LETTER TO SHAREHOLDERS

Dear shareholder

Overall performance

Our cash operating profit increased by R 19.6 million (US$ 2.3 million) to R 63.0 million (US$ 7.8 million) in the June quarter, as the result of a 4% rise in gold production and an improved gold price. Cash operating costs in unit terms decreased by 2% to R 58 913 per kilogram (US$ 228 per ounces) this quarter. Taking capital expenditure for the quarter into account, Durban Roodepoort Deep now records one of the lowest cash costs in the industry, at less than US$ 230 per ounce. The company has managed to break even before non cash items but after capital expenditure and reported a small positive headline earnings position of R 5.4 million (US$ 0.7 million) for the first time in its recent history.

In the previous quarter I commented on the lower gold production and operational problems at our North West Operation, which includes the Harties and Buffelsfontein mines. A review by senior management revealed an over-declaration of gold production, which had been accumulating since October 2000. The effect of this was an overstatement of gold production of 400 kilograms (12 860 ounces) and resultant revenue of R 26 million (US$ 4 million).

	Previous				Re-stated			
	Production		Revenue		Production		Revenue	
Quarter	Kgs	Ounces	R Million	US$ Million	Kgs	Ounces	R Million	US$ Million
Dec-00	5 000	160 754	328	43	4 670	150 144	307	40
Mar-01	4 428	142 363	294	38	4 358	140 112	289	37

Gold production at the North West Operation is now on an improving trend as follow: April 1 324 kilogram (42 568 ounces), May 1 549 kilogram (49 801 ounces), and June 1 616 kilograms (51 955 ounces). However, the lower revenue has exposed the mine's cost base and, as a result, it has been necessary to adjust this, with a retrenchment process. The final numbers affected will depend on responses to re-deployment offers.

Operational performance

The performance of **Blyvooruitzicht** continued to improve for the second successive quarter with gold production increasing by 13%, underground grades improving by 26% to 9.38 grams per ton and cash unit costs by 11% to R 57 007 per kilogram (US$ 221 per ounce).

The Blyvoor Expansion Programme has now been approved by the Board and this Operation should now remain profitable in the future. This has resulted in better efficiencies with the plant call factor remaining above 90% while grams per total employee costed have increased by 40% to 130.

The **North West** Operations has shown continuous improvements in gold production and reduction in cash unit costs. Gold production increased by 3% to 4 489 kilograms (144 324 ounces). Once the retrenchment process has been completed the mine's cost base will be reduced by approximately R 3.5 million (US$ 0.4 million) per month.

The **Crown** re-processing operations managed to maintain production levels. The ball mill at **West Wits** has been renovated to treat rock dump material which will double gold production at this unit.

Tolukuma suffered milling constraints due to damage to a drive motor. Higher costs were the result of both bad weather and to increased logistical costs caused by civil unrest in Port Moresby. However, exploration results have been encouraging, revealing two further high grade veins.

Financial

Gold revenue increased by 6% on the back of the better spot gold price, exchange rate and increased gold production. The Group has increased its cash operating profit margin this quarter to 12% from 8%. The increase in Other Expenses was mainly due to increased expenditure on investigations and legal costs as well as full provision for year end audit costs.

As this is the final quarter of the financial year, we have re-appraised the carrying values of our assets to determine the required impairment, balanced all loan accounts with resulting unrealised foreign exchange losses and recognised the "forward gold purchases" as a liability on the balance sheet. The total of these "exceptional items" is R 112.6 million (US$ 14.0 million).

Due to these exceptional items the interest-bearing debt:equity ratio has increased from 46% to 75% and the current ratio decreased from 93% to 82%. With the "forward purchases" being repaid over the following nine months these ratios will revert back to management's stated objectives of interest-bearing debt:equity below 50% and the current ratio greater than 100%, within the current financial year.

Outlook

This quarter provided further evidence of the robustness of Durban Roodepoort Deep's operations as the turnaround continues. Our operating margin on an earnings basis has now increased to US$ 30 per ounce or 12%. Management is focusing on increasing this by reducing our hedge book further and with cost drivers such as our procurement initiative and the phasing out of contractors. The Executive Directors have contributed to this process personally by accepting a 10% reduction in salary.

The cost of our hedge book is totally unacceptable. By comparison, if Durban Roodepoort Deep had received the spot price for its gold price last year its cash operating profits would have been R 175.6 million (US$ 23.1 million) higher than reported. Resolving this aspect of our business has consequently become the utmost priority.

Our budget for the forthcoming year is set to deliver a return of 18% on invested capital and the delivery of this target is the challenge, on which the management team will now deliver. We have identified several areas of organic growth, all of which have the potential to extend mine lives significantly.

MARK WELLESLEY-WOOD