by approximately 11%, 46%, 102% and 26%, respectively;
- DRD announced that it had recorded a “full” impairment in the value of its NWO mining assets less than one month before it filed to liquidate the NWO;
- On the last day of the Class Period, Doug Campbell, DRD’s Senior Independent Non-Executive Director, responsible for leading the evaluation of defendant Wellesley-Wood’s performance, resigned after being in the position just three weeks;
- DRD’s auditors identified the following material weaknesses in DRD’s internal control over U.S. GAAP financial reporting at a Group level: (i) a lack of sufficient knowledge and experience among internal accounting personnel regarding the application of U.S. GAAP and SEC requirements; (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the
requirements and application of U.S. GAAP and SEC requirements; and (iii) insufficient emphasis by management on evaluating DRD’s compliance with US GAAP and SEC requirements. In addition, DRD acknowledged that circumstances contributing to “material” internal control weaknesses existed “as early as fiscal 1996.”

143. The magnitude of DRD’s improper financial reporting coupled with the obvious delayed recognition of an impairment in value of DRD’s NWO mines, its Executive Director’s resignation after just three weeks, and the myriad internal control deficiencies noted herein are not indicative of innocent recordkeeping mistakes. Rather, these conditions are associated with fraudulent financial reporting.

144. Indeed, defendants were motivated to the delay the recognition of an impairment in value of DRD’s NWO mines because a disproportionate amount of the Company’s gold was produced at such mines. For example, during the year ended June 30, 2004, more than 42% of the gold produced by the Company’s wholly-owned subsidiaries was mined from DRD’s NWO. Accordingly, any impairment in the value of such mines would have signaled to the market place that the Company’s viability was in severe jeopardy.

DRD’s False and Misleading Reporting and Certifications of Disclosure and Internal Controls

145. As a result of the rash of recent corporate accounting scandals, Congress enacted the Sarbanes-Oxley Act, in part, to heighten the responsibility of public company directors and senior managers associated with the quality of financial reporting and disclosures made by their companies. Accordingly, Form 20-F required DRD to disclose the conclusions of its principal executive and
principal financial officers about the effectiveness of DRD’s disclosure controls and procedures and management’s annual report on internal control over financial reporting.\(^6\)

146. In this regard, DRD’s Forms 20-F and 20-F/A filed with the SEC during the Class Period disclosed:\(^7\)

Within 90 days prior to the date of this Annual Report, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that the material financial and non-financial information required to be disclosed in Form 20-F and filed with the Securities and Exchange Commission is recorded, processed, summarized and reported timely. The evaluation was performed with the participation of our key corporate senior management and under the supervision of our Executive Chairman, M.M. Wellesley-Wood and our Chief Executive Officer and Chief Financial Officer, Ian Murray. In evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing, our management,

\(^6\) The Exchange Act Rules and Regulations define disclosure controls as: (1) controls and other procedures designed to ensure that the information required to be disclosed to investors under The Securities Exchange Act is recorded, processed, summarized and reported; and (2) internal control over financial reporting as a process designed by, or under the supervision of, the issuer’s principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

\(^7\) Item 15 of Form 20-F requires the disclosure of the following: (1) management’s responsibility for establishing and maintaining adequate internal control over financial reporting for the issuer; (2) the framework used by management to evaluate the effectiveness of the issuer’s internal control over financial reporting; (3) Management’s assessment of the effectiveness of the issuer’s internal control over financial reporting as of the end of the issuer’s most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective. This discussion must include disclosure of any material weakness in the issuer’s internal control over financial reporting identified by management. Management is not permitted to conclude that the issuer’s internal control over financial reporting is effective if there are one or more material weaknesses in the issuer’s internal control over financial reporting; and (4) a statement that the registered public accounting firm that audited the financial statements included in the annual report containing the disclosure required by this Item has issued an attestation report on management’s assessment of the issuer’s internal control over financial reporting.
including Messrs. Wellesley-Wood and Murray, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation. Therefore, no corrective actions were taken.

147. These representations, which DRD has now admitted were materially false and misleading, were wrongfully certified by defendants Wellesley-Wood and Murray and included as part of DRD’s filings with the SEC:

I, . . . certify that:

1. I have reviewed this annual report on Form 20-F of Durban Roodepoort Deep, Limited;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, over internal control over financial reporting, to the
registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

148. In addition, during the Class Period, DRD posted the following corporate governance provisions on its web site:

The Board of Directors believes that corporate governance is about how we exercise best business practice throughout the organisation. It is the means by which we enhance our organisational performance and deliver value to shareholders and stakeholders alike. The systems put in place serve to enhance transparency and accountability by providing checks and balances throughout the organisational structure.

We are committed to high standards of corporate governance throughout the Group. We support the principles as set out in the King II Report and except where otherwise stated, DRDGOLD’s practices and policies remained in compliance with these principles for the entire year under review.

* * *

Further re-inforcing its resolve to continue pursuing a policy of global best practice in business management and corporate governance, the Group achieved the following milestones during the year under review:

The separation of the combined role of Chairman and Chief Executive Officer with the appointment of Mr Wellesley-Wood as Executive Chairman and Mr Murray as Chief Executive Officer (CEO).

The adoption of a Vision and Core Value Statement in line with the present and longer-term direction of the Group. The full text of the statement is to be found on page 2 of this report.

The adoption of a Code of Ethics, a brief description of which is to be found on page 47 of this report.

The establishment of a Risk Committee, discussed in more detail on pages 45 to 46 of this report.
The adoption of a directors’ share dealing policy, which regulates the dealing in shares by Directors and Company Secretaries.

The appointment of a Senior Independent Non-Executive Director in the person of Mr Campbell.  

* * *

The Board of Directors currently comprises two Executive Directors and five Non-Executive Directors. The Chief Executive Officer has an alternate director. All the Non-Executive Directors are independent, with the exception of Dr Paseka Ncholo. The Directors are identified on page 4 of this report.

In accordance with the King II Report on corporate governance, as encompassed in the JSE Listing Rules, and in accordance with the Combined Code, the responsibilities of Chairman and Chief Executive Officer were separated on 19 December 2003. Mr Wellesley-Wood is now Executive Chairman and Mr Murray was appointed as CEO. A Senior Independent Non-Executive Director, Mr Campbell, was appointed during the year under review. In future, the evaluation of the Chairman’s performance will be considered by the Non-Executive Directors led by the Senior Independent Non-Executive. An additional Non-Executive Director, Professor Blackmur, was appointed on 21 October 2003. Subsequent to year-end Mr van der Mescht, Divisional Director: South African Operations and an alternate member of the board, resigned on 5 August 2004. The Group has not yet established a nominations committee and it is current policy that details of a prospective candidate are distributed to all Directors for formal consideration at a meeting of the Board. A prospective candidate would be invited to attend a meeting and be interviewed before any decision is taken.

All of the Directors bring to the Board a wide range of expertise as well as significant financial, commercial and technical experience and, in the case of the Non-Executive Directors, independent perspectives and judgement.

The Board is responsible for setting the direction of the Group through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined, written delegations to management for the detailed planning and implementation of such objectives and policies. The Board retains full and effective control over the Group, meeting on a quarterly basis with additional ad hoc meetings being arranged when necessary, to review strategy and planning and operational and financial performance. The Board further authorises acquisitions and disposals, major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision in terms of its

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8 As noted above, Doug Campbell resigned just three weeks after his appointment.
terms of reference. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within the Group and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various sub-committees of the Board, including special committees tasked to deal with specific issues.

While the Executive Directors are involved with the day-to-day management of the Group, the Non-Executive Directors are not, nor are they full-time salaried employees.

The Directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of the Group. The Board operates in a field which is technically complex and the Directors are continuously exposed to information which enables them to fulfil their duties. To assist new Directors, an induction programme has been established by the Group, which includes background materials, meetings with senior management, presentations by the Group’s advisors and site visits.

The Directors are assessed annually, both individually and as a Board, as part of an evaluation process, which is driven by an independent consultant. In addition, the Remuneration Committee formally evaluates the Executive Directors and the Alternate Directors on an annual basis, based on objective criteria.

All Directors, in accordance with the Company’s Articles of Association, are subject to retirement by rotation and re-election by shareholders. In addition, all Directors are subject to re-election by shareholders at the first Annual General Meeting following their appointment. The appointment of new directors is approved by the Board as a whole. The names of the Directors submitted for re-election are accompanied by sufficient biographical details in the notice of the forthcoming Annual General Meeting to enable shareholders to make an informed decision in respect of their re-election.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring compliance with procedures and regulations of a statutory nature. Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Group’s expense, should they believe that course of action would be in the best interests of the Group.

The independence of the Non-Executive Directors (except for Dr Paseka Ncholo) complies with the relevant definitions and requirements of the various listing authorities mentioned above. The majority of the Non-Executive Directors have options in terms of the Group’s Share Option Scheme, but the Company does not believe that this interferes with their independence. Particulars regarding Directors’
remuneration and Share Options, as well as their interest in the issued ordinary share capital of the Company, are set out in full on pages 52 to 54 of this report.

DRD (Isle of Man) has established a Board of Directors. This Board comprises three Non-Executive Directors, Mr Gisborne, Mr Matthews and Mr Campbell. Mr Wellesley-Wood is the Executive Chairman, with Mr Murray as his alternate. Subsequent to year-end, DRD Isle of Man has established a branch office in Singapore, to facilitate further expansion in the Asia Pacific region. [Emphasis and footnote added.]

149. In its 2004 Form 20-F, DRD admitted that its disclosure and internal control representations were materially false and misleading when made:

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer and our Executive Chairman have evaluated the effectiveness of our disclosure controls and procedures (as this term is defined under the rules of the SEC) as of June 30, 2004. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer and Executive Chairman concluded that, as of June 30, 2004, our disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the US Securities Exchange Act of 1934 as a result of material weaknesses in our internal control over financial reporting described below.

In the process of conducting our audit for fiscal 2004, we identified certain accounting errors in our reported US GAAP quarterly results for fiscal 2004. As a result, we have restated amounts in those quarterly financial statements, as described in Item 5A.: “Operating and Financial Review and Prospects – Restatement of US GAAP Quarterly Results.” These restatements did not result in any restatement or revision to our financial results for fiscal 2004 as a whole, which were originally announced on August 10, 2004.

As previously disclosed, effective on October 14, 2003, we acquired a 20% interest in the Porgera Joint Venture. The Porgera Joint Venture has not historically prepared its accounts in accordance with US GAAP. The preparation of separate historical financial statements and pro forma financial statements for the Company and Orogen Minerals (Porgera) Limited and Mineral Resources Porgera Limited in connection with our acquisition of a 20% interest in the Porgera Joint Venture, which we filed on Form 6-K with the SEC on October 1, 2004, took us longer than expected. In addition, due to the restatement of our quarterly results for fiscal 2004, we have restated the unaudited pro forma financial statements of the Company and Orogen Minerals (Porgera) Limited and Mineral Resources Porgera Limited for the six months ended December 31, 2003, in a Form 6-K filed with the SEC concurrently with this Annual Report. The necessary financial reporting systems have now been
implemented to report the results of our 20% interest in the Porgera Joint Venture on an ongoing basis, and as reported in this Annual Report.

In connection with the above matters, we identified material weaknesses in our internal control over financial reporting that we reported to our Audit Committee and to our auditors. These material weaknesses comprised:

- a lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements;
- insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and
- insufficient emphasis by management on evaluating our compliance with US GAAP requirements.

As part of the communications by KPMG with our Audit Committee with respect to KPMG’s audit procedures for fiscal 2004, KPMG informed the Audit Committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 2, “An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements,” established by the Public Company Accounting Oversight Board, or PCAOB.

In order to address these material weaknesses our senior management, under the supervision of our Audit Committee, is in the process of conducting a thorough review of our US GAAP financial reporting processes and will prepare and implement a US GAAP action plan. This plan will be designed to generally improve our US GAAP reporting processes and to strengthen our control processes and procedures in order to prevent a recurrence of the circumstances that resulted in the need to restate our quarterly financial statements. Our senior management intends to complete its review and implement a US GAAP action plan as soon as practicable. The US GAAP action plan will incorporate, among other matters, the following initiatives:

1. arrange for our senior management and certain accounting and finance-related personnel to attend training sessions on US GAAP and financial reporting responsibilities and SEC disclosure requirements;
2. modify the mandate of our internal audit function to place greater emphasis on the adequacy of, and compliance with, procedures relating to internal controls over US GAAP financial reporting and engage an internationally recognized accounting firm to assist our accounting department and internal audit function in the preparation of our US GAAP consolidated financial statements;
3. seek to recruit an accounting staff member with US GAAP expertise, which has been implemented; and
4. engage an internationally recognized accounting firm to provide us with technical advice on US GAAP matters and SEC disclosure requirements on an ongoing basis, which has been implemented.

We have experienced difficulties in finding internal personnel and external advisors in South Africa with sufficient US GAAP experience. Concurrent quarterly reporting in both South African GAAP as the primary basis for reporting for South African purposes and US GAAP as the primary basis for our Exchange Act filings imposes a significant time and expense burden on a business of our size. Going forward, we believe it is a more prudent use of our staff resources and funds to cease quarterly financial reporting and instead report financial information semi-annually under both South African Generally Accepted Accounting Principles, or SA GAAP, (or International Financial Reporting Standards, or IFRS) and US GAAP, with our first semi-annual financial statements to be released for the half-year ended December 31, 2004. Quarterly releases, which commenced for the quarter ended September 30, 2004, will be limited to production data and capital expenditure only.

As of June 30, 2004, with regards to the scope of our assessment, we did not have the right or authority to assess, modify or dictate the internal controls of Porgera, nor have we reviewed its internal control. We also lacked the ability, in practice, to make the assessment, as we did not have control of this entity. Accordingly, our conclusions regarding the effectiveness of our disclosure controls and procedures and internal control over financial reporting do not extend to the disclosure controls and procedures and internal controls over financial reporting of Porgera. However, we do have adequate internal controls in place to ensure that the financial information for Porgera is appropriately included in our financial statements. We have disclosed key subtotals in note 12 of Item 18.: “Financial Statements.”

150. Then, after the Class Period, on April 21, 2005, DRD filed an Amendment to its Annual Report on Form 20-F for fiscal 2004, which included the following disclosure:

We have discovered material weaknesses in our internal controls in relation to our US GAAP financial reporting. If we fail to remedy these weaknesses and establish and maintain an effective system of internal controls, our reported financial results under US GAAP may not be accurate. As a result, current and potential shareholders could lose confidence in our financial reporting, which could adversely affect the trading price of our shares.

During fiscal 2004, we discovered material weaknesses in our internal controls. Effective internal controls are necessary for us to provide reliable US GAAP financial reports. Failure to remedy these weaknesses and provide reliable US GAAP financial reports could have an adverse effect on our share price. Remediying these material weaknesses is challenging in light of the limited availability within South Africa, where our headquarters are located, of internal accounting employee candidates who have sufficient knowledge and experience regarding the application
of US GAAP and SEC requirements and of potential external advisers with US GAAP expertise to supplement our internal resources.

During our 2004 audit, our auditors identified accounting errors in our reported US GAAP quarterly results, as disclosed in Item 5A under “Restatement of US GAAP Quarterly Results,” which required us to restate certain amounts in those quarterly financial statements. In addition, it also took us nearly twelve months to prepare and file separate US GAAP historical financial statements and pro forma financial statements in connection with our acquisition, on October 14, 2003, of a 20% interest in the Porgera Joint Venture.

In considering these accounting errors and the late filing of financial statements for our 20% interest in the Porgera Joint Venture, our senior management, in conjunction with our auditors, identified the following material weaknesses in our internal control over US GAAP financial reporting at a Group level: (i) a lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements; (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC requirements; and (iii) insufficient emphasis by management on evaluating our compliance with US GAAP and SEC requirements. These weaknesses were most likely to manifest themselves in accounting errors in our US GAAP financial reporting for the periods in which we did not utilize the assistance of external accounting advisers with US GAAP expertise.

We are continuing to work to improve our internal control over financial reporting, including in the areas of compliance with US GAAP and SEC reporting requirements. We cannot be certain that these measures will result in processes that provide reasonable assurance regarding the reliability of our US GAAP financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Any failure to implement necessary new or improved controls, including those needed to remediate any control weaknesses discovered in preparation for the requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002, or difficulties encountered in their implementation, could cause us to fail to meet our US GAAP reporting obligations. If we are unable to correct the material weaknesses in our internal control over US GAAP financial reporting and we are required to continue to report that we have material weaknesses in those internal controls, investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our shares.

151. The April 21, 2005 Amendment to DRD’s Annual Report on Form 20-F for fiscal 2004 also contained the following revised disclosure with respect to DRD’s internal controls and procedures:

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Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as this term is defined under the rules of the SEC) as of June 30, 2004. Based on this evaluation, as of June 30, 2004, our Chief Executive Officer and our Chief Financial Officer concluded that, as a result of the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the US Securities Exchange Act of 1934, or the Exchange Act, and were not effective in ensuring that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In the process of conducting our audit for fiscal 2004, during the period from May to August 2004 our auditors identified accounting errors in our reported U.S. GAAP quarterly results for fiscal 2004 that related to the recognition of losses of our equity accounted associate, CGR and its subsidiary ERPM, and the incorrect recognition of accelerated depreciation related to the Number 6 Shaft at our North West Operations, as disclosed in Item 5A under “Restatement of US GAAP Quarterly Results,” which they brought to the attention of our Divisional Director: Group Finance, who promptly advised our senior management. As a result of these errors, in this Annual Report we have restated our Group quarterly financial statements for fiscal 2004 in the manner specified in Item 5A under “Restatement of US GAAP Quarterly Results.” These restatements affected the Group quarterly financial statements as previously disclosed under cover of Forms 6-K filed with the SEC on October 31, 2003, February 25, 2004, May 5, 2004, May 10, 2004, and August 19, 2004. These restatements did not result in any restatement or revision to our financial results for fiscal 2004 as a whole.

As previously disclosed, effective on October 14, 2003, we acquired a 20% interest in the Porgera Joint Venture through our acquisition of Orogen Minerals (Porgera) Limited, or OMP, and Mineral Resources Porgera Limited, or MRP. The Porgera Joint Venture has not historically prepared its accounts in accordance with US GAAP. The preparation of separate historical US GAAP financial statements of OMP and MRP and pro forma financial statements for the Company and OMP and MRP in connection with this acquisition took us nearly 12 months after the acquisition, requiring us to suspend sales under our outstanding Registration Statement (No. 333-102800) relating to our 6% Senior Convertible Notes due 2006. Our senior management had been aware since November 2003 of the requirement to file these financial statements in order to keep our outstanding Registration Statement compliant with relevant SEC disclosure requirements. In addition, due to the restatement of our quarterly results for fiscal 2004, we were required to restate the unaudited pro forma financial statements of the Company and OMP and MRP for the six months ended December 31, 2003. The necessary financial reporting systems have now been implemented to report in accordance with US GAAP the results of
our 20% interest in the Porgera Joint Venture on an ongoing basis, and as reported in this Annual Report.

In connection with the accounting errors in our reported US GAAP quarterly results for fiscal 2004 described above, in late September 2004 our senior management, in conjunction with our auditors, identified material weaknesses in our internal control over financial reporting at a Group level with respect to our US GAAP quarterly financial reporting processes. Separately, in October 2004, in connection with the preparation of separate US GAAP historical financial statements of OMP and MRP and pro forma financial statements for the Company and OMP and MRP in connection with our acquisition of the 20% interest in the Porgera Joint Venture, our auditors identified material weaknesses in our internal control over financial reporting at a Group level relating to our failure to monitor the SEC’s reporting requirements in relation to acquisitions. In summary, the material weaknesses (which were reported to our Audit Committee) were as follows:

A lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements.

Insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC requirements.

Insufficient emphasis by management on evaluating our compliance with US GAAP and SEC requirements.

As part of the communications by KPMG with our Audit Committee with respect to KPMG’s audit procedures for fiscal 2004, KPMG informed the Audit Committee that these deficiencies constituted material weaknesses.

The lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements primarily reflects the limited availability in South Africa of potential accounting employee candidates who have US GAAP experience or expertise. Although we mitigated this weakness in fiscal years 1999 through 2002 through the use of external accounting advisors with US GAAP expertise, we did not employ such advisors for our US GAAP quarterly reporting, which we commenced in the second quarter of fiscal 2003, or for the preparation of our US GAAP annual financial statements for fiscal 2003 or 2004. Accordingly, when a set of facts gave rise to significant accounting and reporting issues that raised issues of judgment during these periods, these issues were not always properly identified and evaluated internally, prior to discussion with our external auditors.

Our accounting and financial reporting personnel did not have any objective written policies and procedures to follow that dealt with US GAAP and SEC disclosure requirements, and as a result, US GAAP issues were not always dealt with in a consistent manner and were not always properly identified during the periods for
which we did not employ an external accounting advisor with US GAAP expertise. We also did not have our quarterly US GAAP results reviewed by our auditors.

The insufficient emphasis by management on evaluating our compliance with US GAAP requirements reflected a lack of US GAAP knowledge in our management team. This was compounded by the substantial turnover in our senior management during the period from July 1, 2001 through June 30, 2003, as previously disclosed in our Annual Report on Form 20-F for fiscal 2002, as amended. Among other things, this resulted in Mr. I. L. Murray taking on the roles of both Chief Executive Officer and Chief Financial Officer for all of fiscal 2004.

With respect to our US GAAP quarterly reporting processes, we believe that these material weaknesses existed from the time we commenced quarterly reporting under US GAAP in the second quarter of fiscal 2003 and manifested themselves in errors in certain of those quarterly results. During our fiscal 2003 audit, our auditors identified accounting errors in our reported US GAAP quarterly results for the fourth quarter of fiscal 2003 and for the first quarter of fiscal 2004, relating to a reversal of an impairment charge for the Number 6 Shaft at our North West Operations, an increase in the valuation allowance against the deferred tax asset for our North West Operations and an adjustment to the fair value of our 6% Senior Convertible Notes due 2006. We disclosed the final restated financial results for the fourth quarter of fiscal 2003 in our Annual Report on Form 20-F for fiscal 2003, filed with the SEC on December 30, 2003. We are not aware of any errors in our published US GAAP quarterly financial statements other than those that have been subsequently corrected and restated, as disclosed in this Item 15.

With respect to our US GAAP annual reporting processes, we believe that the circumstances that contributed to these material weaknesses existed as early as fiscal 1996, when we began reporting on an annual basis under US GAAP, at least insofar as they related to a lack of sufficient knowledge and experience among our internal accounting personnel regarding the application of US GAAP and SEC requirements and insufficient emphasis by management on evaluating our compliance with US GAAP and SEC requirements. Although we believe that these internal circumstances were effectively mitigated through fiscal 2002 in relation to our audited annual financial statements through our use of external accounting advisors with US GAAP expertise to assist us in identifying US GAAP issues and in preparing our annual US GAAP financial statements, we did not obtain such outside advice in connection with the preparation of our quarterly US GAAP reports, which we commenced publishing for the second quarter of fiscal 2003, or for the preparation of our US GAAP annual financial statements for fiscal 2003 or 2004.

In order to address the material weaknesses our senior management has reviewed our US GAAP financial reporting processes and has prepared a US GAAP action plan. Management has discussed the US GAAP action plan with the Audit Committee and will continue to provide periodic updates on progress made. This plan has been designed to generally improve our US GAAP reporting processes and to strengthen our control processes and procedures in order to prevent a recurrence of the
circumstances that resulted in the need to restate our quarterly financial statements and the material weaknesses identified above. Our senior management will continue to review our US GAAP financial reporting processes, in conjunction with the implementation of Section 404 of the Sarbanes-Oxley Act, and intends to complete this review by the end of May 2005, and implement the US GAAP action plan outlined below by the end of fiscal 2005.

The US GAAP action plan comprises the following initiatives:

1. We will arrange for our senior management and certain other accounting and finance-related personnel to attend training sessions on US GAAP and financial reporting responsibilities and SEC disclosure requirements. To date, our Manager of Internal Audit and Compliance has attended a US GAAP update course in London in December 2004.

2. We are in the process of modifying the mandate of our internal audit function to place greater emphasis on the adequacy of, and compliance with, procedures relating to internal control over US GAAP financial reporting and have engaged an internationally recognized accounting firm to assist in formulating an internal audit plan.

3. In October 2004, we hired a Manager of Internal Audit and Compliance, who is a certified public accountant with knowledge of, and experience with, US GAAP and SEC disclosure requirements. In particular, she has spent three years as an external auditor with an internationally recognized accounting firm where her experience included the review of periodic SEC filings of US companies, followed by two years experience as an internal auditor of the parent company of two US listed companies, where her focus was primarily on compliance with the Sarbanes-Oxley Act.

4. We are in the process of engaging an internationally recognized accounting firm to provide us with technical advice on specific or unusual US GAAP matters and SEC disclosure requirements on an ongoing basis.

5. We have engaged an internationally recognized accounting firm to assist in monitoring and improving our internal controls and procedures in connection with the implementation of Section 404 of the Sarbanes-Oxley Act. We are in the process of evaluating, documenting and testing our internal control procedures in preparation for the requirements of Section 404 of the Sarbanes-Oxley Act. We expect the monitoring and evaluation of the adequacy of our internal control over financial reporting will continue into
fiscal 2007. During the course of this process, we may identify additional deficiencies that we will need to remedy.

6. We are in the process of developing detailed US GAAP financial reporting checklists to provide guidance to internal accounting staff with regard to US GAAP and SEC reporting requirements.

We estimate that the costs we incurred up to January 2005 on the implementation of our US GAAP action plan are approximately $230,000. We expect to continue to incur annual costs to maintain the US GAAP action plan of approximately $620,000, which does not include the cost of a review of our semi-annual financial results by our independent auditors.

We have experienced difficulties in finding internal personnel and external advisors in South Africa with sufficient US GAAP experience. Concurrent quarterly reporting under both South African Generally Accepted Accounting Principles, or SA GAAP, as the primary basis for reporting for South African purposes, and US GAAP, as the primary basis for our Exchange Act filings, imposes a significant time and expense burden on a business of our size. Going forward, we believe it is a more prudent use of our staff resources and funds to cease quarterly financial reporting and instead report financial information semi-annually under both SA GAAP (or International Financial Reporting Standards, or IFRS when it becomes applicable for financial years commencing on or after January 1, 2005) and US GAAP, with our first semi-annual financial statements to be released for the half-year ended December 31, 2004. Our external auditors, KPMG Inc, have been engaged to perform a review, under Statement of Auditing Standards No. 100 “Interim Financial Information,” of our semi-annual financial statements for the half-year ended December 31, 2004. Quarterly releases, which commenced for the quarter ended September 30, 2004, will be limited to production data and capital expenditure only.

As of June 30, 2004, with regards to the scope of our assessment, we did not have the right or authority to assess, modify or dictate the internal control over financial reporting of the Porgera Joint Venture, nor have we reviewed its internal control over financial reporting. We also lacked the ability, in practice, to make this assessment, as we did not have control of this entity. Accordingly, our conclusions regarding the effectiveness of our disclosure controls and procedures and internal control over financial reporting do not extend to the disclosure controls and procedures and internal control over financial reporting of the Porgera Joint Venture. However, we do have adequate internal control over financial reporting in place to ensure that the financial information for the Porgera Joint Venture is appropriately included in our financial statements. We have disclosed key subtotals in note 12 of Item18: “Financial Statements.”
ADDITIONAL SCIENTER ALLEGATIONS

152. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding DRD, their control over, and/or receipt and/or modification of DRD’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning DRD, participated in the fraudulent scheme alleged herein.

153. Prior to disclosing these adverse facts to the investing public, DRD: (i) used its artificially inflated stock to make several acquisitions, including the acquisition of Emperor Mines Limited; (ii) raised cash through the issuance of DRD securities; and (iii) increased its loan facilities by tens of millions of dollars on more favorable terms than it would have had the truth been known.

154. Additionally, defendant Wellesley-Wood took advantage of the Company’s artificially inflated stock by selling a significant portion of his shares at artificially inflated prices. On or about June 1, 2004, defendant Wellesley-Wood sold 20,000 (or more than 18% of his total holdings) at 2.88/share for $57,656 on a South African exchange. According to CW2, Company insiders sold shares prior to the release of bad news about the Company.

Applicability of Presumption of Reliance:

Fraud on the Market Doctrine

155. The market for DRD’s securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to
disclose, DRD’s securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired DRD securities relying upon the integrity of the market price of DRD’s securities and market information relating to DRD, and have been damaged thereby.

156. At all relevant times, the market for DRD’s securities was an efficient market for the following reasons, among others:

   (a) DRD’s ADRs met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

   (b) As a regulated issuer, DRD filed periodic public reports with the SEC and the NASDAQ;

   (c) DRD regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

   (d) DRD was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

157. As a result of the foregoing, the market for DRD’s securities promptly digested current information regarding DRD from all publicly available sources and reflected such information in the price of DRD’s securities. Under these circumstances, all purchasers of DRD’s securities during the Class Period suffered similar injury through their purchase of DRD’s securities at artificially inflated prices and a presumption of reliance applies.
NO SAFE HARBOR

158. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of DRD who knew that those statements were false when made.

LOSS CAUSATION/ECONOMIC LOSS

159. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of DRD’s securities and operated as a fraud or deceit on Class Period purchasers of DRD securities by misrepresenting the Company’s business and prospects. During the Class Period, defendants, inter alia: (i) concealed problems in its South African operations, especially the Company’s NWO; (ii) repeatedly represented that the “restructuring” of the NWO was effective when it was not; (iii) failed to timely writedown the value of its NWO; (iv) overstated its net income and understated its net losses; and (v) failed to disclose that DRD’s internal controls were grossly inadequate. Later, however, when defendants’ prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, DRD’s ADRs fell precipitously as the prior artificial inflation came out of the price of DRD’s securities. As a result of their purchases of DRD securities during the Class Period, Lead
Plaintiffs and other members of the Class suffered economic loss, *i.e.*, damages under the federal securities laws.

160. By improperly concealing important facts concerning its business, the defendants presented a misleading picture of DRD’s business and future prospects.

161. Defendants’ false and misleading statements had their intended effect and caused DRD securities to trade at artificially inflated levels throughout the Class Period, and its ADRs reached as high as $4.00 per share.

162. The Company’s previously undisclosed problems were disclosed to the public over time. On August 10, 2004, DRD recorded a valuation allowance against its deferred tax asset associated with its NWO. In response to this news, DRD’s stock declined by approximately 26%. On November 29, 2004, DRD filed with the SEC its Annual Report on Form 20-F for the fiscal year ended June 30, 2004 and disclosed that DRD’s financial statements were false and misleading during the Class Period. In response to this news, over the next three days DRD’s stock declined approximately 12.5%.

163. Then, during February 2005, DRD disclosed the extent of its problems with its NWO. On February 18, 2005, the Company indicated that its loss per share would be more than 200% higher than that reported for the comparable year prior. On February 24, 2005, the Company revealed the full extent of its problems in its South African Operations. Specifically, the Company revealed that the Company would incur a full impairment of its South African based mining assets and that the Company’s financial condition was deteriorating to the point that its ability to continue as a going concern was greatly impaired.

164. On this disclosure, DRD’s ADRs fell $0.38 per share, or more than 25%, to close at $1.11 per share, on extremely heavy trading volume of more than 40 million shares.
165. The decline in DRD’s stock price at the end of the Class Period was a direct result of the nature and extent of defendants’ fraud finally being revealed to investors and the market. The timing and magnitude of DRD’s stock price declines negate any inference that the loss suffered by Lead Plaintiffs and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants’ fraudulent conduct. During the same period in which DRD’s stock price fell more than 75% from $4.10 per share as a result of defendants’ fraud being revealed, the Standard & Poor’s 500 securities index was down less than 1%. The economic loss, i.e., damages, suffered by Lead Plaintiffs and other members of the Class was a direct result of defendants’ fraudulent scheme to artificially inflate DRD’s stock price and the subsequent significant decline in the value of DRD’s stock when defendants’ prior misrepresentations and other fraudulent conduct was revealed.

**CLASS ACTION ALLEGATIONS**

166. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of DRD between October 23, 2003 to February 24, 2005, inclusive (the “Class Period”) and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

167. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, DRD ADRs were actively traded on the NASDAQ. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by DRD or its transfer agent and may be notified of the
pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

168. Lead Plaintiffs’ claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

169. Lead Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

170. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants’ acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and operations of DRD; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

171. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.
COUNT I

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

172. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

173. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public regarding DRD’s business, operations, management and the intrinsic value of DRD securities; (ii) enable the Company to acquire interests in companies, including Emperor Mines Limited, using its artificially inflated stock as consideration; (iii) enable the Company to raise cash through the issuance of its artificially inflated shares; (iv) allow the Company to obtain tens of millions of dollars in loan facilities on more favorable terms than it would have had the truth been known; and (v) cause Lead Plaintiffs and other members of the Class to purchase DRD’s securities at artificially inflated prices and be damaged thereby. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

174. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company’s securities in an effort to maintain artificially high market prices for DRD’s securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

175. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
continuous course of conduct to conceal adverse material information about the business, operations and future prospects of DRD as specified herein.

176. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of DRD’s value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about DRD and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of DRD securities during the Class Period.

177. Each of the Individual Defendants’ primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company’s management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company’s internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company’s management team, internal reports and other data and information about the Company’s finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company’s dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.
178. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants’ material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing DRD’s operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants’ overstatements and misstatements of the Company’s business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

179. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of DRD’s securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of DRD’s publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, Lead Plaintiffs and the other members of the Class acquired DRD securities during the Class Period at artificially high prices and were damaged thereby.

180. At the time of said misrepresentations and omissions, Lead Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding DRD’s financial
results, which were not disclosed by defendants, Lead Plaintiffs and other members of the Class would not have purchased or otherwise acquired their DRD securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

181. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

182. As a direct and proximate result of defendants’ wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company’s securities during the Class Period.

COUNT II

Violation of Section 20(a) of the Exchange Act Against the Individual Defendants

183. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

184. The Individual Defendants acted as controlling persons of DRD within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company’s operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company’s reports, press releases, public filings and other statements alleged by
plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

185. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

186. As set forth above, DRD and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants’ wrongful conduct, Lead Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company’s securities during the Class Period.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action and certifying Lead Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Lead Plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants’ wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Lead Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.
JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: February 27, 2006

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