

THE NEW  
**FACE**  
OF MINING



## INTEGRATED REPORT 2013

# SURFACE RETREATMENT

## THE NEW FACE OF MINING

*DRDGOLD is a mining company with a difference. Although founded as a typical gold mining venture in 1895 at the height of the gold rush – it is the subsequent mergers and acquisitions that have resulted in a very different new millennium business.*

DRDGOLD has been producing gold for almost 120 years and we sell our doré gold bars to Rand Refinery Proprietary Limited (Rand Refinery). However, our employees work neither in underground mines nor in open mining pits – and the only underground ounces owned by the company are for sale. Instead, DRDGOLD creates value in a low-risk surface environment, extracting gold from some 1 500 million tonnes (Mt) of tailings that represents the culmination of over a century of extracting activity on the Witwatersrand. Deposited as sand dumps or slimes dams, and colloquially known as mine dumps, the discarded tailings material of bygone days contains minute particles of gold that were inaccessible to recovery processes at the time.

The employees of DRDGOLD's operating company, Ergo Mining Proprietary Limited (Ergo) – and those of its specialist service companies – work on tailings reclamation sites, in the primary metallurgical plant in Brakpan, where some 1.8Mt of slurry is treated each month, and at the pump stations and all-important tailings deposition site in Brakpan where the "new" discarded material is deposited.

Ergo – an efficient, volume-driven operation – operates around-the-clock to mine tonnes of tailings and turn to account previously discarded gold. In FY2013 the company made use of all its various capitals to produce 8% more gold without compromising safety standards. DRDGOLD delivered on its strategy to create value for shareholders with two dividend payments totalling R107 million.

In this report, we aim to provide more detail on how our strategy, governance, performance and future prospects enable us to create value in the short, medium and long term.

### Forward-looking statements

Some of the information in this report may contain projections or other forward-looking statements regarding future events or other financial performance, including forward-looking statements and information relating to our company, that are based on the beliefs of our management, as well as assumptions made by and information currently available to our management. When used in this report, the words "estimate", "project", "believe", "anticipate", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, adverse changes or uncertainties in general economic conditions in the markets we serve, a drop in the gold price, a prolonged strengthening of the rand against the dollar, regulatory developments adverse to DRDGOLD or difficulties in maintaining necessary licences or other governmental approvals, changes in DRDGOLD's competitive position, changes in business strategy, any major disruption in production at key facilities or adverse changes in foreign exchange rates and various other factors.

These risks include, without limitation, those described in the section entitled "Risk Factors" included in our annual report for the fiscal year ended 30 June 2012, which we filed with the United States Securities and Exchange Commission on 26 October 2012 on Form 20-F. You should not place undue reliance on these forward-looking statements, which speak only as of the date thereof. We do not undertake any obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report or the occurrence of unanticipated events. Any forward-looking statement included in this report has not been reviewed or reported on by DRDGOLD's auditors.

JSE: DRD  
ZAR 556c

NYSE: DRD  
USD 5.70

GOLD  
USD/oz 1 318.90  
ZAR/kg 414 142.83

16 September 2013 at 3:53pm



Scan the QR barcode with your smartphone or tablet to view the latest share price.

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# CHAIRMAN'S LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDER

It has been a tough year for gold producers. During the twelve months to 30 June 2013, the gold price fell 22% in US\$ terms although the impact in South Africa was lessened by the weakness of the rand which reduced the fall in the gold price to 5% in rand terms. The good news is that DRDGOLD was well positioned to deal with the weaker gold price as a result of the expansion of our surface operations and the sale of our underground mine last year. For several years we have been pursuing a risk-reduction strategy and focusing on optimising our position as a world leader in surface gold tailings retreatment. The end result is that while the JSE Gold Index was down 47% in the twelve months to June 2013, the DRDGOLD share price was almost flat with a fall of only 1%.

The key numbers for the year are good with production, operating profit and headline earnings all increasing. Of particular note is our dividend record. This year we paid an interim dividend of 14 cents and declared a final dividend of 14 cents compared with a total dividend of 10 cents in FY2012. Dividends are important for a number of reasons. They are the true and indisputable measure of shareholders' returns and we believe that it is very important that shareholders are appropriately rewarded for the risks they take when they invest. Looking forward we will review our dividend payout policy in the light of the company's cash flow and capital requirements and we will seek to maintain a generous yet prudent payout. Movements in the gold price, exchange rates and a range of external factors will have a significant impact on cash flow, so there are likely to be fluctuations in future dividends.

*"The key numbers for the year are good with production, operating profit and headline earnings all increasing"*

At our Ergo surface retreatment operations, we have been busy investing in new technology to improve efficiency, extend the life of the business and ultimately increase shareholder returns. The flotation and fine-grind project is currently being commissioned and early test results are promising. Using the latest grinding technology we expect to increase recovery and reduce the unit cost of gold production. Any efficiencies we can achieve in gold recovery have a potentially huge knock-on effect for the life of our operations. There is a vast amount of dump material in and around Johannesburg that is currently sub-economic, at least at today's gold price and with current recovery costs. A reduction in cost and/or increase in the gold price could make extensive additional resources economically viable.

In addition to the large-scale, high-tech investments there are also a host of initiatives, all aimed at reducing costs. One of particular interest is our grey water initiative. Despite a 5% reduction in the past year, we still use a significant volume of potable water to transport and process material. We are working with the Department of Water Affairs to substitute potable water with treated sewage water. Test work shows that there will be no detrimental effect on the extraction process and, if anything, it will help promote plant growth on the dumps – its final destination. The end result is that we can reduce cost, reduce the risk of supply shortage, make better use of a scarce resource and improve the environment while at the same time improving the return to our shareholders – a great example of working smarter.

Alongside our investment in technology and equipment are our equally important investments in training and people, including those who work at DRDGOLD and make it all happen. Our Ergo Business Development Academy (EBDA) goes from strength to strength and is critical to the development and training of our workforce, many other large and small businesses and it also plays a role in empowering the youth in the communities surrounding our operations.

We look forward to the exciting challenge of teasing out the extra percentage points of gold from the vast quantities of material that we handle on a daily basis. Technology, innovation and working smarter will all help make this happen.

Most important of all are the people who work at DRDGOLD and my thanks go to everyone for their contribution during the last year.

**Geoffrey Campbell**  
Chairman DRDGOLD

# SCOPE AND BOUNDARY

*This report covers the primary operation owned and managed by DRDGOLD Limited (DRDGOLD) – Ergo. This report reflects the financial year ended 30 June 2013 (FY2013), historical information is supplied for context where appropriate, along with a future outlook, where this supports an understanding of the strategy of the business.*

*"This, our third integrated report, demonstrates our progress on the integrated reporting journey"*

## BASIS OF REPORTING

Our Integrated Report is the primary document for communication with our **shareholders**.

The DRDGOLD board, together with the Audit Committee, holds responsibility for this Integrated Report. All directors have had the opportunity to review and comment on the contents and to ensure its integrity. Formal approval was given at a special meeting of the board held on 16 September 2013.

## PROGRESSING INTEGRATED REPORTING

This, our third integrated report, demonstrates our progress on the integrated reporting journey. The content of this report has also taken into account the recommendations from external commentators on our 2012 report, as well as the Consultation Draft of the International <IR> Framework: Integrated Reporting, published by the International Integrated Reporting Council.

## 2013 SUITE OF REPORTS

The DRDGOLD report suite, comprising four separate and distinct documents, contains integrated information on all aspects of the business – operating strategy, risks and opportunities, financial, economic, social and environmental performance – as well as governance – for the company and its operating subsidiary for FY2013.

(Currency rates for conversion table = average exchange rate during year  
US\$1 = R8.8328 –  
Closing exchange rate at 30 June 2013  
US\$1 = R9.8675)

*Below: Rehabilitation of old mining sites*



# SCOPE AND BOUNDARY (CONTINUED)

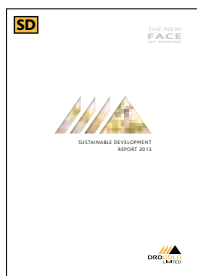
## YOU ARE HERE



## INTEGRATED REPORT 2013

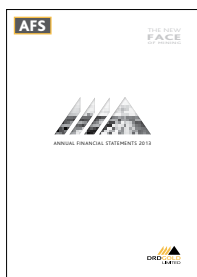
This Integrated Report provides an account of the group's operational, financial, economic, social and environmental performance, as well as governance, during the period under review. DRDGOLD has applied the recommendations of the Code of and Report on Governance Principles for South Africa (King III), the Integrated Report Discussion Paper published by the Integrated Reporting Committee of South Africa, as well as the consultation draft of the International Integrated Reporting Framework published by the International Integrated Reporting Council. Reserves and resources were compiled as defined in the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code). The report is self-assured; and the reserves and resources have been independently reviewed by Coffey Mining for compliance with the SAMREC Code.

*"This Integrated Report provides an account of the group's operational, financial, economic, social and environmental performance, as well as governance"*



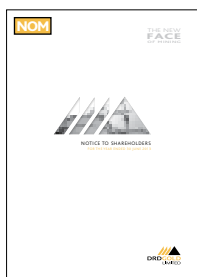
## SUSTAINABLE DEVELOPMENT REPORT 2013

Our Sustainable Development Report has been developed in line with the G3.0 Guidelines of the Global Reporting Initiative (GRI) and GRI's Mining and Metals Sector Supplement. The report is self-assured, with limited assurance by KPMG Inc. on agreed items.



## ANNUAL FINANCIAL STATEMENTS 2013

Our Annual Financial Statements, which present the audited group and company financial statements, are prepared in accordance with International Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Financial Reporting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. An independent audit was performed by KPMG Inc., expressing an unqualified opinion.



## NOTICE TO SHAREHOLDERS 2013

Our Notice to shareholders has been presented in accordance with the Companies Act of South Africa, the company's Memorandum of Incorporation, the JSE Listings Requirements and IAS 34 – Interim Financial Reporting of IFRS. The report is self-assured and reviewed by the company's lawyers and sponsors.

**www** All these reports are available on our website [www.drdgold.com](http://www.drdgold.com)

## Cross referencing legend

The icons below are cross-navigational references to the other reports in our annual suite of reports.



Integrated Report 2013



Sustainable Development Report 2013



Annual Financial Statements 2013

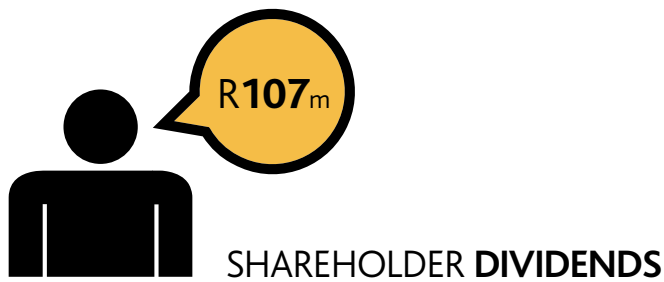


Notice to shareholders 2013

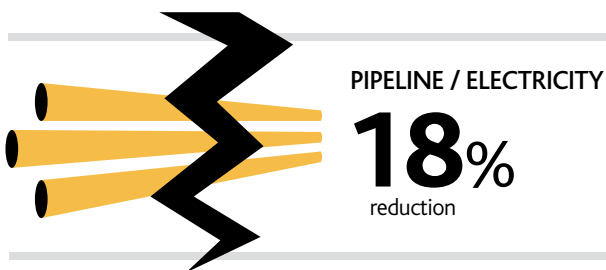


Website references, refers to [www.drdgold.com](http://www.drdgold.com) unless otherwise stated.

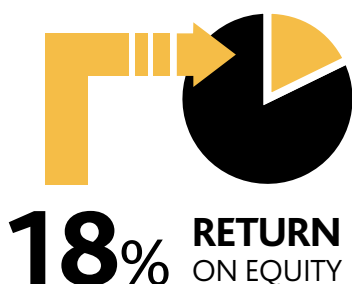
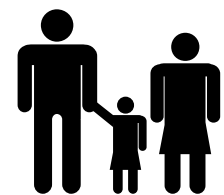
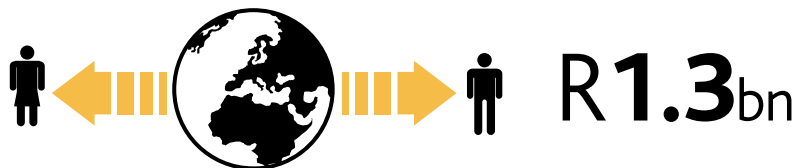
# FY2013 PERFORMANCE HIGHLIGHTS



HDSAS IN MANAGEMENT



SUPPLIERS OF GOODS AND SERVICES



At DRDGOLD, we successfully employed our **human, manufactured and intellectual capital** to provide solid returns to **shareholders** in FY2013. We addressed our **social and environmental** responsibilities and **created value** of R849 million.

**539**  
COMMUNITY MEMBERS ASSISTED THROUGH  
**EBDA**  
INITIATIVES

NUMBERS EMPLOYED



**8%** MORE GOLD  
146 381oz



FACT: R&D EXPECTED TO  
**INCREASE**  
GOLD RECOVERY BY UP TO 20%

# OUR BUSINESS

# ORGANISATIONAL OVERVIEW

*Headquartered in Johannesburg, DRDGOLD's core business involves mining decades-old tailings to produce a targeted 140 000oz to 150 000oz of gold a year. The resulting "new" tailings are deposited in upgraded tailings facilities designed to modern standards.*

## OUR STRUCTURE

*"Our surface retreatment operations are consolidated into a single operating entity, Ergo Mining Proprietary Limited (Ergo)"*

Our surface retreatment operations are consolidated into a single operating entity, Ergo Mining Proprietary Limited (Ergo). Ergo and East Rand Proprietary Mines Limited (ERPM) are both 100% owned by Ergo Mining Operations Proprietary Limited (EMO), which in turn is 74% held by DRDGOLD, 20% by DRDGOLD's black economic empowerment (BEE) partner, Khumo Gold SPV Proprietary Limited and 6% by the DRDSA Empowerment Trust.

We are in full compliance with the BEE equity requirements of the Mining Charter, although discussions with the Department of Mineral Resources regarding some of the detail is ongoing.

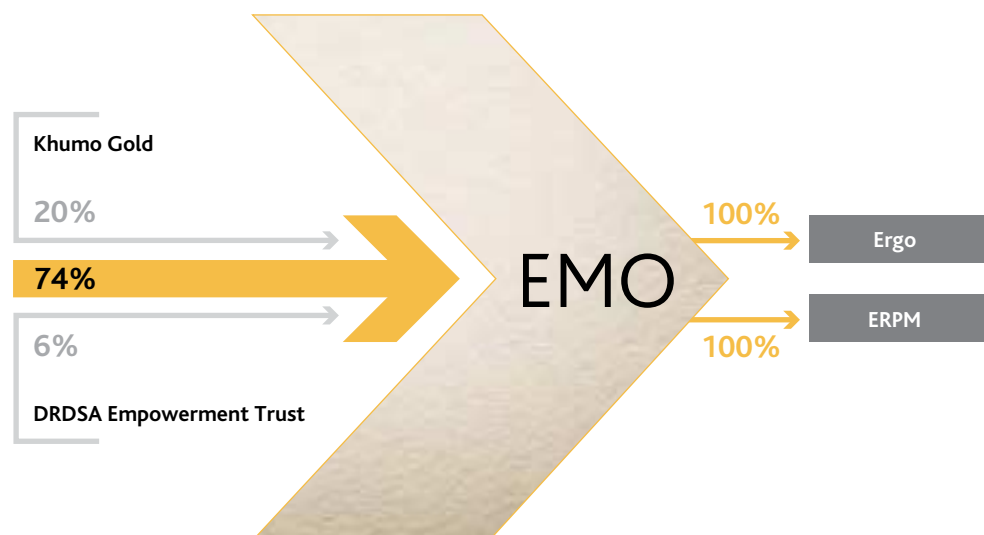
ERPM was placed on care and maintenance in 2008. Remnant mining recently recommenced at the Cason shaft to capitalise on shallow, high-grade reserves. However, this shaft is now also on care and maintenance and the underground exploration area known as Extensions 1 and 2, with its 21 million ounces (Moz), is for sale.

DRDGOLD disposed of underground mine Blyvooruitzicht Gold Mining Company Proprietary Limited to Village Main Reef Limited (VMR), in FY2012. As a result of the sale, DRDGOLD continues to carry 85.7 million VMR shares on its balance sheet, providing limited exposure to underground mining, including 20 million shares held in escrow.

## OUR SHAREHOLDERS

Our primary **stakeholders** are our **shareholders**. The company's primary listing is on the JSE Limited (JSE) with a secondary listing on the New York Stock Exchange (NYSE). The company's shares are also traded on the Marché Libre in Paris, the Regulated Unofficial Market of the Frankfurt Stock Exchange, the Berlin and Stuttgart OTC markets, as well as on Euronext Brussels in the form of International Depositary Receipts.

### Group structure



# ORGANISATIONAL OVERVIEW (CONTINUED)

At the end of FY2013, the company had 385 383 767 ordinary shares in issue and a market capitalisation of R2.0 billion (US\$209.3 million).

The majority of DRDGOLD's shareholders reside in the USA (41%), followed by South Africa (32%), Norway (10%) and in Belgium and Luxembourg (10%).

## OUR PEOPLE

DRDGOLD's board of directors is made up of two executive directors – the chief executive officer (CEO) and the chief financial officer (CFO) – and four independent non-executive directors. The chairman is an independent, non-executive director. The board has four subcommittees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Social and Ethics Committee. The board is responsible for determining strategic objectives and key policies, and monitors their implementation. The Nominations Committee meets as and when it is necessary.

At the end of FY2013, DRDGOLD employed a total of 2 752 people. Of these, 1 012 were permanent employees and the remaining 1 740 individuals were employed at the operations by specialist service providers, including Fraser Alexander Tailings, experts in tailings recovery and tailings dam management.

## OUR VALUE CHAIN

Our value chain is deceptively simple. Johannesburg emerged as a mining camp in the last quarter of the 19th century following the discovery of gold on the Witwatersrand. Over time the settlement grew, and today this "city of gold" is known as one of the largest on the continent and Africa's most powerful economy. In the 100 or so years since those heady, gold rush days, it is calculated that some 1.5 billion ounces (oz) – close to 52 000t of gold – have been produced by South Africa's mining sector. This represents about one third of all gold mined world-wide through the ages. It is estimated that some 40 000t remain below ground in the renowned Witwatersrand basin – 8 000t to 10 000t of which are considered economically recoverable.

DRDGOLD has created a low-risk niche in the South African mining sector for the extraction of gold by surface "mining", or the retreatment of mine dumps. These dumps – which for decades occupied prime land and were integral to the Johannesburg skyline – were created by the mining giants of bygone years, whose names still linger on in memory as part of the city's fascinating history. Vast mountains of sand or slime – the dumps not only comprise the residue from earlier, often less efficient mining processes, they also contain precious and minute particles of gold.

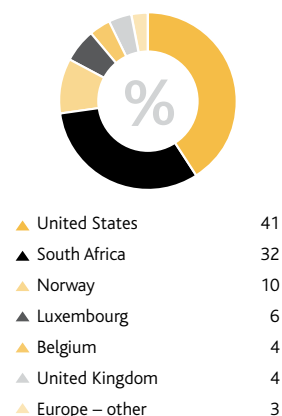
Surface retreatment of dumps or, as they are now called, reclamation sites, began in South Africa some 40 years ago. As a result, a number of the dumps have already disappeared or, in reality, been repositioned in larger, better-designed tailings deposition sites.

All the tailings deposition sites on the Witwatersrand still contain some percentage of gold because extraction processes have, mainly for economic reasons, not been developed to extract every last particle of the precious metal. It is therefore quite feasible that in the medium to longer term, advances in technology and increases in the gold price will make further "retreatment" of these deposits a viable business.

Mine dumps are mostly composed of discarded material; rock, grit, sand, twigs, occasional items of archaeological interest and water, which evaporates over time. Many of the dumps have acquired a light covering of vegetation over the years, either self-seeded or as part of dust control measures. Nevertheless, the dumps remain as sources of dust, especially during the windy season (typically August, but increasingly in other months), and are considered a nuisance by surrounding communities and, in some quarters, as a health hazard.

**IR** pages 53 to 68  
For more on corporate governance

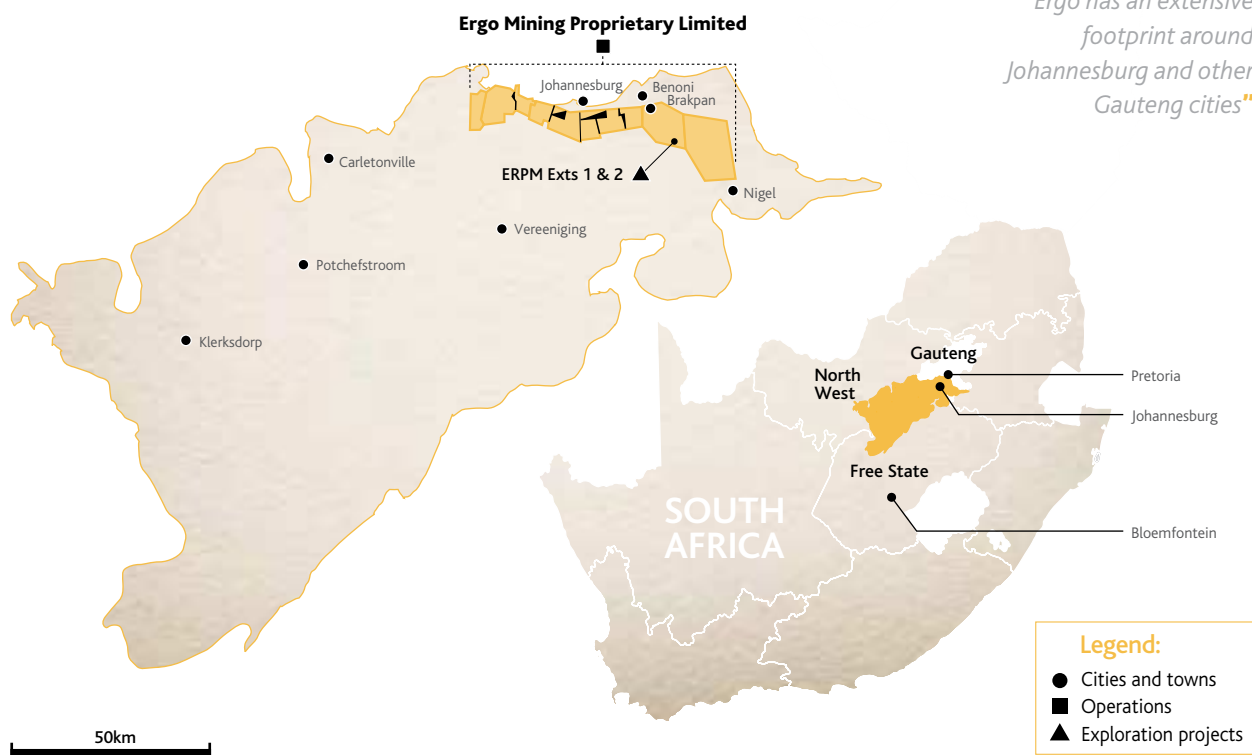
**Geographical distribution of shareholders**  
as at 30 June 2013



*"The majority of DRDGOLD's shareholders (41%) reside in the USA"*

*"Despite a century of mining, South Africa remains the repository of the world's richest mineral resources"*

## Location of operations and exploration projects



*"Ergo has an extensive footprint around Johannesburg and other Gauteng cities"*

*"We use our capitals – human, financial, intellectual and manufactured – to extract as much gold as possible in a safe and efficient manner"*

The processing, mining or retreatment of the dumps by DRDGOLD, and the subsequent deposition of residue according to an approved environmental management programme, takes place at Ergo on a 24/7/365 basis. The company therefore not only creates value for **shareholders** using its various forms of capital; other **stakeholders** – both in the immediate and broader geographic zones – benefit as the potentially harmful environmental legacy of the original dumps is removed. A further advantage at the end of rehabilitation, which now always follows the mining process, is the freeing up of valuable, centrally-located real estate for future use.

The success of DRDGOLD's long-term strategy to extract as much gold as possible from its assets depends, to a large extent, on how effectively it uses its intellectual capital; its investment in research and development (R&D) and the success of the findings. The commissioning of the flotation/fine-grind plant – that should improve extraction efficiencies by between 16% to 20% – is in the final stages of commissioning and is a direct outcome of the work of the R&D team.

Emphasis continues to be placed on R&D, with a view to improving recoveries even further in the longer term.

In addition to gold, Ergo is licenced to produce uranium and sulphuric acid. A feasibility study into the extraction of the former as a by-product of the flotation/fine-grind process is currently underway.

# BUSINESS MODEL

## CREATING **VALUE** FOR ALL STAKEHOLDERS



<sup>1</sup> Two plants are currently operating as milling/pump stations



Above: CIL circuit at Ergo's Brakpan plant



## OUTCOMES

### *Profitability*

- All-in sustainability costs margin: 20%
- Headline earnings per share: 68cps
- Return on equity: 18%

### *Shareholder returns*

- Dividend yield: 5%
- Dividends paid: R107 million

### *Value-added*

- Salaries, wages, other employee benefits paid: R283 million
- Total expenditure on goods, services: R1 293 million

### *Contribution to local community*

- Corporate social investment spend: R1.5 million
- Socio-economic development project spend: R3.1 million
- EBDA: R25.5 million total cost, 2 474 people trained
- 191 community pupils benefit from Mathematics and Science Centre of Excellence
- 63 community pupils participate in three-year entrepreneur course
- 285 community learners complete courses in engineering, small enterprise management

### *Employee development*

- Employee upliftment programmes, providing life skills, knowledge (Best Life, Vuselela)
- Best Life employee programme, targeting financial literacy, and planning
- 46% historically disadvantaged South Africans in management

### *Environmental impact*

- Potable water usage reduced by 5%
- Carbon footprint: pipeline design delivers 18% electricity cost reduction
- R67.9 million spent on dump rehabilitation
- 46ha of side slopes, 75ha of top surfaces vegetated during FY2013
- 115ha of dust netting installed

# BUSINESS MODEL (CONTINUED)

## BUSINESS ACTIVITIES

Ergo has a vast footprint adjacent to Johannesburg on the central and eastern Witwatersrand of South Africa. Its assets cover an area approximately 62 km from east to west and 25km from north to south. This large, single footprint has been created primarily to provide all of DRDGOLD's surface retreatment operations with adequate tailings deposition capacity and as part of a rationalisation process to simplify the structure of DRDGOLD's companies. A single retreatment business also has the effect of improving synergies and saving costs. The restructuring into a single entity took effect at the beginning of FY2013, effective 1 July 2012.

Ergo's flagship metallurgical plant, 50km east of Johannesburg in Brakpan and the Knights plant in Germiston close to Johannesburg together comprise what is arguably the world's largest gold surface tailings retreatment facility. Together with the milling and pump stations at Crown and City Deep (both formerly gold processing plants), the new consolidated Ergo operation processes a targeted retreatment throughput of 2.0 to 2.1Mt a month. Refer to the illustration below of the Ergo footprint.

## THE SURFACE RECOVERY PROCESS

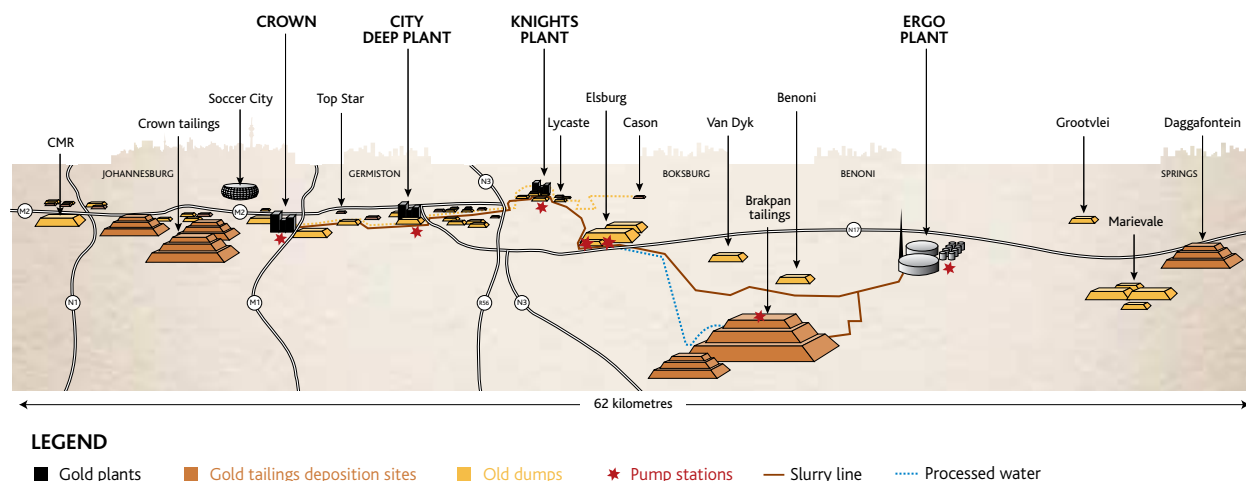
The retreatment business is a high-volume business which crucially requires a large deposition tailings facility and high-volume plants. Vast quantities of material are processed monthly through the plant in order to recover gold from old mine dumps at a recovery rate that varies depending on the material being treated. As each old dump or dam is depleted, others are brought on stream.

## SAND AND SLIME DUMPS

Sand dumps are the result of the less efficient "stamp-milling" process employed in earlier times. They consist of coarse-grained particles which generally contain higher quantities of gold. Sand dumps are reclaimed mechanically using front-end loaders that load sand onto conveyor belts. The sand is fed onto a screen where water is added to wash the sand into a sump, from where it is pumped to the plant. Most sand dumps have already been retreated using more efficient milling methods.

Slimes dams are also the result of the old treatment methods, and contain lower grades of gold. However, this material has become economically more viable to process owing to improved treatment methods and a higher gold price. The material from the slimes dams is broken down using monitor guns that spray jets of high-pressure water at the target area. The resulting slurry is then pumped to a treatment plant for processing.

*"The retreatment business is high-volume and operates around-the-clock"*





*Above: Part of Ergo's vast pipeline network*

*"Our tailings storage facility is integral to our business"*

## THE METALLURGICAL PROCESS

The Ergo operation currently has four metallurgical plants (two of which are currently extracting gold), situated south and east of Johannesburg:

- The Brakpan plant is currently treating material from a variety of sources, the majority of which – some 1.2Mt per month (pm) – is fed to the plant via two feeder lines from the Elsburg tailings complex and the L/29 dump. Another 600 000tpm is fed to the Brakpan plant from the Crown and City Deep plants via a 62km pipeline. The Brakpan plant also deposits its waste on the Brakpan Tailings Facility (BTF), some 12km away. The Brakpan plant currently has a total retreatment capacity of 1.8Mtpm with the potential to increase this figure to 2.4Mtpm when required.
- Knights plant, the smallest, is treating the Cason dump and old Ergo remnant dumps and depositing residue on the BTF for the foreseeable future;

The leach residues from the two processing streams are also combined and pumped to the BTF for deposition.

Additionally:

- The Crown and City Deep plants were, until recently, metallurgical plants in their own right. However, due to the streamlining of operations and the construction of a 62km pipeline, they have been re-engineered into milling plants and pump stations.

## SALE OF GOLD

The extracted gold is smelted on site at Ergo and yields gold bars of approximately 85% gold and 7% to 8% silver, with the balance comprising copper and other common elements. These bars of crude bullion are delivered to Rand Refinery, where the silver and other elements are removed and the gold is refined into troy ounce bars (purified to 99.9%) that meet the standards of the London Bullion Market Association. Rand Refinery then sells the gold on behalf of DRDGOLD at the afternoon US\$ price fixed by the London Metal Exchange. DRDGOLD has an 11% interest in and plays an active role in Rand Refinery, one of the world's foremost refiners and home of the Krugerrand.

# BUSINESS MODEL (CONTINUED)

## RESEARCH AND DEVELOPMENT (R&D)

From the start, the DRDGOLD board identified several key objectives as part of its Ergo project strategy – one of which was improving gold recovery. Research was commissioned, a pilot plant was constructed and it was discovered that pyrite particles, containing some 40% of the gold, were not responding as well as expected to the carbon in leach (CIL) process. A dual process solution was identified: reintroducing flotation and adding an additional stage – fine-grind or milling of the flotation concentrate.

## FLOTATION/FINE-GRIND

In early 2012 the DRDGOLD board approved a capital amount of R250 million for the new circuits. Work began immediately on refurbishing unused sections of the existing Brakpan plant, together with the construction of the necessary additional plant to implement the new process.

Research has shown that the additional flotation/fine-grind circuits will improve gold recoveries by between 16% to 20%. Due for completion in the second quarter of FY2014, the complete future tailings retreatment process is described below.

The slurry material from the reclamation sites will be fed into the plant via a complex pipe network. Here it will enter a flotation section consisting of banks of flotation cells. After the material is conditioned with reagents (collectors and frothers) it will enter the cells where it will be separated into two streams. One stream, the flotation concentrate, will contain the sulphides which will be enriched with gold and the second stream, the flotation tails, will be lower-grade siliceous material. This stream will be treated by the conventional CIL process, which is the treatment process that has been used for the past 30 years with an extraction efficiency of 39% to 40%.

The concentrate stream will be subjected to the new fine-grind process which research and development has demonstrated is more efficient in recovering the gold. Fine-grind involves milling the slurry material with tiny ceramic beads. This milled product, which will at this stage comprise smaller particles of gold that have been liberated from the sulphides, will make recovery of the previously encapsulated gold easier as it comes into contact with cyanide during the CIL process that follows. Research shows this process to have extraction efficiencies of 75% to 76%.

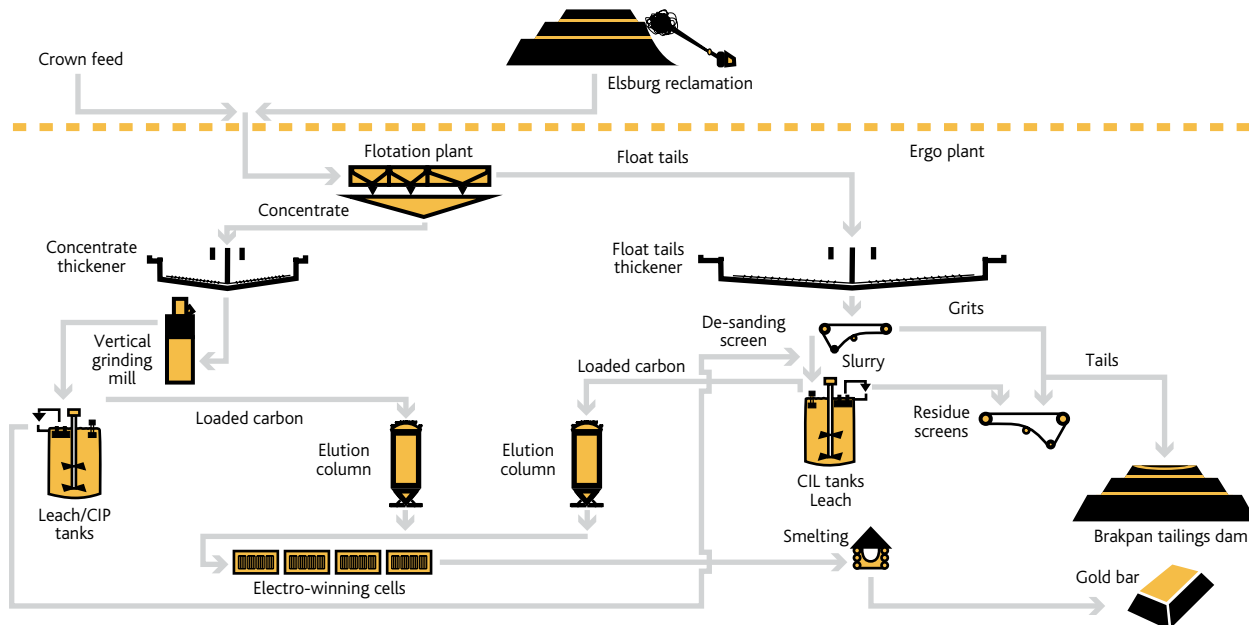
The dissolved gold will then be adsorbed onto activated carbon, and the "loaded carbon" in each circuit will enter the carbon treatment section where the gold will be eluted from the carbon. The carbon will then return to the CIL circuit via a regeneration kiln. The two eluate streams, kept separate until after the gold is eluted from the loaded carbon, will be combined prior to pumping through a series of electro-winning cells where the gold will be precipitated, calcined and smelted in the existing smelthouse. The leach residues will also be combined before pumping to the BTF.

## FURTHER R&D: URANIUM

As the gold-carrying pyrite particles also carry substantial quantities of uranium, the R&D team is studying the feasibility of uranium extraction once the flotation plant is up and running. Results suggest production potential of up to 11.5t a month of uranium oxide. Assuming a uranium spot price of US\$50/lb, gold production costs could benefit by between 5% to 8%. The key trigger to this project will be the efficiency of the flotation circuit.

*"The flotation and fine-grind circuits should increase extraction efficiencies by 16% to 20%"*

## Ergo process including flotation and fine-grind



## OUR COMPETITIVE ADVANTAGE

*"The acquisition of the Ergo plant in 2007 gave us an advantage in the surface retreatment business"*

The acquisition of the solidly-built Ergo plant in 2007 gave DRDGOLD an unrivalled advantage in the surface mining business in South Africa, providing the company with a full and uninterrupted series of permits, rights and licences to the land and sites required to run the operations. Today, Ergo is in the unique position of owning the metallurgical plants, pump stations, pipeline networks, and tailings deposition facilities – together with the above-mentioned rights of access and usage – to make it amongst the largest surface gold mining operation in the world; and to providing it with a competitive edge in the local market.

The Ergo operation is a volume-driven business that relies on the regular and uninterrupted delivery of thousands of tonnes of reclaimed slurry material to the plant on a daily basis. Using sophisticated computer technology, operators are able to monitor plants, pump stations and pipelines around-the-clock to follow progress, detect problems and address any potential security threats. Additionally, at the touch of a few computer keys, the slurry feed can be stopped or rerouted as necessary, and it is also possible for management to make informed decisions about switching feeds between reclamation sites to maximise the advantage of using different grade feeds at the appropriate times.

DRDGOLD's competitive advantage in the local surface mining sector is unlikely to change in the short or medium term. It is estimated that our existing resources will provide sufficient reclamation material to keep us busy for the next several decades.

# STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

*At DRDGOLD we recognise that a key requirement of a successful business strategy is effective communication with our stakeholders. These are the individuals, groups and entities directly or indirectly affected, either positively or negatively, by the activities of the company.*

## ENGAGING WITH STAKEHOLDERS

Our various stakeholder groups include: shareholders; customers; employees; suppliers and specialist service providers; government and regulating authorities; communities, community groups and non-governmental organisations; media; employees and their representatives, and peer companies and partners.

We have a responsibility to operate a sustainable business, and integral to this is developing relationships with our stakeholders, and maintaining them in the longer term. Stakeholders raise concerns and issues in a variety of ways, and these are addressed by DRDGOLD as timeously and appropriately as possible.

This integrated report is primarily for our **shareholders** and providers of capital, although we believe that it might also be of use to other stakeholders.

At DRDGOLD we recognise that the key concern of our shareholders is to capitalise on investment returns, taking account of the obligations placed on us by our market listings, and the regulatory environments in which we operate. We also strive to run our business in a responsible and sustainable way. We provide information on operating, financial and other performance to the relevant parties in an unbiased, timely manner. At the beginning of FY2013 we introduced a formal investor relations calendar, with the aim of ensuring participation in key investor conferences, primarily in SA, Europe, North America and the Far East. These are usually linked to investor roadshows that take the form of small groups and one-on-one meetings.

Financial information and strategic decisions are announced on the JSE's Stock Exchange News Service (SENS), and immediately thereafter the information is posted in a news release on our website. Individuals and organisations registered on our database are advised via a web alert and the release is simultaneously distributed to a second database of analysts, investors and media. When necessary, information is also communicated in other ways – presentations, briefings, teleconferences and webcasts so that as wide an audience as possible can be reached.

**Employees and employee representatives** are briefed through formal and informal structures as needed. A printed newsletter entitled *Asikhulume*, which means "we are talking", is distributed to all operations staffed by DRDGOLD employees three times a year. If possible, this eight or 12 page large-format newsletter is distributed with salary advice slips. When publication does not coincide with payday, copies of the newsletter are available at designated pick-up points. Editions are preceded by "teaser" posters, along the lines of the traditional newspaper placard. Articles are written in appropriate-level English, and a selection of these is translated into SeSotho and isiZulu. An editorial panel of employees and management decides on content, and the layout and design of the publication is aimed at ensuring reader appeal.

A company-wide workplace briefing system is in place. This system was to have been reviewed in FY2013 but has been postponed to FY2014. The aim is to review the effectiveness of the system and ensure the messages are understandable. The company encourages open communication and consultation. Conflict is dealt with as necessary at workplace forums. Employees can report on fraud or crime using an independent Tip-offs Anonymous line run by Deloitte. Contact and "how to" details are provided in *Asikhulume*, workplace posters and stickers.

*"This integrated report is primarily for our shareholders and providers of capital, although we believe that it might also be of use to other stakeholders"*

**SD** For more information on our stakeholders

**SD** page 14  
more on Tip-offs  
Anonymous

**www** Find *Asikhulume* on our website



Above: Children at Bopaneng Primary School near Soweto, where DRDGOLD built a feeding centre

*"We interact with local communities on a broad range of issues"*

**SD** pages 15 to 17  
For more on stakeholder engagement

DRDGOLD believes it has a responsibility not only to run a successful business, but also to empower its workforce. The company also works diligently to implement programmes and job opportunities that benefit the communities in which it operates. Social and Labour Plans are in place and have been developed in compliance with the requirements of South African mining legislation, and in consultation with the relevant authorities and communities.

We place importance not only on providing educational opportunities for the communities within which our company operates, we also interact on a broader range of issues. Management has regular, formal and informal interaction with surrounding communities as well as formal consultations with interested and affected parties (I&APs). Although some of this liaison is driven by regulatory and statutory requirements, and takes place as formal consultations, our operational management teams recognise the value of community understanding of and support for management actions. DRDGOLD also uses ward councillors and other community leadership structures to engage with communities.

Engagement with national, regional and local government takes place at group and operational level and brings DRDGOLD into regular formal and informal contact with officials working at all levels in a variety of sectors including mining, water and environmental affairs, education and labour.

Listed below are the main stakeholder groups identified by DRDGOLD, their key concerns and the process the company undertakes when engaging with them.

Stakeholder group	Key topics and concerns
Shareholders and investors	Operating and financial performance, share price performance and dividends, governance, and issues relating to the overall sustainability of the company, in particular, how risks are managed and opportunities identified. Other concerns include the stability of the mining sector, and safety statistics
Customers	Consistency in supply, quality of supply
Employees	Job security, training and development, remuneration, housing, health and safety
Suppliers and specialist service providers	Sustainability of company, company's financial performance, employment practices, local procurement practices, business training and support, quality control, preferential procurement practices
Government and regulating authorities	Licence to operate, BEE compliance, employment, education and training, local economic development programmes, environmental impact and rehabilitation, taxation and royalties
Communities and NGOs	Local economic development, employment and local job creation, corporate social investment practices, dust control, health-related issues (in particular HIV and AIDS), environmental impact and rehabilitation, skills development programmes
Media	Financial results, corporate activity, environmental issues, marketing, community-related topics

# RESERVES AND RESOURCES

*DRDGOLD's attributable mineral resources decreased from 37.6Moz in FY2012 to 37.3Moz in FY2013. At the end of FY2013 attributable mineral reserves contained 1.7Moz of gold (FY2012: 1.8Moz). Normal depletions and reconciliations account for movements at the operations.*

## EVALUATION METHODOLOGY

Different methodologies are used for the evaluation of underground and surface mineral resources and mineral reserves. In the case of underground mineral resources, the sampling database is continually updated with verified sampling results. From the database, the results for each face area are put through the standard statistical and geostatistical process. Thereafter, a block model is generated and used to overlay the potential mining areas, which are then evaluated accordingly. This results in a resource being defined for each resource category. From here, the relevant modifying factors are applied and the appropriate portion converted to reserves. The whole process is reviewed by independent consultants to ensure that the accepted industry and deposit-type norms and procedures have been followed.

With respect to surface mineral resources and mineral reserves, drilling takes place on a predetermined grid to ascertain the average grade (grade model), density, moisture, mineral composition, expected extraction factors and ultimate financial viability before any mining starts. As material is removed from the slimes dams for retreatment, the resources and reserves for that operation are adjusted accordingly. Continual checks on modifying factors and ongoing surveys are conducted to monitor the rate of depletion and the accuracy of factors used for conversion.

## INDEPENDENT REVIEW

DRDGOLD's statements of its mineral resources and mineral reserves were independently reviewed by Coffey Mining for compliance with the SAMREC Code, the National Instrument 43-101 and the US SEC Industry Guide 7. Coffey Mining is an exploration, mining and resource consulting firm, which has been providing services and advice to the international mineral industry and to various financial institutions since 1987.

The review report for the operations was compiled by Dave Whittaker, BSc (Hons) (Geology) (Pr Sci Nat) and Kathleen Body (Pr Sci Nat). Coffey Mining has the appropriate qualifications, experience, competence and independence to be considered independent "competent persons" or "qualified persons" in terms of the definitions provided in the codes and instruments.

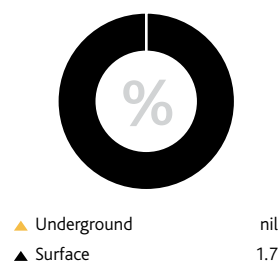
Coffey Mining staff members carried out quality control analysis of the data during numerous site visits to the different surface and underground operations. They reviewed the geological models, grade estimation techniques, the conversion from resources to reserves, underground operations and transport systems, and assessed the procedures and parameters used in the preparation of these mineral resources and mineral reserves statements.

## COMPETENT PERSON

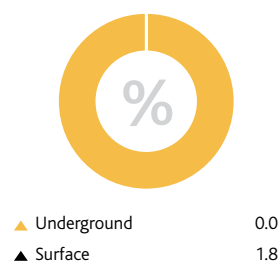
The information in this Integrated Report relating to mineral resources, mineral reserves or exploration results is based on information compiled by the competent person.

Gary John Viljoen (PLATO) is the competent person responsible for the compilation and reporting of DRDGOLD's mineral resources and mineral reserves.

Mineral reserves 2013  
Moz (Au) (1.7Moz)



Mineral reserves 2012  
Moz (Au) (1.8Moz)

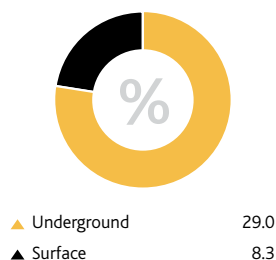


*"Movements at the operations account for the depletion in our reserves and resources"*

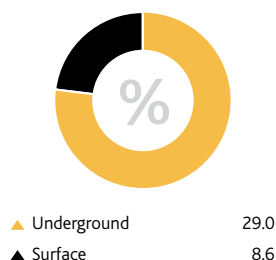


Above: Mooifontein tailings facility adjacent to Nasrec, Johannesburg

#### Mineral resources 2013 Moz (Au) (37.3Moz)



#### Mineral resources 2012 Moz (Au) (37.6Moz)



*"Coffey Mining has been providing services and advice to the international mineral industry and to various financial institutions since 1987"*

This person has extensive (more than five years) relevant experience in the mining industry and in working with the type of deposits mined. He is the designated competent person in terms of the SAMREC Code, and is a registered member of the recognised statutory organisations.

### DECLARATION

The gold price used for declaration is R378 158/kg (US\$1 192/oz and R9.8675/US\$). For compliance with the SEC, DRDGOLD's Form 20-F (to be filed with the SEC) will also quote the mineral reserves using the three-year average gold price of R392 955/kg (US\$1 549/oz and R7.8904/US\$).

All mineral resources declared in this report are inclusive of mineral reserves.

### EXPLORATION AND PROJECT DEVELOPMENT

Exploration and project development during the year continued to enhance DRDGOLD's strategy to extend and replace existing production ounces.

#### ERPM EXTENSIONS 1 AND 2

DRDGOLD has a prospecting right covering an area of 1 252ha of the adjacent Sallies mine, referred to as ERPM Extension 1. The estimated total resource for ERPM Extension 1 is 36.5Mt at 8.5g/t (9.97Moz). The regional geology of the area indicates that there will be a strike change due to faulting associated with an east-west trending sinistral tear fault. In order to confirm the anticipated change in the geological structure and hence payshoot orientation, it is envisaged that prospecting will take place through development situated 50m in the footwall. Owing to high induced stress experienced at depth, there will be concurrent over-stopping on the reef plane for safety reasons.

In 2007 ERPM's prospecting right over ERPM Extension 1 was extended eastwards into the Rooikraal/Withok area, incorporating the southern section of the old Van Dyk mining lease area and a small portion of Sallies. Known as ERPM Extension 2, the additional area is 5 500ha in size and is recognised as one of the largest virtually unexplored areas on the East Rand. The reef lies at a depth of between 1 877m and 2 613m below surface.

The resource for ERPM Extension 2 was estimated in 2007 by independent consultants Camden Geoserve and Minxcon, and reviewed by Coffey Mining. An inferred resource of 28.6Mt at 9.06g/t (8.32Moz) at a stope width of 125cm was declared. The payshoot area equates to 17% of the prospecting right after applying geological losses of 4%.

The evaluation methodology applied was a global Sichel-t estimator, based on five historical surface boreholes with grades ranging from 107 centimetre grams per tonne (cmgt) to 3 346cmgt. A sixth hole, drilled from underground and reportedly assaying at 2 479cmgt, was excluded from the estimate as it could not be verified.

The ERPM asset has been placed on the market and is for sale.

# RESERVES AND RESOURCES (CONTINUED)

## Mineral resources – 30 June 2013

	Measured				Indicated				
	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz	
<b>ERPM (100%)</b>									
Underground	5.154	6.92	35.655	1.146	13.568	7.48	101.424	3.261	
<b>Total</b>	<b>5.154</b>	<b>6.92</b>	<b>35.655</b>	<b>1.146</b>	<b>13.568</b>	<b>7.48</b>	<b>101.424</b>	<b>3.261</b>	
<b>ERGO (100%)</b>									
Surface	239.899	0.34	80.796	2.598	374.668	0.25	91.811	2.952	
<b>Total</b>	<b>239.899</b>	<b>0.34</b>	<b>80.796</b>	<b>2.598</b>	<b>374.668</b>	<b>0.25</b>	<b>91.811</b>	<b>2.952</b>	
<b>EMO (100%)</b>									
Underground	5.154	6.92	35.655	1.146	13.568	7.48	101.424	3.261	
Surface	239.899	0.34	80.796	2.598	374.668	0.25	91.811	2.952	
<b>Total</b>	<b>245.053</b>	<b>0.48</b>	<b>116.451</b>	<b>3.744</b>	<b>388.236</b>	<b>0.50</b>	<b>193.235</b>	<b>6.213</b>	
<b>DRDGOLD Attributable</b>									
Underground	3.814	6.92	26.385	0.848	10.040	7.48	75.054	2.413	
Surface	177.525	0.34	59.789	1.922	277.254	0.25	67.940	2.184	
<b>Total</b>	<b>181.339</b>	<b>0.48</b>	<b>86.174</b>	<b>2.770</b>	<b>287.294</b>	<b>0.50</b>	<b>142.994</b>	<b>4.597</b>	

## Mineral reserves – 30 June 2013

Proved					Probable				
Delivered to plant					Delivered to plant				
	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz	
ERGO (100%)									
Surface	151.154	0.33	49.647	1.596	46.205	0.45	20.795	0.669	
Total	151.154	0.33	49.647	1.596	46.205	0.45	20.795	0.669	
DRDGOLD Attributable									
Surface	111.854	0.33	36.739	1.181	34.192	0.45	15.388	0.495	
Total	111.854	0.33	36.739	1.181	34.192	0.45	15.388	0.495	

Inferred					Total			
	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz
	160.621	6.72	1 080.173	34.728	179.343	6.79	1 217.252	39.136
	<b>160.621</b>	<b>6.72</b>	<b>1 080.173</b>	<b>34.728</b>	<b>179.343</b>	<b>6.79</b>	<b>1 217.252</b>	<b>39.136</b>
	841.631	0.21	178.999	5.755	1 456.198	0.24	351.606	11.304
	<b>841.631</b>	<b>0.21</b>	<b>178.999</b>	<b>5.755</b>	<b>1 456.198</b>	<b>0.24</b>	<b>351.606</b>	<b>11.304</b>
	160.621	6.72	1 080.173	34.728	179.343	6.79	1 217.252	39.136
	841.631	0.21	178.999	5.755	1 456.198	0.24	351.606	11.304
	<b>1002.252</b>	<b>1.26</b>	<b>1 259.172</b>	<b>40.483</b>	<b>1 635.541</b>	<b>0.96</b>	<b>1 568.858</b>	<b>50.440</b>
	118.860	6.72	799.328	25.699	132.714	6.79	900.767	28.960
	622.807	0.21	132.459	4.259	1 077.586	0.24	260.188	8.365
	<b>741.667</b>	<b>1.26</b>	<b>931.787</b>	<b>29.958</b>	<b>1 210.300</b>	<b>0.96</b>	<b>1 160.955</b>	<b>37.325</b>

Total reserves				
Delivered to plant				
	Tonnes Mt	Grade g/t	Contents Au Tons	Contents Moz
	197.359	0.36	70.442	2.265
	<b>197.359</b>	<b>0.36</b>	<b>70.442</b>	<b>2.265</b>
	146.046	0.36	52.127	1.676
	<b>146.046</b>	<b>0.36</b>	<b>52.127</b>	<b>1.676</b>

#### TOTAL MINERAL RESERVE 2013

**146.046** Mt

**0.36** g/t

**52.127** Au tons

**1.676** Moz

FACT: OUR OPPORTUNITIES  
**AND RISKS**  
ARE MANAGED WITH DILIGENCE

# OUR OPPORTUNITIES AND RISKS

# UNDERSTANDING OUR RISKS

*Risk is defined as the probability or threat of loss, damage, injury, liability, or any other adverse occurrence caused by internal or external vulnerabilities, which may be counteracted by pre-emptive action.*

## MANAGING OUR RISKS

While the board of directors is ultimately responsible for the management of risk, it delegates some of its duties to the Risk Committee.

The management of risk is pivotal to reducing uncertainty and for ensuring resilience to changes in the operating environment. The Risk Committee is tasked with the identification of potential risk and opportunities, the group's internal control systems, assurance issues, health, safety and environmental compliance, and the monitoring and reporting of all these matters. The responsibility for the quality, integrity and reliability of the group's risk management falls within the ambit of this committee.

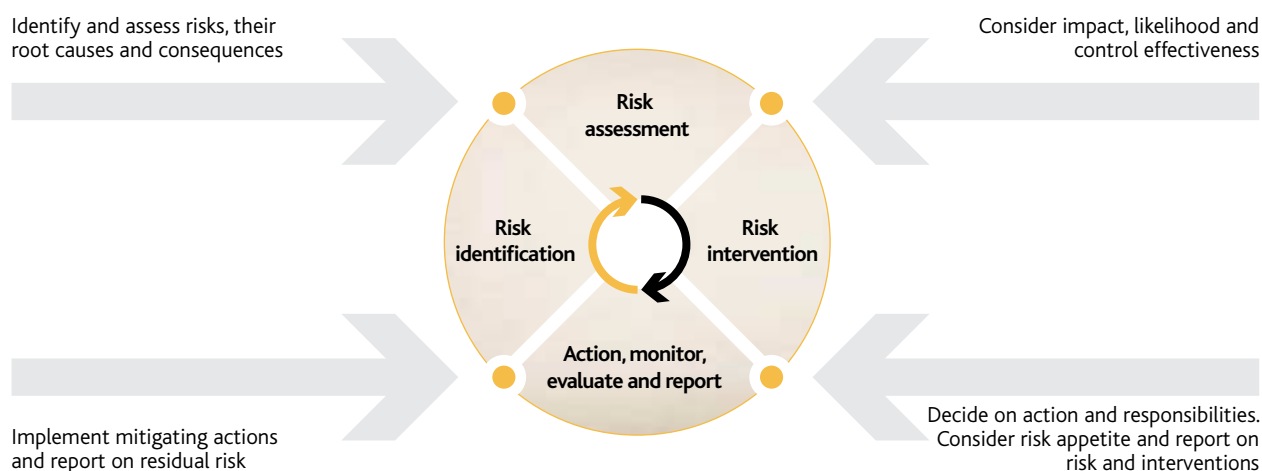
The requirements of King III, the Integrated Framework from the Committee of Sponsoring Organisations and the Sarbanes-Oxley Act of 2002 (SOX) (Section 404) have been incorporated into the group's internal control processes.

*"As part of its integrated approach to business, DRDGOLD developed and implemented an Enterprise Wide Risk Management process as far back as 2003"*

## RISK MANAGEMENT PROCESS

As part of its integrated approach to business, DRDGOLD developed and implemented an Enterprise Wide Risk Management process as far back as 2003. The objective was, and still is, to assist DRDGOLD in achieving its strategic objectives and for the board to have a complete, informed view of the business environment in which the group operates across all disciplines.

The DRDGOLD risk management process provides a framework for assessing and managing risks and opportunities and it allows for risks to be ranked.



# KEY OPPORTUNITIES AND RISKS

*Quarterly risk assessments are carried out at all of the DRDGOLD operations where all the key risks are analysed and new risks and opportunities are identified.*

Each risk is ranked and allocated to a person who is then responsible for the implementation of actions to mitigate the risk. All risks are included in a centralised database from which data is taken to draw up risk maps for each operation or division. These are then presented to management for review and those risks that are material to the business are reported to the Risk Committee.

In addition to the Enterprise Wide Risk Management programme, an independent risk management process has been implemented at the operations that addresses operational risks in the following three categories:

- baseline assessment which covers the whole operation in a systematic way in respect of all risks;
- issues-based assessment – where specific assessments are carried out prior to the start of an activity; and
- continued assessment – of health, safety and environmental issues which forms part of the daily work programme.

## BENCHMARKING

In order to improve and enhance the systems used in the Enterprise Wide Risk Management process, DRDGOLD uses external advisers to conduct various surveys, benchmarking exercises, reviews and activities throughout the year. These are important aspects of the risk management programme and assist in the improvement of the operational risk profile of the company.

*"DRDGOLD makes use of consultants as part of the risk management process"*

Staff members involved in operational risk management use information and detailed analyses to assist in decision-making and the latest information and technology is used wherever it is required.

## OPPORTUNITIES AND RISKS MATRIX

The following matrix identifies the key opportunities and risks that are specific to DRDGOLD, including the specific source of these opportunities and risks, which may be internal or external.

	Opportunities	Risks
Internal	<ul style="list-style-type: none"> <li>• Large surface gold resources</li> <li>• Leading surface retreatment operator</li> <li>• Strong balance sheet</li> <li>• Strong, experienced management team</li> <li>• Competitive advantage (Ergo footprint)</li> <li>• Relatively small workforce</li> <li>• Low health and safety risks</li> <li>• Automated 24/7/365 operation, utilising technology</li> <li>• Uranium and acid potential</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery on strategic plan</li> <li>• Diminishing head grades</li> <li>• High water usage</li> <li>• Environmental compliance</li> <li>• Cost increases</li> </ul>
External	<ul style="list-style-type: none"> <li>• Large surface gold resources</li> <li>• Relatively good political stability (democracy)</li> <li>• Size of economy (largest in Africa)</li> <li>• Relatively good infrastructure</li> <li>• Sophisticated capital markets</li> </ul>	<ul style="list-style-type: none"> <li>• Government regulations and policies</li> <li>• Access to and availability of water</li> <li>• Labour unrest</li> <li>• Fraud, theft and criminality</li> <li>• Skills shortage</li> <li>• Gold price and currency volatility</li> </ul>



Above: An aerial view of Ergo's 3L42 reclamation site

## KEY OPPORTUNITIES AND STRATEGIC FOCUS AREAS









We create value for all stakeholders by determining the strategic focus areas which flow from the key opportunities referred to below.











# KEY OPPORTUNITIES AND RISKS

(CONTINUED)

## KEY RISKS AT 30 JUNE 2013

Risk	Response	Reference
<b>Delivery on strategic and operational plan</b>		
DRDGOLD's strategy is to enhance shareholder value by reducing risk, controlling costs, maximising margins and assuming our environmental and social responsibilities. This strategy may not result in the expected benefits because of factors such as a significant decrease in the gold price, a sustained strengthening of the rand against the US\$, failure to meet production targets, unanticipated increases in operating costs or capital expenditure, adverse regulatory developments, or inability to expand or replace current production, as well as various other factors.	DRDGOLD has implemented a strategic scorecard which allows the board to engage effectively in the company's strategic process and to focus on key strategic issues. Operational plans, production and results information are monitored and reviewed regularly by management and the board to ensure alignment with DRDGOLD's strategic plan. Project management controls have been put in place and project management processes are monitored and reviewed regularly.	 Shareholders  Employees  Unions/organised labour
<b>Access to and availability of water</b>		
Various national studies conducted by the Water Research Commission may lead to the revision of water usage strategies by several sectors in the South African economy, including electricity generation and municipalities. This may result in rationing, or increased water costs in the future. Such changes would have an adverse impact on the DRDGOLD operations as they require water to operate. The surface retreatment process uses water to transport slimes or sand from reclaimed areas to the processing plant and to the tailings facilities. In addition, as the DRDGOLD gold plants and piping infrastructure were designed to carry certain minimum throughputs, any reductions in the volumes of available water may require the company to adjust production at these operations.	<p>A water management programme is in place at the company's operations. This includes regular reading of flow meters to monitor water usage.</p> <p>DRDGOLD is currently considering a project whereby surface retreatment operations would make use of effluent water and underground water at ERPM.</p> <p>A heads of agreement has been signed with Trans-Caledon Tunnel Authority (TCTA), aimed at laying a foundation for a self-sustainable solution to acid mine drainage (AMD). In terms of the heads of agreement, Ergo has, at its election, the option of acquiring up to 30ML of untreated or partially treated AMD a day.</p>	 Shareholders  Communities  Government and regulators
<b>Government regulations and policies</b>		
As a mining company in South Africa, DRDGOLD is subject to extensive mining regulations. The formulation or implementation of government policies may be unpredictable on certain issues. These could include changes in laws relating to mineral rights and the ownership of mining assets and the rights to prospect and mine. In addition, the cost of compliance with these regulations is expected to increase in the future as they become more extensive and continue to evolve.	<p>The company adheres to all the required regulations and laws of South Africa. DRDGOLD monitors any changes to regulations or government policies, and engages with government and regulators to ensure compliance. The company maintains extensive relationships with regional and national government bodies to ensure any issues that may arise are addressed immediately.</p> <p>Through its relationships with various government bodies, DRDGOLD may be in a position to influence and guide policies and frameworks.</p>	 Government and regulators  Unions/organised labour

Risk	Response	Reference
<b>Skills shortages</b>		
<p>DRDGOLD competes globally with other mining companies to attract and retain key human resources. The need to recruit, develop and retain skilled employees is particularly critical with respect to HDSAs and women in mining in South Africa. Due to the limited availability of skills and experience, there is no guarantee that the company will attract and retain the necessary personnel.</p>	<p>The phantom share incentive scheme serves as a long-term incentive to retain senior employees and certain key employees are retained with lock-in contracts. In addition, competitive bonus schemes and salaries are used to attract and retain talent. Employees with high potential participate in individual development programmes to ensure the retention of appropriate candidates to fill senior positions in the future.</p> <p>The current turmoil within the mining industry in South Africa, and in particular underground mining companies, may benefit DRDGOLD by attracting skilled, high-calibre people, seeking a more "stable and sustainable" environment.</p>	 <i>Communities</i>  <i>Government and regulators</i>  <i>Employees</i>
<b>Fraud, theft and criminality</b>		
<p>DRDGOLD's operations are a target for criminals, and employees are sometimes threatened or attacked. The main objective of these criminal activities is to gain access to the property and to steal company assets. In most cases this involves the theft of copper cable and scrap metal. Such activities could adversely affect the company's operational output and/or put the lives of employees in danger.</p>	<p>Relationships are established and maintained with the leaders of communities in the vicinity of DRDGOLD's operations. Security departments at the operations and the security service provider increase their staff complement as required. Surveillance equipment has been installed and there is continuous monitoring by security personnel.</p>	 <i>Communities</i>  <i>Employees</i>
<b>Cost increases</b>		
<p>Most of DRDGOLD's operating costs consist of labour, steel, electricity, water, reagents, fuels, lubricants and other oil- and petroleum-based products. The company has no influence over the cost of consumables, many of which are linked to the price of oil and steel. The majority of the South African labour force is unionised and wage increase demands have in recent years been above the prevailing rates of inflation. DRDGOLD's mining operations are dependent on electrical power supplied by Eskom. Eskom indicated that it did not have sufficient funding for planned infrastructure development, and imposed tariff increases that have had an adverse effect on DRDGOLD's operating costs. Eskom has announced further above-inflation increases in future.</p>	<p>Operating and capital costs are monitored and reviewed regularly by management and the board. A dedicated procurement department manages all purchases, contracts and tenders. Where possible, power conservation and reduction initiatives are taken at the operations.</p> <p>The new project to utilise effluent water and reduce reliance on potable water will also assist in reducing water costs.</p>	 <i>Employees</i>  <i>Suppliers</i>  <i>Unions/organised labour</i>







# KEY OPPORTUNITIES AND RISKS

(CONTINUED)

Risk	Response	Reference
<b>Environmental compliance</b>		
<p>DRDGOLD's operations are subject to increasingly extensive laws and regulations governing the protection of the environment. These regulate air and water quality, hazardous waste management and environmental rehabilitation and reclamation. The group's mining and related activities have an impact on the environment, including land, habitat and streams near the mining sites. Delays in obtaining, or failures to obtain, government permits and approvals may adversely affect DRDGOLD's operations. In addition, the regulatory environment in which the company operates could change, resulting in substantial cost increases to achieve compliance, thus having a material adverse effect on DRDGOLD's profitability.</p> <p>Flooding of underground mining areas is an inherent risk at some DRDGOLD properties. The central basin, created during South Africa's 125 years of mining, is currently flooding and water is expected to decant in and around ERPM's Cinderella Shaft if nothing is done to stop it. This water is contaminated with metal sulphides from past mining activities and is known as AMD. Progressive flooding could eventually cause the discharge of AMD at the surface and into local water sources. Estimates of the probable rate of rise of water are contradictory and lack scientific support. However, should underground water levels not reach a natural subterranean equilibrium, and in the event that underground water rises to the surface, DRDGOLD could face claims relating to environmental damage as a result of the pollution of groundwater, streams and wetlands.</p>	<p>The company integrates environmental management into its business and planning so as to minimise the influence of its activities on the receiving environment. This includes carrying out internal risk and environmental impact assessments. DRDGOLD complies with the relevant environmental legislation as a minimum and adopts and applies the best environmental options with respect to current activities as well as potential projects. Through a process of monitoring, auditing and reviewing by management, the company evaluates the success of the management and mitigation measures applied. It also ensures that environmental risks and potential emergencies are identified and managed through effective controls and procedures as identified in the risk register and the applicable Environmental Management Programmes.</p> <p>The government has appointed TCTA to develop a solution for AMD and DRDGOLD is collaborating with TCTA by providing access to its existing infrastructure.</p> <p>A heads of agreement has been signed with the TCTA, aimed at laying a foundation for a solution to AMD. In terms of the agreement Ergo has, at its election, the option of acquiring up to 30ML of untreated or partially treated AMD a day.</p>	<div>  Shareholders          Communities          Government and regulators          Employees       </div> <p><b>SD</b> page 50 For more on our environmental compliance and approach to AMD</p>
<b>Gold price and currency volatility</b>		
<p>DRDGOLD's revenue and earnings are dependent on the prevailing gold price. Historically, the gold price has fluctuated widely and is affected by a number of factors over which the company has no control. DRDGOLD's profitability may be negatively affected if revenue from gold sales drops below the cost of production for an extended period. As the majority of the company's operating costs are in rands while gold is generally sold in US\$, its financial condition could be materially harmed in the future by an appreciation in the value of the rand.</p>	<p>Strategic focus on reducing risk, controlling costs and improving margins. Currently, and for the foreseeable future, it is not DRDGOLD's policy to enter into forward contracts to reduce its exposure to fluctuations in the US\$ gold price or the exchange rate movements of the rand.</p>	<div>  Shareholders       </div>



Above: A self-propelled cyclone unit depositing discarded tailings on the BTF

Risk	Response	Reference
<b>Labour unrest</b>		
DRDGOLD may experience labour unrest and violent strike action for increased wages and improved employment conditions. These potential situations may be fuelled by inter-union rivalry, politics, and mine workers' debt levels. Prolonged strike action could have a material adverse effect on the company's operating and financial results.	Our policy is to negotiate a two-year collective wage agreement. We continue to engage with unions at regional and national levels. There is an increased focus on enhanced, direct communication with our workforce.	 Shareholders  Employees  Unions/organised labour  Government and regulators
<b>Diminishing head grades</b>		
Our surface resources contain relatively low grades of mineralisation and these grades decrease over the life of mine. A sustained decrease in the grade delivered to the plant below our cut-off grade could have a material adverse effect on the company's operating and financial results.	<p>Our investment in technology to improve recovery efficiencies may offset the impact of diminishing head grades.</p> <p>Securing additional higher-grade surface resources within our current footprint may also offset the impact of diminishing head grades.</p>	 Shareholders  Employees

## TRANSFER OF RISKS

An aspect of risk management is to identify and implement, where appropriate, the transfer of risk to third parties to protect the company from any major disaster. Certain of DRDGOLD's risks are therefore covered by the group insurance policies. The majority of these policies, which encompass all the operations, are held through insurance companies operating in Britain, Europe and South Africa.

**FACT:** WE USE OUR SIX  
**CAPITALS**  
TO CREATE VALUE

# OUR STRATEGY

# CEO'S REPORT TO SHAREHOLDERS

*I am pleased to report a solid set of results for the year ended 30 June 2013. We produced 8% more gold in FY2013 than in FY2012 from our continuing operations (Blyvooruitzicht Gold Mining Company Limited – our operating underground mine in Carletonville was disposed of at the end of FY2012 and was treated as a discontinued operation) which are now consolidated under subsidiary Ergo Mining Proprietary Limited (Ergo).*

## DEAR SHAREHOLDER

*"We increased gold production and operating profit, and paid a dividend to shareholders"*

I am pleased to report gold production for the year that was up 8% and, importantly, toward the higher end of our target range at 146 381oz. We increased operating profit by 9% to R679.3 million, with an 11% increase in headline earnings per share to 68 SA cents per share. Our all-in sustaining costs were contained to R365 569/kg, and our all-in sustaining costs margin was steady at 20%.

For FY2013 we paid R283 million in salaries, wages and benefits, spent R1.3 billion on goods and services and R16 million on corporate social investment and local economic development projects. Our total value distribution was R849 million – and we were pleased to declare both an interim and final dividend totalling 28 SA cents. This has been our sixth successive year of paying dividends, and this year's distribution was 180% up on last year.

These outcomes are in no small measure due to the fact that the business of DRDGOLD – mining gold from surface tailings – has a different risk profile from that associated with underground mining. We also managed to avoid labour strike action and did not have any safety stoppages or fatalities during the year. I would like to think that the various programmes and initiatives that we have in place to motivate staff and to train and develop our people may in some small way have contributed to this. More on these various initiatives as well as our health and safety initiatives that are integral to achieving zero harm in the workplace can be found in other sections of this, our third integrated report, as well as in our Sustainable Development Report 2013.

In order to sustain these levels of performance, especially in a bearish gold price environment and with the ever increasing demands of social and environmental capital, we have to maintain an integrated approach and establish a clear and enduring alignment between the objects of financial, social and natural capital. We are therefore committed to sustainable development, both as a core value and as a key strategic imperative in deciding the deployment of capital and resources.

## SUSTAINABLE DEVELOPMENT: OUR VALUE PROPOSITION AND FINANCIAL CAPITAL

The business of mining gold from surface resources creates two different types of value. The first, the mining, extracting and production of gold, benefits our shareholders directly. The second, involving the removal from the landscape of the man-made dumps that came to be deposited around the Witwatersrand basin during the mining activities of the past 125 years, benefits the environment by removing dust sources, and also frees up valuable land that can be returned to the economy. This delivers both into the demands of financial capital and natural capital.

*"Our mining process removes old dumps and returns valuable land to the economy"*

Our business model is a simple one. We create value for our shareholders by mining gold left behind in mine dumps scattered across the Johannesburg landscape. Using earth-moving machinery and high-pressure water guns, old sand and slimes tailings-dumps are broken down and the slurry fed through a network of pipelines to our Brakpan and Knights plants to be recycled. Once the gold has been extracted through a combination of flotation, grinding and the CIL process, the discarded tailings are deposited on

# CEO'S REPORT TO SHAREHOLDERS

(CONTINUED)

a modern tailings storage facility, also in Brakpan. The extracted gold is smelted and delivered to Rand Refinery to be sold on our behalf.

Our business is volume driven – if the leach tanks remain full, the gold comes out the other end. We therefore have teams working around-the-clock at all our sites to ensure an uninterrupted flow of material to our plant. We rely extensively on automated, remote, computer driven volume, density and pressure management systems and monitor operations at each site 24/7 from a centralised control room at the Ergo plant. Our remote monitoring reduces the size of onsite deployment requirements and significantly reduces the amount of travel required by our supervisors. It also assists in early fault detection which in turn helps to prevent extensive breakdowns, costly repairs and unnecessary travelling by maintenance crews and engineers. This, and the fact that all our reclamation sites are situated within the province of Gauteng over a distance of approximately 62 kilometres means that our managers, their staff and our service providers are able to move between the various operations without having to spend excessive time on the road. This helps reduce our carbon footprint and helps to meet our responsibilities towards our natural capital.

Ergo comprises a number of components, and the plant in Brakpan – which we refurbished in FY2012 and which has an annual treatment capacity of 21.6Mt – is the centre of gravity of our operations. This plant primarily treats material from the 180Mt Elsburg dump. Our Knights plant in Germiston is geared towards higher-grade sand material at lower volumes of around 2.4Mt a year. It is in the last stages of treating materials reclaimed from the Cason dump before it will start treating materials from one of the few remaining sand dumps in the region, 4A6. Our Crown and City Deep plants have both been converted into milling and pump stations in support of the Ergo plant.

Connecting all these facilities is an extensive pipeline network that carries material before and after treatment.

The final – but nonetheless key – component is our tailings storage facility in Brakpan (BTF) where the residue from the retreatment process is deposited. This has also recently been upgraded to increase its capacity.

## SUSTAINABLE DEVELOPMENT: OUR TECHNOLOGY

The focus of our business going forward is to continue what we do best – mining surface gold tailings in a safe and responsible manner. However, we intend to do this with far greater efficiency as we focus on R&D with the aim of extracting every last particle of gold from the tailings that we treat. At present we are recovering approximately 42% of the gold in the tailings, and the rest is returned to the BTF. Our flotation and fine-grind project is in the final stages of commissioning and is the first step towards capturing a large proportion of gold that was previously “inert”.

All indications are that the new circuits should improve extraction efficiencies by some 16 to 20% which could take recoveries close to 50%. The upside of improving these recoveries even further is self-evident, and will increase our ability to create value in the longer term. It remains an important part of the work of our R&D team.

Our R&D team is also busy with a study into the feasibility of recovering uranium and will, in time, address how best to use our technology in other areas especially in the areas of critical mass, economies of scale and volume sensitivity.

*"Our business depends on the uninterrupted flow of material to our plants"*

*"We are targeting the inert gold in the tailings we treat"*



*Above: Ergo's 3A2 reclamation site near Johannesburg*

*"We established EBDA to train and develop our employees as well as members of our local communities"*

## **SUSTAINABLE DEVELOPMENT: OUR PEOPLE**

At DRDGOLD we realise that we will only be able to deliver into our responsibilities to our shareholders if we nurture and preserve the required human resources and intellectual capital that drive the business.

Creating sustainable social relations and contributing to self-sustainable community solutions have become conditions for the social licence to exploit non-renewable resources.

In this regard our focus is on employee empowerment, adult education and youth development. To this end we established EBDA, a training academy in 2009. We use this accredited facility to provide opportunities both for our employees to acquire additional skills and knowledge and develop toward a knowledge-based labour force, and to members of the communities surrounding our operations.

EBDA offers a range of learning interventions: adult basic education and training (ABET), computer courses, engineering and related learnerships and skills programmes, N-courses, portable skills training and soft skills.

# CEO'S REPORT TO SHAREHOLDERS

(CONTINUED)

For younger learners we introduced a number of initiatives to skill them for their life journey – particularly in the critical and often most difficult areas of the curriculum – mathematics and science. Our Maths and Science Centre of Excellence has had solid successes in improving the skills of the learners in participating schools. We have now added accounting to this programme and expect to see similar improvements.

The Enterprise Clubs offer a three year course to young people to the realities of the workplace and offer guidance in the basics of running a small business. Not only do we want to create enthusiastic entrepreneurs, but we also want to produce job creators – people who can go out and establish businesses, employing more people to provide critically-needed job opportunities.

The social capital development into surrounding communities extends beyond education and includes contributions towards hardship alleviation and enhancing quality of life, a recent example being the roll-out of gas-fired stoves and gas supplies to systematically replace coal and wood fire cooking.

On the personal wellness front we have been building a campaign in recent years to encourage our employees to make informed life choices and to do the right thing. Beginning with the Think campaign and continuing with Vuselela (meaning revival or renewal) – which involved all our staff identifying a set of core values in a series of workshops – in FY2013 we launched a third stage of this campaign. Named Best Life, this programme continues to reinforce the concept of living one's best life, both at work and in the home – and setting the right example for younger generations. We have also, as part of Best Life, partnered with ICAS, an independent counselling and advisory service, to provide a tollfree, around-the-clock helpline to provide support for employees in a number of important areas including health and financial management.

## SUSTAINABLE DEVELOPMENT: THE ENVIRONMENT

Our ambition is not limited to managing the impact of our activities on the environmental footprint, but also to reducing our consumption of natural resources through better technology and alternative sourcing. In this regard we are pleased to have achieved an 18% saving in power usage in the pumping of slurry by incorporating automated controls and low resistance lining in our pipelines. We also achieved a reduction in our Rand Water consumption by 5% and our bill by 11% – our target is to reduce this even further by sourcing grey water from sewage plants and from the Department of Water Affairs AMD treatment plants that should become operational this year.

In respect of environmental containment, we spent R67.9 million on dump rehabilitation in FY2013. This included vegetating 75ha of top and 46.0ha of side slopes on tailings dams and installing 115ha of netting to reduce dust by channelling and reducing wind speed.

More detail on our environmental progress can be found in our Sustainable Development Report 2013.

**SD** pages 23 to 41  
For more on our people-  
focused initiatives

*"We are focused  
on reducing  
consumption of  
natural resources"*

**SD** pages 44 to 52  
For more on our  
environmental initiatives

*"Our success was made possible by team co-operation at all levels of the business"*

## DRDGOLD: THE FUTURE

At DRDGOLD we work toward a simple strategy and a business model that is not difficult to explain and that is easy to understand. We have also spent a lot of time and effort improving our understanding of the risks inherent to this model and how to improve our risk profile. Economies of scale, volume sensitivity and extraction efficiencies are the issues that require ongoing and intelligent focus from the DRDGOLD management team. Their significance is understood deep into the hierarchy of the organisation and the board and executive provide a supportive environment, as well as the necessary resources and funding to support management efforts to manage and improve these sensitivities. Finding a smooth overlap and avoiding a clash between these, the operational challenges, and our social and environmental ambitions, will be at the centre of our attention during FY2014.

We brought a substantial amount of cash into the new financial year – just over R370 million. Most of the large capital spend is behind us, and a reduction of almost R200 million in capital expenditure planned for this year could go a long way towards offsetting the drop in the gold price earlier this year. Two “unknowns” should be either settled or become clearer by the end of December – the outcome of wage negotiations and the real impact on recoveries of a stabilised fine-grind circuit. By then we also hope to have a better fix on whether the gold price is still in decline or if it has bottomed out. These dynamics all play a role in our board’s approach to future dividends.

## THANK YOU

None of the outcomes we achieved would have been possible without the co-operation and commitment of our staff across all the operations. I therefore take this opportunity of thanking every employee for his or her contribution to making FY2013 a successful year. In a jurisdiction where collective labour action is frequently accompanied by lawlessness, our unionised colleagues stuck to the rules. We are encouraged by it and we are pleased that in this regard we seem to enjoy a different risk.

My thanks also to the members of the management team, to my fellow Exco members and also to the members of the board for their guidance and good judgement.

Niël Pretorius  
CEO DRDGOLD

# STRATEGY AND RESOURCE ALLOCATION

*Our strategy is outlined below and the implementation of the strategy forms the basis of the various sections in this report.*

## OUR STRATEGY

DRDGOLD's strategy is to **enhance shareholder value** in the short and medium term by continuing to produce gold ounces from our 11Moz resource while simultaneously:

- reducing risk and creating opportunities;
- controlling costs;
- maximising margins; and
- assuming our social and environmental responsibilities.

This strategy involves using our various capitals – human, financial, intellectual and manufactured – to extract gold from extensive surface resources in the safest and most efficient manner, thus ensuring the sustainability of our social and environmental capital.

It also involves realising the value of the underground ounces associated with ERPM Extensions 1 and 2, an asset that no longer fits our strategy and is for sale.

DRDGOLD's long-term strategy is to **improve gold recovery** so that, in future, zero gold is returned to tailings deposition facilities along with the discarded material; and to **growing its reclamation business** by:

- the use of technology and continuing R&D;
- acquiring additional surface resources on the Witwatersrand and, possibly, other areas;
- using existing expertise and skills to expand into the reclamation of other minerals from discarded tailings material.

Challenges that might affect this strategy, and our performance, are discussed in more detail in the section Opportunities and risks.

*"Our strategy is to create value by judicious use of our capitals"*

## STRATEGIC FOCUS AREAS

Our key strategic focus areas support the achievement of our target outcomes which are measured and re-evaluated on an ongoing basis. These target outcomes are reflected in the strategic focus areas referred to below.

<b>Effectively exploiting our large surface gold resources</b>		Successfully exploiting our 11Moz surface gold resource by improving recoveries using better technology and innovation
<b>Reducing risk and creating opportunities</b>		Effectively monitoring, evaluating and responding to risks, whilst taking advantage of opportunities to create value for all stakeholders by optimising assets for future growth
<b>Controlling costs and maximising margins</b>		Ensuring that full value is realised from our products, maintaining consistent volumes, improving extraction efficiencies, using better technology and managing costs to protect margins and returns
<b>Assuming our social and environmental responsibilities</b>		Developing business and social partnerships based on mutual value creation while maintaining a focus on ensuring the safety and well-being of employees, and managing environmental and other impacts
<b>Embracing technology and innovation</b>		Improving gold recovery and operational efficiencies through continued R&D, the use of new technologies and encouraging a culture of innovation



*Above: Infrastructure at the Elsburg reclamation site*

## MEASURING ACHIEVEMENTS AND TARGET OUTCOMES

Strategic focus area	Key performance indicator	Target outcomes
Effectively exploiting our large surface gold resources	Return on equity Dividend yield	Return on equity of 15% Dividend yield of 4% to 5%
Reducing risk and creating opportunities	Share price – cents per share	Share price performance outperforming the JSE gold index
Controlling costs and maximising margins	All-in sustaining costs (AISC) – R/kg AISC margin – %	Achieving budgeted AISC Achieving AISC margin of 15%
Assuming our social and environmental responsibilities	Number of employees receiving training Number of community learners completing courses Number of reportable environmental incidents	Achieving employee training targets Achieving community learner targets Reducing in reportable incidents
Embracing technology and innovation	Gold recovery efficiencies – % Gold production – oz	Improving gold recoveries by 16% to 20% Achieving budgeted gold production

**FACT:** R849 MILLION  
**TOTAL**  
VALUE DISTRIBUTION

# OUR PERFORMANCE

# FIVE-YEAR REVIEW\*

		2013	2012	2011	2010	2009
<b>Summarised group operating results</b>						
Ore milled	(t000)	23 254	24 897	24 187	22 590	14 523
– Underground		–	569	732	633	787
– Surface		23 254	24 328	23 455	21 957	13 736
Yield	(g/t)	0.20	0.29	0.34	0.33	0.53
– Underground		–	3.99	3.89	3.79	4.26
– Surface		0.20	0.20	0.23	0.23	0.32
Gold produced	(kg)	4 553	7 227	8 248	7 502	7 704
– Underground		–	2 272	2 845	2 402	3 354
– Surface		4 553	4 955	5 403	5 100	4 350
Gold produced	(oz)	146 381	232 353	265 179	241 194	247 689
– Underground		–	73 048	91 469	77 226	107 834
– Surface		146 381	159 305	173 710	163 968	139 856
Average price received	(R/kg)	458 084	418 538	308 221	267 292	250 589
Average price received	(\$/oz)	1 613	1 679	1 372	1 092	861
Cash operating costs	(R/kg)	310 763	304 912	251 296	233 112	212 228
– Underground		–	416 540	342 123	324 736	274 066
– Surface		310 763	253 727	203 470	189 959	164 549
Cash operating costs	(\$/oz)	1 094	1 223	1 119	953	730
– Underground		–	1 671	1 523	1 327	942
– Surface		1 094	1 018	906	776	566
Operating margin	(%)	32	27	18	13	15
– Underground		–	1	(11)	(22)	(10)
– Surface		32	40	34	29	35
Capital expenditure	(R million)	361.5	319.1	315.8	194.0	345.1
<b>Reserves and resources</b>						
Attributable mineral reserves	Moz	1.7	1.8	7.3	7.3	6.0
Attributable mineral resources	Moz	37.3	37.6	60.2	60.0	56.4
<b>Summarised group statement of comprehensive income (R million)</b>						
Revenue		2 076.5	3 004.3	2 565.3	1 990.5	1 910.7
Cost of sales		(1 639.4)	(2 501.9)	(2 343.5)	(1 891.8)	(1 834.0)
Gross profit from operations		437.1	502.4	221.8	98.7	76.7
Impairments		(238.0)	(1.1)	(547.7)	(6.2)	(75.1)
Administration expenses and general costs		(78.1)	(121.5)	(88.1)	(57.0)	(83.6)
Finance income – net		24.0	15.7	30.8	176.1	164.3
Profit/(loss) before taxation		145.0	395.5	(383.2)	211.6	82.3
Income tax		(44.9)	(8.0)	(32.2)	(8.2)	28.4
Profit/(loss) for the year		100.1	387.5	(415.4)	203.4	110.7
<b>Summarised group statement of financial position (R million)</b>						
Non-current assets		2 066.3	2 021.6	1 778.7	2 178.2	2 075.3
Current assets		604.8	470.7	510.0	402.1	550.5
Total assets		2 671.1	2 492.3	2 288.7	2 580.3	2 625.8
Equity		1 648.3	1 633.9	1 219.2	1 650.0	1 584.0
Non-current borrowings		143.3	–	30.3	–	–
Other non-current liabilities		633.7	597.3	629.1	661.1	715.8
Current borrowings		24.3	30.7	79.3	–	2.1
Other current liabilities		221.5	230.4	330.8	269.2	323.9
Total equity and liabilities		2 671.1	2 492.3	2 288.7	2 580.3	2 625.8

\* Total operations including Blyvoor.

# FIVE-YEAR REVIEW (CONTINUED)

		2013	2012	2011	2010	2009
<b>Summarised group statement of cash flows (R million)</b>						
Cash flows from operating activities		502.3	621.1	324.0	53.6	208.2
Cash flows from investing activities		(429.4)	(413.3)	(335.2)	(226.4)	(593.4)
Cash flows from financing activities		5.7	(168.5)	81.3	7.8	(85.8)
Net increase/(decrease) in cash and cash equivalents		78.6	39.3	70.1	(165.0)	(471.0)
Cash and cash equivalents at the beginning of the year		298.5	259.1	188.2	353.6	845.6
Foreign exchange movements		0.1	0.1	0.8	(0.4)	(21.9)
Cash and cash equivalents at the end of the year		377.2	298.5	259.1	188.2	352.7
<b>Group performance indicators</b>						
<b>Profitability</b>						
Operating margin	(%)	32	27	18	13	15
All-in sustaining costs margin	(%)	20	15	6	8	(11)
Headline earnings per share	(cents)	68	86	28	13	34
EBITDA	(R million)	502.8	502.2	264.9	232.5	17.2
EBITDA margin	(%)	24	17	10	12	1
Return on equity	(%)	18	22	9	3	9
<b>Asset and debt management</b>						
Current ratio	times	2.5	1.8	1.2	1.5	1.7
Debt to equity ratio	(%)	10	2	9	–	–
Interest cover	times	26.7	65.2	23.2	47.4	4.8
Net asset value per share	(cents)	428	424	317	429	419
<b>Market value and shareholder returns</b>						
Market price per share	(cents)	528	535	327	341	603
Ordinary shares in issue		385 383 767	385 383 767	384 884 379	384 884 379	378 001 303
Market capitalisation	(R million)	2 034.8	2 061.8	1 258.6	1 312.5	2 279.3
Price earnings ratio	times	7.7	6.2	11.7	26.5	17.7
Market/book ratio	times	1.2	1.3	1.0	0.8	1.4
Dividend declared per share	(cents)	28.0	10.0	7.5	5.0	5.0
Dividend yield	(%)	5.3	1.9	2.3	1.5	0.8
<b>Group sustainability indicators</b>						
Total economic value distributed	(R million)	429	910	847	669	761
Value distributed to employees – salaries, wages and benefits	(R million)	283	821	759	629	673
Value distributed to government – taxation and royalties	(R million)	4	22	10	11	46
Total employees (including specialised services)		2 752	2 222	6 875	6 409	6 715
Fatalities		–	1	1	2	5
Cyanide consumption	(tonnes)	5 712	6 574	6 682	4 896	4 380
CO <sub>2</sub> emissions (direct)	(tonnes)	4 090	8 159	8 472	6 242	10 110
CO <sub>2</sub> emissions (indirect)	(tonnes)	390 611	697 796	682 666	786 101	895 928
Electricity consumption	(MWh)	325 509	677 472	689 562	655 084	746 607
Water consumption	(1 000m <sup>3</sup> )	5 748	8 301	8 491	11 546	14 682
Socio-economic development spend	(R million)	2.2	5.5	15.8	5.3	2.4
<b>Exchange rates</b>						
Average rate	(R:US\$)	8.8328	7.7523	6.9865	7.6117	9.0484
Closing rate	(R:US\$)	9.8675	8.2700	6.8295	7.6529	7.8821

# CFO'S REVIEW

*DRDGOLD put to use its financial, human, manufactured and intellectual capitals to achieve solid results in FY2013. Our focus remains on extracting more gold, improving technology using R&D and creating value for shareholders, while maintaining good relationships with all stakeholders and striving for zero harm and a long-term, sustainable business.*

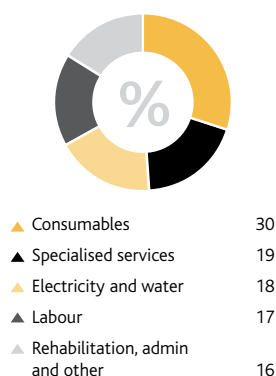
**Production (oz)**  
for the year ended 30 June 2013



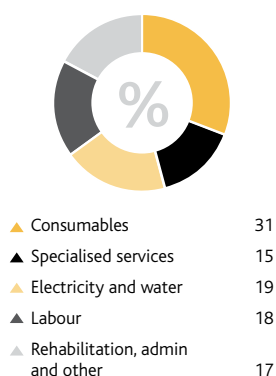
**Revenue (Rm)**  
for the year ended 30 June 2013



**Cost breakdown**  
for the year ended 30 June 2013



**Cost breakdown**  
for the year ended 30 June 2012



## KEY FEATURES FOR THE YEAR

- Total dividends for the year of 28 cents per ordinary share, up 180%
- Gold production up 8% to 146 381oz
- Operating profit up 9% to R679.3 million
- Headline earnings per share up 11% to 68 cents per share
- All-in sustaining costs up 10% to R365 569/kg
- All-in sustaining costs margin steady at 20%

## OUR PERFORMANCE

All figures used in this review represent continuing operations, unless specified otherwise.

### Key focus areas

The key financial focus areas for FY2013 and the results achieved were as follows:

Key focus areas for FY2013	Results achieved
Improving margins	Our operating margin decreased to 32%, from 35% in FY2012, but more importantly the all-in sustaining costs margin remained steady at 20%.
Improving headline earnings per share	Headline earnings per share increased by 11% to 68 cents, from 61 cents in FY2012.
Improving cash inflow from operations	Net cash inflow from operations increased by 4% to R502.3 million, from R484.1 million in FY2012.
Stringent capital allocation, management and measurement against return on investment	Capital is allocated for new projects with the intention of maximising return on equity. Our return on equity for FY2013, of 18%, remained comfortably above the company's cost of capital.
Raising of funding for the construction of Ergo's flotation/fine-grind circuit at the Ergo plant	During the year we managed to successfully raise R165 million in debt funding for this project.

### Production

Gold production was 8% higher year-on-year at 146 381oz, the result of an 8% increase in throughput to 23.3 Mt. In addition, recovered grade was up slightly from 0.195g/t to 0.196g/t.

### Revenue

Revenue increased by 18% to R2 076.5 million in FY2013. This was the result both of an 8% increase in gold production and a 9% increase in the rand gold price.

### Operating costs

An 8% increase in ore milled, combined with above-inflation increases in labour, electricity and reagent costs, resulted in a 22% rise in operating costs. The costs incurred to mine additional sand resources at the Knights plant also contributed towards the increase in costs.

# CFO'S REVIEW (CONTINUED)

Cash operating costs per unit of production went up by 14% to R310 763/kg in FY2013, from R272 778/kg in FY2012. However, it is important to note that our all-in sustaining unit costs (as defined in the World Gold Council's Guidance Note) increased by only 10% to R365 596/kg, which means that we maintain a reasonable margin, even at current gold prices.

## Operating profit

Operating profit was 9% higher year-on-year at R679.3 million, mainly as a result of higher gold production and a strong average rand gold price.

## All-in sustaining costs margin

In FY2013, the all-in sustaining costs margin remained steady at 20%, with the increase in the rand gold price keeping track with the increase in all-in sustaining costs.

## Capital expenditure

In FY2013 the capital expenditure (excluding capitalised exploration and rehabilitation costs) increased by 51% to R381.9 million, compared with R252.3 million in FY2012. This increase was mainly as a result of expenditure on Ergo's flotation/fine-grind project during the year.

## Free cash flow

In FY2013 the free cash flow generated by our operations, defined as cash flow from operations less capital expenditure, decreased to R97.9 million from R153.8 million in FY2012. The drop in free cash flow generated was mainly due to the increase in capital expenditure because of Ergo's flotation/fine-grind project.

## YEAR-ON-YEAR FINANCIAL STATEMENT ANALYSIS

### Statement of profit or loss

An analysis of the summarised group statement of profit or loss for the year, with comments on significant variances, is presented on the next page.

### Operating profit (Rm) for the year ended 30 June 2013

12	622.2
13	679.3

### All-in sustaining costs margin (%) for the year ended 30 June 2013

12	21
13	20

### Capital expenditure (Rm) for the year ended 30 June 2013

12	252.3
13	381.9

### Free cash flow (Rm) for the year ended 30 June 2013

12	153.8
13	97.9

*Below: The Brakpan plant's  
second CIL circuit*



*"Our all-in sustaining costs increased by only 10%, ensuring we maintained a reasonable margin"*

Summarised group statement of profit or loss (R million)			
	Note	2013	2012
Revenue	1	2 076.5	1 764.2
Cost of sales	2	(1 639.4)	(1 400.3)
Gross profit from operations		437.1	363.9
Impairments	3	(238.0)	(1.1)
Administration expenses and general costs	4	(78.1)	(110.6)
Net finance income	5	24.0	8.8
Profit before taxation		145.0	261.0
Income tax	6	(44.9)	(8.0)
Profit for the year		100.1	253.0

The profit for the year of R100.1 million decreased by 60% year-on-year because of impairments amounting to R238.0 million. If the effect of the impairments is stripped out, there would have been a 34% increase in profit for the year.

#### 1. Revenue

An 8% increase in gold production and a 9% increase in the rand gold price resulted in revenue increasing by 18% to R2 076.5 million in FY2013.

#### 2. Cost of sales

Cost of sales increased by 17% from R1 400.3 million to R1 639.4 million in FY2013.

The major components of cost of sales are as follows:

- **Operating costs** rose by 22% mainly as a result of an 8% rise in volumes, together with above inflation increases in labour, electricity and reagent costs.
- **Depreciation** increased by 21% owing mainly to the additions to property, plant and equipment for the Crown/Ergo pipeline project.
- **Movement in provision for environmental rehabilitation** decreased to R15.3 million in FY2013 from R59.5 million in FY2012. A credit of R20.4 million, relating to the disposal of the old Durban Deep mining rights, was included in this year's movement.
- **Movement in gold in process** was a credit of R17.7 million in FY2013 compared with a credit of R9.4 million in FY2012, resulting from movements in gold inventories.

#### 3. Impairments

Impairments of R238.0 million, which were unrelated to our Ergo operation, were recorded during FY2013. A large portion of the impairment, R101.3 million, was due to a reclassification of the fair value adjustment already recognised on our investment in VMR from other comprehensive income to profit or loss. The investment in VMR is classified as an available-for-sale investment under IFRS. In addition to this impairment, we recorded an impairment of R50.1 million against our exploration assets in Zimbabwe, R40.0 million against our decommissioned Crown tailings complex, R21.0 million against the Cason underground assets and R25.6 million relating to our rehabilitation trust fund for the old DRDGOLD mining lease area which has been sold.

#### 4. Administration expenses and general costs

Administration expenses and general costs decreased by 29% in FY2012, from R110.6 million to R78.1 million. In FY2013, administration expenses and general costs included a profit on disposal of property, plant and equipment of R19.3 million compared to a loss on disposal of property, plant and equipment of R9.6 million in FY2012. If these items are excluded then administration expenses and general costs remained flat year-on-year.

*"The impairments recorded were unrelated to our Ergo operation"*

# CFO'S REVIEW (CONTINUED)

## 5. Net finance income

In FY2013, net finance income increased to R24.0 million from R8.8 million in FY2012. Net finance income in FY2013 included dividends received from VMR and Rand Refinery amounting to R32.5 million.

## 6. Income tax

The income tax charge was higher in FY2013 at R44.9 million, compared with R8.0 million in FY2012. The year-on-year increase was mainly due to a deferred tax credit in the previous year, which resulted from a decrease in the effective mining tax rate and the recognition of a previously unrecognised deferred tax asset.

*"We paid more tax in FY2013, as we benefited from a deferred tax credit in FY2012"*

## STATEMENT OF FINANCIAL POSITION

An analysis of the summarised group statement of financial position as at 30 June, with comments on significant variances is presented below:

Summarised group statement of financial position (R million)			
	Note	2013	2012
Property, plant and equipment	1	1 756.3	1 641.6
Other non-current assets	2	310.0	380.0
Cash and cash equivalents		377.2	298.5
Other current assets	3	227.6	172.2
Total assets		2 671.1	2 492.3
Equity	4	1 648.3	1 633.9
Non-current borrowings	5	143.3	-
Other non-current liabilities	6	633.7	597.4
Current borrowings	5	24.3	30.7
Other current liabilities	7	221.5	230.3
Total equity and liabilities		2 671.1	2 492.3

### 1. Property, plant and equipment

The increase in the value of property, plant and equipment from R1 641.6 million to R1 756.3 million was mainly due to capital expenditure incurred during the year amounting to R381.9 million, which was partially offset by depreciation of R143.8 million and impairments of R110.2 million. The balance of movements included borrowing costs capitalised and disposals.

### 2. Other non-current assets

Other non-current assets, comprising investments and deferred tax assets, decreased from R380.0 million to R310.0 million.

Significant movements included:

- mark-to-market decreases in the carrying value of our investment in VMR amounting to R117.2 million;
- investment and growth in our Guardrisk Cell Captive, amounting to R31.4 million;
- an acquisition of further shares and fair-value adjustments in our investment in Rand Refinery, amounting to R73.0 million;
- a decrease of R20.0 million in our investments in environmental rehabilitation trust funds, mainly due to the disposal of the old Durban Deep mining rights; and
- a decrease of R35.4 million in deferred tax assets, mainly as a result of the profits generated by Ergo.

### 3. Other current assets

Other current assets consist of inventories, trade and other receivables and a current tax asset. Other current assets increased from R172.2 million to R227.6 million. The increase was mainly as a result of a trade receivable for gold delivered to Rand Refinery which had not yet been sold at year end, amounting to R30.4 million, and an increase in consumable stores and finished stock at Ergo.

### 4. Equity

Equity increased from R1 633.9 million in FY2012 to R1 648.3 million in FY2013.

Significant movements included:

- the profit for the year of R100.1 million;
- the share option scheme buy-out, amounting to R24.1 million; and
- dividends paid to shareholders, amounting to R106.7 million.

### 5. Borrowings

In FY2013, borrowings increased to R167.6 million from R30.7 million in FY2012, as a result of the issue of new loan notes in July and September 2012, amounting to R165.0 million.

### 6. Other non-current liabilities

Other non-current liabilities, which consist of provision for environmental rehabilitation, post-retirement and other employee benefits and deferred tax liability, increased to R633.7 million in FY2013 from R597.4 million in FY2012.

Significant movements included:

- a R20.0 million increase in the provision for environmental rehabilitation, due to changes and reviews in estimates, discount and inflation rate assumptions at 30 June 2013; and
- an increase in the deferred tax liability of R13.7 million, largely as a result of a change in the estimated deferred tax rate.

### 7. Other current liabilities

Other current liabilities decreased from R230.3 million to R221.5 million in FY2013, mainly as a result of an insignificant decrease in trade and other payables.

## STATEMENT OF CASH FLOWS

An analysis of the summarised group statement of cash flows for the year, with comments on significant variances is presented below:

*"We paid dividends of R107m to shareholders"*

Summarised group statement of cash flows (R million)	Note	2013	2012
Cash flows from operating activities	1	502.3	621.1
Cash flows from investing activities	2	(429.4)	(413.3)
Cash flows from financing activities	3	5.7	(168.5)
Net increase in cash and cash equivalents		78.6	39.3
Cash and cash equivalents at the beginning of the year		298.5	259.1
Foreign exchange movements		0.1	0.1
Cash and cash equivalents at the end of the year		377.2	298.5

# CFO'S REVIEW (CONTINUED)

Free cash flow generated from operations, supplemented by debt raised of R165 million, was partially offset by dividends paid during the year and resulted in an increase in our cash and cash equivalents to R377.2 million.

*"One of our key focus areas in FY2014 is maintaining margins"*

## **1. Cash flows from operating activities**

Cash inflow from operating activities decreased from R621.1 million in FY2012 to R502.3 million in FY2013. However, the previous year's cash inflow included cash generated by Blyvooruitzicht Gold Mining Company Limited, amounting to R137.1 million.

## **2. Cash flows from investing activities**

Cash outflow from investing activities increased from R413.3 million to R429.4 million, mainly as a result of higher capital expenditure during the year, partially offset by proceeds on the disposal of property, plant and equipment.

## **3. Cash flows from financing activities**

The cash inflow from financing activities amounted to R5.7 million in FY2013 compared to a cash outflow of R168.5 million in FY2012. The cash inflow was largely due to the net increase in loan notes issued of R132.6 million, partially offset by dividends paid of R103.1 million, and the share option buy-out of R24.1 million.

## **LOOKING AHEAD**

Our key financial focus areas for FY2014 will be the following:

- maintaining margins;
- improving headline earnings per share;
- improving cash inflow from operations; and
- stringent capital allocation, management and measurement against return on investment.

### **Craig Barnes**

Chief financial officer  
16 September 2013

# FUTURE OUTLOOK

*In the first half of FY2014, we will continue commissioning the flotation/fine-grind circuit, with a view to achieving completion and stable production by December 2013. There will be increased focus on achieving sustainable profits in the year ahead, and we will seek to deliver into the targets set for reduced potable water usage and dust emissions.*

## LOOKING AHEAD

*"We are focused on stable production from our new circuits by the end of FY2013"*

**IR** pages 25 to 31  
For more on risk factors

We place great value on people – both our employees and those in the communities surrounding our operations. In the year ahead we intend to invest substantially in developing the competence of our employees. We will focus on personal financial management as this is one of the more important ways of dealing with the debt problems experienced by employees and the resulting garnishee orders.

On the technology front, we will look afresh at the potential our new technologies offer in terms of greater scale, both within our existing footprint and further afield. We will also specifically focus our attention on volume sensitivity and extraction efficiencies.

The table below includes a summary of our operational targets for FY2014. Our ability to meet these targets in the future could be impacted by risks (discussed in more detail in the "Opportunities and risks" section of this report) such as labour unrest, lower volumes, lower recovered grades, higher than expected cost increases and stringent regulatory and environmental requirements.

### Targets

For the year ended 30 June 2014			
Ore milled	Mt		24 – 25
Production	(oz)	140 000 – 150 000	
All-in sustaining costs	(\$/oz)	1 100 – 1 200	
	R/kg)	342 000 – 374 000	
Capital expenditure	\$ million		15
	R million		150

*Below: Netting has been installed on tailings dams to address wind speed and direction*





**FACT:** SHAREHOLDER INTERESTS  
**ALIGNED**  
WITH NEW REMUNERATION POLICY

# OUR GOVERNANCE

# BOARD AND EXECUTIVE



**Geoffrey Campbell**

## **GEOFFREY CAMPBELL (52)**

*BSc (Geology)*

*Independent non-executive chairman*

*Chairman: Nominations Committee*

*Member: Remuneration Committee*

*Member: Risk Committee*

Geoffrey Campbell was appointed a non-executive director in 2002, a senior independent non-executive director in December 2003 and as non-executive chairman in October 2005. A qualified geologist, he has worked on gold mines in Wales and Canada. He spent 15 years as a stockbroker before becoming a fund manager, during which time he managed the Merrill Lynch Investment Managers Gold and General Fund, one of the largest gold mining investment funds. He was also research director for Merrill Lynch Investment Managers. Geoffrey is a director of Oxford Abstracts.



**Daniël (Niël) Pretorius**

## **DANIËL (NIËL) PRETORIUS (46)**

*BProc LLB*

*Chief executive officer*

*Chairman: Risk Committee*

*Member: Social and Ethics Committee*

Niël Pretorius was appointed chief executive officer designate of DRDGOLD on 21 August 2008 and chief executive officer on 1 January 2009. After joining the company on 1 May 2003 as legal adviser, he was promoted to the position of group legal counsel on 1 September 2004 and general manager: corporate services on 1 April 2005. Niël was appointed chief executive officer of Ergo Mining Operations (formerly DRDGOLD SA) on 1 July 2006, becoming managing director on 1 April 2008. Niël, who has almost two decades of experience in the mining industry, was appointed chief executive officer of DRDGOLD on 1 January 2009.



**Craig Barnes**



**Robert Hume**

## **CRAIG BARNES (43)**

*BCom (Hons), CA (SA)*

*Chief financial officer*

*Member: Risk Committee*

*Member: Social and Ethics Committee*

Craig Barnes joined DRDGOLD in August 2004 as group financial accountant. A chartered accountant, he has a BCom from the University



**Edmund Jeneker**

of the Witwatersrand and a BCom (Hons) from the University of South Africa. Craig has over 18 years of financial experience, nine of which have been spent in the mining industry. Prior to joining DRDGOLD, he was with Liberty Life Limited for almost seven years, where he was head of financial reporting for the group. Craig was appointed as chief financial officer of Ergo Mining Operations in July 2006 and chief financial officer of DRDGOLD in May 2008.

## **ROBERT HUME (73)**

*CA (SA)*

*Independent non-executive director*

*Chairman: Audit Committee*

*Member: Risk Committee*

*Member: Remuneration Committee*

*Member: Nominations Committee*

Robert Hume was appointed a non-executive director in 2001. He has 43 years of experience in the field of auditing, including 18 years as a partner in the East London (South Africa) office of KPMG. Since retiring from KPMG in 1999, he has been an investment manager at Nvest Securities Proprietary Limited (formerly Sasfin Frankel Pollak) in East London.

## **EDMUND JENEKER (51)**

*IEDP(Wits), M.Inst. D., SAIPA*

*Independent non-executive director*

*Chairman: Social and Ethics Committee*

*Chairman: Remuneration Committee*

*Member: Audit Committee*

*Member: Risk Committee*

Edmund Jeneker was appointed a non-executive director in November 2007. He trained as an accountant and gained experience in finance, taxation, business strategy and general management at Grant Thornton, SwissReSA, World Bank Competitiveness Fund and Deloitte over a period of more than 20 years. He is active in community development and serves as a member of the Provincial Development Commission of the Western Cape Provincial Government. He currently holds the position of managing director: ABSA AllPay Consolidated Investment Holdings at ABSA Group Limited.

## BOARD AND EXECUTIVE (CONTINUED)

### JAMES TURK (66)

*BA (International Economics)  
Independent non-executive director  
Member: Audit Committee  
Member: Risk Committee  
Member: Remuneration Committee*

James Turk was appointed a non-executive director in October 2004, and in 2011 met the JSE Listing Requirements to be an independent director. He is the founder and a director of GoldMoney Network Limited, also known as GoldMoney.com, an online provider of physical gold, silver, platinum and palladium bullion to buyers worldwide and the operator of a digital gold currency payment system. Since graduating in 1969, he has specialised in international banking, finance and investments. After starting his career with JP Morgan Chase, in 1980 James joined the private investment and trading company of a prominent precious metals trader. He moved to the United Arab Emirates in 1983 as manager of the Commodity Department of the Abu Dhabi Investment Authority. Since resigning in 1987, he has written frequently on money and banking.

### THEMBA GWEBU (49)

*Bluris, LLB, LLM  
Executive officer: legal, compliance and company secretary*

Themba Gwebu, who is an admitted attorney of the High Court of South Africa, first joined DRDGOLD in April 2004 as assistant legal adviser. He was appointed company secretary in April 2005 and group legal counsel and compliance officer on 1 January 2007. He is currently executive officer: legal, compliance and company secretary.

### CHARLES SYMONS (59)

*BCom, MBL, Dip Extractive Metallurgy  
Chief operating officer*

Charles Symons joined the mining industry on 14 February 1977 and transferred to Crown Gold Recoveries Proprietary Limited in January 1986. He was appointed general manager in 1995, executive officer: surface operations of DRDGOLD Limited on 1 January 2008 and as executive officer: operations of DRDGOLD Limited on 11 May 2010. On 1 October 2011 he was appointed chief operating officer of DRDGOLD.

### THULO MOGOTSI MOLETSANE (45)

*BA, LLB  
Director: Ergo Mining Operations Proprietary Limited*

Thulo Mogotsi Moletsane is an executive director of Khumo Bathong Holdings Proprietary Limited and a director of Khumo Mining and Investments Proprietary Limited. He has completed an executive programme (EPP) offered by the Mining Qualifications Authority. He was appointed as a director of Ergo Mining Operations Proprietary Limited in August 2010.

### JACO SCHOEMAN (39)

*National Diploma (Analytical Chemistry), BTech (Analytical Chemistry)  
Executive officer: business development*

Jaco Schoeman joined DRDGOLD in 2011 as executive officer: business development to focus on expanding the group's surface retreatment business and extracting maximum value from existing resources. Jaco also has a chief executive role at Watermark Global plc and Western Utilities (which is listed on the JSE AltX as Mine Restoration Investments). The company's primary aim is to address a long-term solution for the acid mine drainage legacy issue, and Jaco's background will enable him to represent DRDGOLD in the negotiations with the relevant government organisations to determine a solution.

### MOLTIN PASEKA NCHOLO (50)

*LLB, LLM  
Non-executive director: Ergo Mining Operations Proprietary Limited*

Moltin Paseka Ncholo formed Khumo Bathong Holdings Proprietary Limited in 1999 and became an enthusiastic operator and member of the mining fraternity. Paseka is executive chairman of Khumo Bathong Holdings Proprietary Limited. Paseka holds various other executive and board positions. He was appointed as a director of Ergo Mining Operations in February 2013.



James Turk



Themba Gwebu



Charles Symons



Thulo Mogotsi Moletsane



Jaco Schoeman



Moltin Paseka Ncholo

# GOVERNANCE REPORT

*The DRDGOLD board of directors ensures that the principles of good corporate governance as recognised and practiced throughout the world are upheld and implemented.*

*"DRDGOLD has in place the necessary systems and controls to promote discipline, transparency, accountability, responsibility and fairness – all designed to protect the interests of shareholders, employees and the communities in which we operate"*

The directors, as custodians of corporate governance, apply diligence, integrity and honour in the execution of their fiduciary duties, in improving organisational performance and in delivering value to shareholders and stakeholders. In an effort to filter these principles throughout the organisation, DRDGOLD has implemented the Think, Vuselela and Best Life campaigns, encouraging employees to take advantage of opportunities for personal development.

DRDGOLD has in place the necessary systems and controls to promote discipline, transparency, accountability, responsibility and fairness to protect the interests of shareholders, employees and the communities in which we operate.

The provisions of King III serve as a guideline for high standards of corporate governance and are observed by DRDGOLD. As far as possible, the company enforces the provisions within the report's "apply or explain" principle.

DRDGOLD's shares are quoted on the JSE, which is its primary listing. DRDGOLD is also registered with the SEC in the USA and its ordinary shares are quoted on the NYSE in the form of an ADR Programme, administered by the Bank of New York Mellon. Accordingly, DRDGOLD is subject to compliance with SOX, which is documented in the company's Form 20-F, filed annually with the SEC.

## THE BOARD OF DIRECTORS

Niël Pretorius (CEO) and Craig Barnes (CFO) are the two executive directors on the board. The four non-executive directors are: Geoffrey Campbell, Robert Hume, James Turk and Edmund Jeneker. King III recommends a unitary board structure with a balance between the executive and the non-executive directors, and a substantial number of independent non-executive directors. All non-executive directors are independent.

### Compliance with stock exchange requirements

The board has satisfied all the necessary regulatory requirements of the JSE and NYSE, on which it is listed.

### Policy detailing the procedure for appointments to the board

In compliance with both the JSE and NYSE requirements, the board has a policy that is both formal and transparent. The Nominations Committee identifies, interviews and recommends short-listed candidates to the board. The board duly deliberates and appoints the most suitable person or persons and the shareholders elect directors at the AGM.

### Policy evidencing a clear balance of power and authorities at board level

The board has formal committees, each with distinct terms of reference. These terms outline the duties and responsibilities of directors in their areas of specialisation. The balance of power and authority at board level is illustrated by the separation of the positions of CEO and chairman. In 2007 the board approved a charter setting out the directors' responsibilities. It functions as a guideline to which directors should refer.

### The CEO must not hold the position of chairman of the board

This requirement has been continuously met since February 2005. Geoffrey Campbell is the independent non-executive chairman and Niël Pretorius, the CEO. The appointment of the chairman is in full compliance with King III. He is not part of the executive and has an impartial and objective approach.

# GOVERNANCE REPORT (CONTINUED)

## Appointment of committees

As required by the JSE Listing Requirements and recommended by King III, the board has Audit, Risk, Remuneration, Nominations and Social and Ethics committees – all governed by specific terms of reference.

**IR** pages 51 to 52  
For CVs

## A brief CV of each director

This is provided on pages 51 to 52.

**IR** pages 51 to 52  
For each director's capacity

## Categorisation of each director's capacity

This is provided on pages 51 to 52.

**IR** page 51  
For more on the CFO

## Majority of independent directors according to the JSE Listing Requirements

The majority of DRDGOLD's directors are independent in accordance with the JSE Listing Requirements.

## Listing Agreement

DRDGOLD executed a Listing Agreement in the form designated by the NYSE as prescribed by the rules of that stock exchange.

## Independence and responsibilities of the Audit Committee

All the members of the Audit Committee are independent according to the definition set out in the NYSE Rules. DRDGOLD also complies with South Africa's Companies Act, 2008, in terms of which all members of the Audit Committee must be non-executive directors who act independently. The committee's charter deals with all the aspects relating to its functioning.

## Appointment of financial director

The company appointed Craig Barnes as its financial director; the Audit Committee having satisfied itself that he has the necessary expertise and experience. The factors taken into account in making the determination include those set out on page 51. This determination is made on an annual basis. On 23 April 2013 the Audit Committee considered and confirmed the appropriateness of the expertise and experience of Craig Barnes.

## Compliance with other good corporate governance principles

Each director brings to the board his own particular expertise, as well as the appropriate professional experience. Unlike the executive directors who are involved with the day-to-day management of DRDGOLD and are salaried employees, the non-executive directors provide independent perspectives and judgement and do not receive salaries as remuneration.

*"Each director brings to the board his own particular expertise, as well as the appropriate professional experience"*

An important function of the board is to set policy and determine strategy. The board is able to maintain full and effective control by meeting on a quarterly and, when necessary, on an *ad hoc* basis in order to monitor and assess operational and financial performance and review strategy, risk and planning. The board's duties include the authorising of acquisitions and disposals, major capital expenditure, stakeholder communication and the approval of annual budgets.

In addition the board monitors and, where necessary, approves the activities of executive management, decisions made on material matters, the terms of reference of the subcommittees and any committees established to address specific tasks.

To assist directors – who are responsible for acquainting themselves with their duties, as well as operational matters – an induction programme has been established. Meetings with senior management and company advisors, as well as visits to operations, are arranged. The relevant information documents are provided to new directors, and to all directors on an ongoing basis as required.

In accordance with DRDGOLD's Memorandum of Incorporation (MOI) which was adopted at the 2012 annual general meeting (AGM), non-executive directors are subject to retirement by rotation and re-election by shareholders. However the shareholders have indicated a preference for executive directors

to be subject to the rotation and re-election by shareholders. The company has proposed an amendment to the MOI for tabling at the 2013 AGM so that in future all directors will be subject to re-election on a rotational basis. In addition, all directors are subject to election by shareholders at the first AGM 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 AGM 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 DRDGOLD at the group's expense, should they believe that such course of action would be in the best interests of the company. A structured and efficient procedure has been incorporated into the board charter.

### BOARD MEETINGS AND RESOLUTIONS

*"Board meetings are scheduled over two or three days to allow plenty of time for non-executive directors to interact without the executive directors"*

Quarterly board meetings are held mainly in South Africa and scheduled over two or three days. This allows board members sufficient time to discuss all items on the agenda and for the non-executive directors to interact without the presence of the executive directors.

An agenda and supporting papers are distributed to all directors prior to each board meeting. To ensure directors are properly informed, relevant facts, explanations and motivations are provided for any items of business requiring resolution at the meeting. In terms of good governance, the directors can conduct unrestricted inspections of all company property, information and records.

There is provision in the company's MOI for decisions to be taken between meetings by way of directors' written resolutions. Circulated to the directors, and supported by full motivations and explanations, directors are usually afforded five days to apply their minds to the matter at hand before they approve the resolution.

### BOARD COMMITTEES

The board is assisted in its work by a number of committees. Each committee is delegated specific functions by the board, and acts within approved terms of reference. These include membership requirements, duties and reporting procedures. Minutes of these committee meetings are circulated to the members of the committees and to the board. The effectiveness of these committees is regularly evaluated by the board.

#### Attendance by directors at the board meetings held during FY2012

Director	Designation	22 Aug 2012	17 Sep 2012	23 Oct 2012	08 Feb 2013	15 Apr 2013	24 Apr 2013
D J Pretorius	Chief executive officer	✓	✓	✓	✓	✓	✓
C C Barnes	Chief financial officer	✓	✓	✓	✓	✓	✓
G C Campbell	Non-executive chairman	✓	✓	✓	✓	✓	✓
R P Hume	Independent non-executive	✓	✓	✓	✓	✓	✓
J Turk	Independent non-executive	✓	✓	✓	✓	✓	✓
E A Jeneker	Independent non-executive	▲	✗	✓	✓	✓	✓

✓ Includes attendance through teleconference or videoconference facilities

▲ Unable to attend because he was ill

✗ Apology

# GOVERNANCE REPORT (CONTINUED)

Remuneration of non-executive directors for service on the committees is determined by the shareholders on the recommendation of the board.

The information below indicates the composition and activities of these committees.

## AUDIT AND RISK COMMITTEES

The Audit and Risk committees, chaired respectively by Robert Hume and Niël Pretorius, conduct joint quarterly meetings due to considerable overlap on the matter of financial risk. The joint sitting promotes better disclosure and ensures that DRDGOLD conforms more closely to the process prescribed by SOX.

*"The Audit and Risk Committees meet jointly to provide better disclosure"*

## AUDIT COMMITTEE

The members are: R P Hume (chairman), J Turk and E A Jeneker.

The Audit Committee is composed solely of independent non-executive directors.

The primary responsibilities of the Audit Committee, as set out in the Audit Committee Charter, are to assist the board in carrying out its duties relating to the selection and application of accounting policies, internal financial controls, financial reporting practices, identification of exposure to significant financial risks, and the preparation of accurate financial reporting and financial statements in compliance with all applicable legal requirements and accounting standards.

The Audit Committee meets each quarter with the external auditors, the company's manager: risk and internal audit, and the CFO. The committee reviews the audit plans of the internal auditors to ascertain the extent to which the scope of the audits can be relied upon to detect weaknesses in internal controls, and reviews the annual and interim financial statements prior to approval by the board.

## Attendance by members at the Audit Committee meetings held during FY2013

Director	02 Aug 2012	21 Aug 2012	17 Sep 2012	22 Oct 2012	07 Feb 2013	23 Apr 2013
R P Hume	✓	✓	✓	✓	✓	✓
E A Jeneker	✓	▲	✗	✓	✓	✓
J Turk	✓	✓	✓	✓	✓	✓

✓ Includes attendance through teleconference or videoconference facilities

▲ Unable to attend because he was ill

✗ Apology

## Attendance by members at the Risk Committee meetings held during FY2013

Director	20 Aug 2012	22 Oct 2012	07 Feb 2013	23 Apr 2013
D J Pretorius	✓	✓	✓	✓
G C Campbell	✓	✓	✓	✓
R P Hume	✓	✓	✓	✓
J Turk	✓	✓	✓	✓
C C Barnes	✓	✓	✓	✓
E A Jeneker	▲	✓	✓	✓

✓ Includes attendance through teleconference or videoconference facilities

▲ Unable to attend because he was ill

The committee is responsible for making recommendations to appoint, reappoint and remove the external auditors as well as determining their remuneration and terms of engagement. The committee pre-approves all services provided by the external auditors and has implemented a policy regarding the provision of non-audit services by external auditors, and pre-approval thereof. DRDGOLD's external audit function is currently being undertaken by KPMG Inc. who were appointed by shareholders at the 2012 AGM. The internal audit function is performed in-house, with the assistance of Pro-Optima Audit Services Proprietary Limited. Internal audits are performed at all DRDGOLD operating units and are aimed at reviewing, evaluating and improving the effectiveness of risk management, internal control and corporate governance processes.

Significant deficiencies, material weaknesses, instances of non-compliance and exposure to high risk and development needs are brought to the attention of operational management for resolution. The committee members have access to all the records of the internal audit team.

DRDGOLD's internal and external auditors have unrestricted access to the chairman of the Audit Committee and, where necessary, to the chairman of the board and the CEO. All significant findings arising from audit procedures are brought to the attention of the committee and, if necessary, to the board.

Section 404 of SOX stipulates that management is required to assess the effectiveness of the internal controls surrounding the financial reporting process. The results of this assessment are reported in the form of a management attestation report that has to be filed with the SEC as part of the Form 20-F. Additionally, DRDGOLD's external auditors are required to express an opinion on the operating effectiveness of internal controls over financial reporting, which is also contained in the company's Form 20-F.

## RISK COMMITTEE

The members are: D J Pretorius (chairman), J Turk, G C Campbell, R P Hume, E A Jeneker and C C Barnes.

The Risk Committee (Risco) comprises four non-executive directors and two executive directors. Its objective is to assist the board in matters relating to risk management and control responsibilities, assurance issues, health, safety and environmental compliance, and the monitoring and reporting of all these matters. Responsibility for the quality, integrity and reliability of the group's risk management is delegated to Risco by the board of directors. Risco facilitates communication between the board, the Audit Committee, internal auditors and other parties engaged in risk management activities.

The board appointed CEO, Niël Pretorius, as chairman of Risco because it believes the risks prevailing in a mining company include those relating to safety and these can result in loss of life. By appointing the CEO as chairman, Risco has someone with hands-on involvement in the company to steer the meetings in the right direction in order to identify and address all the critical issues.

Risco ensures that:

- an effective risk management programme is implemented and maintained;
- risk management awareness is promoted among all employees;
- risk programmes (financing/insurance) adequately protect the company against catastrophic risks;
- regular risk assessments are conducted;
- the total cost of risk in the long-term is reduced;
- the protection of DRDGOLD's assets is promoted throughout the group;
- the health, safety and well-being of all stakeholders is improved; and
- DRDGOLD's activities are carried out in such a way that the safety and health of employees is ensured.

*"The Risk Committee is chaired by the CEO to ensure all critical issues are addressed"*

# GOVERNANCE REPORT (CONTINUED)

Risco meets every quarter and reports back to the board. *Ad hoc* meetings may be arranged if required. DRDGOLD's manager: risk and internal audit, the group financial manager and the executive officer: legal, compliance and company secretary are among those members of management invited to attend Risco meetings on a regular basis.

The system to manage risk involves all significant business and operational risks which could undermine the achievement of business objectives and the preservation of shareholder value. The significant risks facing DRDGOLD, including those at an operational level, have been identified. Individuals have been assigned to each risk and the results of their work to improve controls are reviewed by senior management through regular risk meetings. The aim of the internal control systems is for management to provide reasonable assurance that the objectives will be met.

An important aspect of risk management is the transfer of risk to third parties to protect the company from disaster. DRDGOLD's major assets and potential business interruption and liability claims are therefore covered by the group insurance policy, which encompasses all the operations. The majority of these policies are held through insurance companies operating in the United Kingdom, Europe and South Africa. The various risk management initiatives undertaken within the group as well as the strategy to reduce costs without compromising cover have been successful, resulting in substantial insurance cost savings for the group.

*"Some risk is transferred to third parties, to protect the company from disaster"*

## REMUNERATION COMMITTEE

The members are: E A Jeneker (chairman), R P Hume, G C Campbell and J Turk.

The Remuneration Committee (Remco) is composed of four directors who are independent and non-executive. Remco is primarily responsible for approving the remuneration policies of DRDGOLD, and the terms and conditions of employment of executive and non-executive directors. Salaries, performance-based incentives and the eligibility and performance measures of the DRDGOLD phantom share scheme applicable to senior management are among the items considered by the committee.

### Attendance by members at the Remuneration Committee meetings held during FY2013

Director	21 Aug 2012	22 Oct 2012	30 Oct 2012	07 Feb 2013	23 Apr 2013
E A Jeneker	✓	✓	✓	✓	✓
G C Campbell	✓	✓	✓	✓	✓
J Turk	✓	✓	✓	✓	✓
R P Hume	✓	✓	✓	✓	✓

✓ Includes attendance through teleconference or videoconference facilities

### Attendance by members at the Social and Ethics Committee meetings held during FY2013

Director	20 Aug 2012	22 Oct 2012	07 Feb 2013	23 Apr 2013
E A Jeneker	✓	✓	✓	✓
D J Pretorius	✓	✓	✓	✓
C C Barnes	✓	✓	✓	✓

✓ Includes attendance through teleconference or videoconference facilities

*"The committee has an obligation to offer competitive packages that will attract and retain executives of the highest calibre and encourage and reward superior performance"*

**IR** pages 69 to 73  
For our remuneration policy

The committee has an obligation to offer competitive packages that will attract and retain executives of the highest calibre and encourage and reward superior performance. Industry surveys are provided for comparative purposes, and to assist the committee in the formulation of remuneration policies that are market-related.

The committee meets quarterly, and on an *ad hoc* basis if required. The committee consults independent consultants to evaluate and review remuneration and other related issues when necessary.

## SOCIAL AND ETHICS COMMITTEE

The members are: E A Jeneker (chairman), D J Pretorius and C C Barnes

The Social and Ethics Committee was established to enable DRDGOLD to achieve the triple bottom line recommended by King III, and in order to reach the empowerment goals to which this company is committed.

The Social and Ethics Committee's terms of reference were approved by the board in October 2011. The committee objectives are to:

- promote transformation within the company and economic empowerment of previously disadvantaged communities, particularly within the areas where the company conducts business;
- strive towards achieving equality at all levels of the company, as required by the South African constitution and other legislation, taking into account the demographics of the country; and
- conduct business in a manner that is conducive to the attainment of internationally acceptable environmental and sustainability standards.

The following terms of reference were approved by the board to enable the committee to function effectively.

- make recommendations to the board on the development, monitoring and implementation of the company's employment equity policy;
- make recommendations to the board on the development, monitoring and implementation of the company's procurement policy in terms of *inter alia* the Preferential Procurement Policy Framework Act;
- make recommendations to the board on the development, monitoring and implementation of the company's safety, health and environmental policies;
- make recommendations to the board regarding the monitoring and the implementation of the social and labour plans;
- make recommendations to the board regarding ways and means of assisting with poverty-alleviation and social upliftment;
- make recommendations to promote the engagement of management, staff and stakeholders in activities related to social responsibility;
- make recommendations to monitor the record of sponsorships, donations and charitable giving;
- make recommendations to promote equality, prevent unfair discrimination and corruption;
- make recommendations to monitor the group's activities with regard to the 10 principles of the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development's recommendations regarding corruption and broad-based BEE; and
- make recommendations to monitor the group's activities regarding consumer relationships.

# GOVERNANCE REPORT (CONTINUED)

## NOMINATIONS COMMITTEE

The members are: G C Campbell (chairman), R P Hume.

The Nominations Committee (Nomco) is compliant with JSE Listing Requirements and its terms of reference were approved in August 2008. Its duties include:

- recommending the appointment of new executive and non-executive directors;
- reviewing board structure, size and composition on a regular basis, and recommending adjustments such as the balance between executive and non-executive directors;
- identifying and nominating candidates to fill board vacancies, as well as putting in place succession plans, in particular for the positions of chairman and CEO; and
- making recommendations for directors who are retiring by rotation.

## CONSIDERATION OF COMPETENCE, QUALIFICATIONS & EXPERIENCE OF COMPANY SECRETARY

Themba Gwebu is the company secretary of DRDGOLD. He was appointed to that position on 1 April 2005 and has held the position for an unbroken period of approximately eight years.

In his capacity as company secretary, and during the period under review, his responsibilities included the performance of the following duties:

- providing the directors with guidance about their duties, responsibilities and powers;
- making directors aware of laws relevant to or affecting the company;
- reporting to the board on any failure to comply with the company's MOI;
- ensuring that minutes of all shareholder meetings, board meetings and the meetings of any committees of the directors, or of the company's Audit Committee, are properly recorded in accordance with the Companies Act;
- ensuring dispatch to shareholders of the AFS in accordance with the law; and
- ensuring continuous compliance with the JSE Listings Requirements.

On the basis of the board's ongoing interaction and engagement with the company secretary during the year under review, the board is satisfied that Themba Gwebu proved to be competent, qualified and experienced as company secretary of DRDGOLD.

The board confirms that Themba Gwebu is not a director of DRDGOLD Limited and that there is an arms-length relationship between him and the board which is based only on professionalism.

## CODE OF ETHICS

A copy of the company's Code of Ethics can be found on the website at [www.drdgold.com](http://www.drdgold.com). A copy can also be made available on request. Any contravention of this code is regarded as a serious matter. The following list includes some provisions of the code:

## COMPLIANCE WITH LAWS AND REGULATIONS

Directors, officers and employees must comply with all laws and regulations that are applicable to their activities on behalf of the group.

## THE COMPANY AND ITS EMPLOYEES

DRDGOLD acknowledges that all employees have a right to work in a safe and healthy environment. All employees are entitled to fair employment practices and have a right to a working environment free from discrimination and harassment.

**IR** page 52

For Themba Gwebu's  
qualifications and  
experience

*"A copy of the company's  
Code of Ethics can be  
found on the website at  
[www.drdgold.com](http://www.drdgold.com)"*

*"An employee should neither accept nor solicit any non-minor gifts, hospitalities or other favours from suppliers of goods or services"*

## THE GROUP AND THE COMMUNITY

The group recognises that DRDGOLD and its people have a responsibility to contribute to local communities. Employees are encouraged to participate in, among others, religious, charitable, educational and civic activities, provided that such participation does not make undue demands on their work time or create a conflict of interest.

## CONFLICT OF INTEREST

The group expects employees to perform their duties in accordance with the best interests of the group and not to use their position, or knowledge gained through their employment with the group, for their private or personal advantage.

## OUTSIDE EMPLOYMENT AND DIRECTORSHIPS

Employees may not take up outside employment without prior approval of the CEO or hold outside directorships without prior approval of the board. Directors who hold outside directorships must disclose these at the quarterly board meetings.

## RELATIONSHIPS WITH CLIENTS, CUSTOMERS AND SUPPLIERS

Employees should ensure that they are independent of any business organisation which has a contractual relationship with the group or provides goods or services to the group.

## GIFTS, HOSPITALITY AND FAVOURS

An employee should neither accept nor solicit any non-minor gifts, hospitality or other favours from suppliers of goods or services.

## PERSONAL INVESTMENTS IN SHARES AND SHARE DEALINGS

While directors and employees are encouraged to invest in and own shares in the group, such investment decisions must not contravene the conflict of interest provisions of the code, any applicable legislation, or any policies and procedures established by the various operating areas of the group, and must not be based on material non-public information acquired by reason of an employee's connection with the group.

## CONFIDENTIAL INFORMATION AND EXTERNAL COMMUNICATION

Directors and employees are expected to treat all information pertaining to the group, which is not in the public domain, in the strictest confidence and may not divulge such information to any third party without permission, even after the termination of their services with the group.

The group strives to achieve timely and effective communication with all parties with whom it conducts business, as well as with governmental authorities and the public. No sensitive communication may be made to the media or investment community other than by DRDGOLD's CEO, CFO, or the appointed investor/public relations consultants. All other communications to the media or investment community must be made within the ambit of the group's announcements framework.

## STAKEHOLDER COMMUNICATION

DRDGOLD is committed to transparency and has an integrated and sustained stakeholder communication programme. The programme takes into account all the obligations placed on the group by the regulatory environment in which it operates, and is based on the understanding that the principal aim of shareholders is to maximise returns on their investments. To do this, they and/or their investment advisers require equitable, timely access to operating, financial and other information.

Information likely to influence the DRDGOLD share price is first released to the JSE, NYSE and then to the public via a SENS announcement. Thereafter, using the group's electronic database, it is sent to all addressees including shareholders, fund managers, analysts and media representatives. The information is also posted on the website.

# GOVERNANCE REPORT (CONTINUED)

The same process is followed when releasing quarterly financial results, and any information related to operating and financial performance that requires dissemination. Invitations to attend the quarterly results briefings by the DRDGOLD management team are sent to all persons registered on the database. These events are also accessible either by teleconference or webcast.

An increasingly important repository of information is the DRDGOLD website. Shareholders and the investing community can access current and archived information on the company and its operations, as well as all announcements and publications. Current versions of the Integrated Report, Sustainable Development Report, AFS, fact sheets, company newsletter and all press releases issued are posted to the website. Important presentations made by members of the executive team and videos are also posted to the website. The quarterly investor webcasts and/or teleconferences are also recorded and are available, for a period of time.

Employees and their elected representatives are considered important stakeholders. The collective bargaining or industrial relations process ensures effective communication with employees. Understanding the importance of communication, the company works diligently to communicate directly, regularly and effectively with its employees. A workplace briefing system with feedback mechanisms is in place, and senior employees are encouraged to attend quarterly results briefings and access the website. Employee publications include the company newsletter, *Asikhulume*, currently published three times a year.

*"The directors are required by the Companies Act to maintain adequate accounting records."*

The well-being of the communities within which it operates is of great importance to DRDGOLD. The company strives towards effective, two-way communication with local groups. Although regulation requires much of the communication (usually formal consultations with I&APs), the company realises the value of community support. This is more likely to be achieved if communication is effectively used to address issues and promote understanding of the company's rationale and actions.

## HONESTY WITH REGULATORS AND OTHER GOVERNMENT OFFICIALS

Directors, officers and employees must comply with laws in countries where the group does business including laws prohibiting bribery and corruption. Directors, officers and employees in the group are required to observe and implement the provisions of the Foreign Corrupt Practices Act which prohibit DRDGOLD, its subsidiaries, associates, partners, their officers, employees and agents from giving or offering to give money or anything of value to a government or state official, political party, a party official or a candidate for political office in order to influence official acts or decisions of that person or entity, to obtain or retain business, or to secure any improper advantage.

## ANNUAL FINANCIAL STATEMENTS

The directors are required by the Companies Act to maintain adequate accounting records. They are responsible for the preparation of the AFS which fairly presents the state of affairs of the group at the end of the financial year, in conformity with IFRS and the Companies Act. The AFS includes amounts based on judgements and estimates made by management.

The directors are of the opinion that these financial statements fairly present the financial position of the company and the group as at 30 June 2013. The AFS can be found in a separate document available on the website. A copy of the document is available on request. [www.drdgold.com](http://www.drdgold.com)

The directors have reviewed the group's business plan and cash flow forecast for the year ending 30 June 2014. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and has adequate resources available to ensure its continued operational existence.

To comply with requirements for reporting by non-US companies registered with the SEC, DRDGOLD prepares its AFS on Form 20-F in accordance with IFRS. This report will be available from the Bank of New York Mellon and at [www.sec.gov](http://www.sec.gov) to holders of DRDGOLD's securities listed in the form of ADRs on the NYSE.

## GOVERNANCE PRINCIPLES UNDER KING III

Governance principles under King III	Narration of how the King III principles were applied or explained
1.1 The board should provide effective leadership based on an ethical foundation	The board has developed a Code of Ethics which instils a culture of responsible leadership and high ethical standards. The Code of Ethics was signed by the chairman and the CEO after its last update in April 2012. Management is required to ensure that each employee who joins the team receives a copy of the Code of Ethics, signs it and is bound by its terms.
1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	The board has established the Social and Ethics Committee which monitors progress on the company's corporate citizenship responsibilities. The Sustainable Development Report 2013 has more detailed information on this subject. <a href="http://www.drdgold.com">www.drdgold.com</a>
1.3 and 2.5 The board should ensure that the company's ethics are managed effectively	To ensure the company's Code of Ethics is upheld the executive officer: legal, compliance and company secretary was mandated to conduct an awareness campaign at the operations on the Code of Ethics. Fraud and corruption were also addressed, including the application of the Foreign Corrupt Practices Act.
2.1 The board should act as the focal point for and custodian of corporate governance	The board meets at least four times a year, and has adopted a Board Charter. Senior managers are invited to the board and committee meetings where they interact, and management reports on stakeholder relations.
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	During the period under review the board conducted joint Audit and Risk committee meetings to ensure the identification of key performance and risk areas and the alignment of controls. All directors were also invited to the joint meetings. Long-term and short-term strategies for the business are standard agenda items and discussed at all quarterly board meetings. The board has developed a board strategy scorecard which is updated on a regular basis.
2.6 The board should ensure that the company has an effective and independent Audit Committee	See pages 56 to 57 of this report.
2.7 The board should be responsible for the governance of risk	The board has delegated the risk function to the Risk Committee as outlined below. However the Risk Committee reports to the board after every meeting. All members of the board are also members of the Risk Committee.
2.8 The board should be responsible for information technology (IT) governance	See principles under chapter 5 below.
2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	See principles under chapter 6 below.
2.10 The board should ensure that there is an effective risk-based internal audit	See principles under chapter 7 below.
2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	See principles under chapter 8 below.
2.12 The board should ensure the integrity of the company's Integrated Report	See principles under chapter 9 below.
2.13 The board should report on the effectiveness of the company's system of internal controls	See principles under chapter 10 below.
2.14 The board and its directors should act in the best interests of the company	The board refers to this fact from time to time when executing its duties. In the Code of Ethics the principles of fairness and justice are endorsed. The board's fulfilment of its duties of care, skill and diligence was demonstrated recently when the sale of Blyvooruitzicht Gold Mining Company Limited was negotiated and disposed of to an experienced underground mining company. The company has a policy regarding share dealings by directors, officers and certain senior employees and conflicts of interests are monitored.

**IR** pages 56 to 57  
For more on the Audit Committee

# GOVERNANCE REPORT (CONTINUED)

Governance principles under King III	Narration of how the King III principles were applied or explained
2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, and as defined in the Companies Act	To demonstrate that the board does execute this function, during the 2011 period the board determined that one of its subsidiaries was financially distressed. However, the view was that it could be rescued and a recommendation was made to the subsidiary board that business rescue proceedings (under chapter 6 of the Companies Act) be instituted. The board continuously considers the solvency and liquidity tests.
2.16 The board should elect a chairman who is an independent non-executive director. The CEO of the company should not simultaneously hold the role of chairman of the board	Geoff Campbell is chairman of the board. He is an independent non-executive director. Niël Pretorius occupies the role of CEO.
2.17 The board appoints the CEO and establishes a framework for the delegation of authority	The board has appointed a CEO, developed a Board Charter and established a framework for the delegation of authority.
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	There are two executive directors. The four non-executive directors of the board are all independent in accordance with the definitions of King III and the Companies Act. The board is composed of directors with a variety of skills and backgrounds and they complement each other in the execution of their duties.
2.19 Directors should be appointed through a formal process	The board established the Nominations Committee which sits on an <i>ad hoc</i> basis when needed to recruit new directors. According to the MOI, newly-appointed directors must be confirmed at the AGM.
2.20 The induction of and ongoing training and development of directors should be conducted through formal processes	Newly-appointed directors are taken through an induction programme set out in policy documents approved by the board.
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	During the year under review the board was assisted by Themba Gwebu who has been company secretary since April 2005. The board is satisfied that he is a suitably qualified and experienced. His CV can be found on page 52 of this report.
2.22 The evaluation of the board, its committees and the individual directors should be performed every year	In August 2012 an evaluation of the board's effectiveness was performed by an independent facilitator who prepared questionnaires, interviewed all directors and members of committees including the chairman of the board. A workshop-style briefing was then conducted with the participation of all the directors. Thereafter the facilitator submitted a written report which confirmed that the effectiveness of the board and its committees was satisfactory. In 2013 the board resolved that the evaluation will be in the form of questionnaires only.
2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The committees of the board and their functions are discussed on pages 55 to 60 of this report.
2.24 A governance framework should be agreed between the group and its subsidiary boards	Some of the directors of the subsidiary companies are also members of the DRDGOLD executive committee. Regular joint leadership workshops are held by senior management at the corporate office and at the operations. This helps to align the implementation of group strategy. The CEO and CFO ensure that the operational directors know the direction expected from DRDGOLD's perspective and the subsidiary directors also contribute towards group strategy through such interaction.

Governance principles under King III	Narration of how the King III principles were applied or explained
2.25 Companies should remunerate directors and executives fairly and responsibly	The company's remuneration policy is set out on pages 69 to 73 of this report.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	This principle is addressed on page 73 of this report.
2.27 Shareholders should approve the company's remuneration policy	A non-binding vote on the company's remuneration policy is sought from shareholders at every AGM.
3.1 The board should ensure that the company has an effective and independent Audit Committee	The CVs of the members of the Audit Committee are found on pages 51 to 52 of this report. The Audit Committee's report is on page 7 of the AFS 2013. The board is satisfied that the Audit Committee is effective and has recommended to the shareholders that its members be re-elected at the AGM to be held on 29 November 2013.
3.2 Audit Committee members should be suitably skilled and experienced independent non-executive directors	The narration under principle 3.1 above applies here.
3.3 The Audit Committee should be chaired by an independent non-executive director	The chairman of the Audit Committee, RP Hume, is an independent non-executive director. He attends AGMs, the most recent was on 30 November 2012.
3.4 The Audit Committee should oversee integrated reporting	The Audit Committee oversees the preparation of the company's Integrated Report which will be considered by the Audit Committee during September 2013 and recommended to the board for approval.
3.5 The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	The Audit Committee and management provide internal assurance. KPMG Inc. has been mandated to conduct assurance as required.
3.7 The Audit Committee should be responsible for overseeing the internal audit	The head of internal audit reports directly to the Audit Committee as far as internal audit matters are concerned. Some of the internal audit work has been outsourced to Pro-Optima Audit Services (Pty) Ltd, an independent company. The budget and scope of work is approved by the Audit Committee. The internal audit report is tabled before the Audit Committee every quarter for consideration.
3.8 The Audit Committee should be an integral component of the risk management process	The risk function is performed by the Risk Committee. Members of the Audit Committee attend and participate in the Risk Committee meetings on a quarterly basis.
3.9 The Audit Committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process	The committee is satisfied that KPMG Inc. is JSE-approved and its engagement partner is Riaan Davel. At the 2012 AGM it recommended to shareholders that KPMG Inc. be re-appointed as the company's external independent auditors.
3.10 The Audit Committee should report to the board and shareholders on how it has discharged its duties	The Audit Committee report is on page 7 of the AFS 2013.
4.1 The board should be responsible for the governance of risk	The board is satisfied that it has adequately dealt with governance of risk. It has established a Risk Committee which is chaired by the CEO. The board resolved to appoint the CEO as chairman of the Risk Committee because it believes the risks prevailing in a mining company include those relating to safety and these can result in loss of life. By appointing the CEO as chairman, the Risk Committee has someone with hands-on involvement in the company to steer the meetings in the right direction. This procedure ensures all critical risks are identified and addressed.

**IR** pages 69 to 73  
Remuneration policy

**IR** page 73  
Remuneration of directors

**IR** pages 51 to 52  
CVs of Audit committee and board

**AFS** page 7  
Audit committee report

**IR** pages 55 to 60  
Board committees and function

# GOVERNANCE REPORT (CONTINUED)

Governance principles under King III		Narration of how the King III principles were applied or explained
4.2	The board should determine the levels of risk tolerance	The board, at quarterly Risk Committee meetings, and according to a previously agreed format, reviews the major risks to show the individual risk levels.
4.3	The Risk Committee or Audit Committee should assist the board in carrying out its risk responsibilities	The company has a Risk Committee which is responsible for overseeing risk management. Its functions are set out on page 57 of this report.
4.4	The board should delegate to management the responsibility of designing, implementing and monitoring the risk management plan	The board appointed the first group risk manager in 2002. The risk manager reports to the board's Risk Committee.
4.5	The board should ensure that risk assessments are performed on a continuous basis	The company has appointed a group risk manager who conducts risk assessments for the group. These assessments are documented into a "risk map" which is tabled before the Risk Committee every quarter for discussion. It is thus reviewed and updated regularly, and risk rankings are updated every quarter.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	The current methodology assesses all major risks considering the impact, likelihood and control efficiencies of each risk. These risks as well as potential risks are reviewed quarterly to ensure as wide as possible coverage.
4.7	The board should ensure that management considers and implements appropriate risk reports	The company's implementation of appropriate measures during the period under review includes securing its assets by insuring them, disposing of a subsidiary posting material losses, and restructuring the group's surface operations.
4.8	The board should ensure continual risk monitoring by management	Management tables its "risk map" at every Risk Committee meeting. This enables the board to monitor the implementation of measures intended to respond to areas of risk.
4.9	The board should receive assurance regarding the effectiveness of the risk management process	The Risk Committee provides assurance to the board.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	The group risk manager attends regular meetings at the operations to identify current, imminent or envisaged risks and reports these to Exco. Material and imminent risks are reported to shareholders via SENS. Risks facing the company and envisaged risks are reported in the Integrated Report and in Form 20-F, filed with SEC.
5.1	The board should be responsible for IT governance	The board has appointed the group risk manager to report to the Risk Committee of the board on IT governance issues. The IT governance policies have been established and are being implemented. The Risk Committee discusses management reports on IT governance on a regular basis.
5.2	IT should be aligned with the performance and sustainability objectives of the company	The IT structure and process is designed to serve the surface retreatment nature of our operations. DRDGOLD has embarked on a compliance project intended to cover the core areas of the company's business such as environmental management, surface resources, etc.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	The Risk Committee has delegated the day-to-day management of the IT responsibility to the CFO who has been given the responsibility to appoint the chief information officer (CIO) who is responsible for the management of IT.

Governance principles under King III		Narration of how the King III principles were applied or explained
5.4	The board should monitor and evaluate significant IT investments and expenditure	The function of IT investment and expenditure rests with the CFO who ensures that an updated and effective IT system is in place.
5.5	IT should form an integral part of the company's risk management	This principle falls under the discussion of risk management.
5.6	The board should ensure that information assets are managed effectively	This responsibility has been undertaken by management. The company complies with the Promotion of Access to Information Act which, <i>inter alia</i> , provides that an information officer be appointed and a manual be developed. These tasks have been completed. Other records are managed by sections e.g. the company secretary's office, the finance department etc.
5.7	The Risk Committee or Audit Committee should assist the board in carrying out its IT responsibilities	The Risk Committee has been tasked to oversee IT risks and management from a board perspective.
6.1	The board should ensure that the company complies with applicable laws and consider adherence to non-binding rules, codes and standards	The company has established a legal division which is headed by the executive officer: legal, compliance and company secretary. The said executive officer and the senior legal advisor ensure continuous research so that new laws are identified for purposes of compliance. Seminars, conferences, and subscription to law journals assist in keeping the company up to date with legal developments. The company also receives updates from a panel of SA and USA law firms that provide legal advisory services from time to time.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	When new directors are appointed they are taken through an induction process which involves laws, rules, codes and standards applicable to DRDGOLD and its operations. The board meeting agendas incorporate the company secretarial report which contains regular updates on laws and rules that apply to the company.
6.3	Compliance risk should form an integral part of the company's risk management process	This form part of DRDGOLD's risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and process	The company currently applies the approach set out under principle 6.1 above and believes that it applies here as well. Although the company is of the view that the process stated under 6.1 above serves the purpose, the compliance framework is under development.
7.1	The board should ensure that there is an effective risk-based internal audit	The board has satisfied an effective risk-based internal audit: the head of the group's internal audit is also the group risk manager which enables the two functions to be properly aligned. To strengthen the internal audit function further, Pro-Optima (Pty) Ltd, an independent internal audit firm, was appointed to provide additional internal audit services.
7.2	Internal audit should follow a risk-based approach to its plan	The internal auditors also focus on risk when preparing their annual plan which is tabled before the Audit Committee for consideration and approval. The Risk Committee also has the opportunity to comment as members are invited to the Audit Committee meetings.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	The system of internal controls is discussed on page 57 of this report.

# GOVERNANCE REPORT (CONTINUED)

Governance principles under King III	Narration of how the King III principles were applied or explained
7.4 The Audit Committee should be responsible for overseeing internal audit	The Audit Committee oversees internal audit by, <i>inter alia</i> , approving its audit plan on an annual basis. The board is of the view that there is no need for independent assurance because the independent external and internal auditors participate in the internal audit process.
7.5 Internal audit should be strategically positioned to achieve its objectives	The head of the internal audit reports directly to the audit committee. He is also the group risk manager. The Audit and Risk committees conduct joint meetings to ensure the alignment of their functions. Internal audit reports quarterly to the Audit Committee.
8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	The board recognises the importance of stakeholder perception, and investor relations is a standard agenda item. The operational report delivered by the CEO also addresses stakeholder relations when needed. Road shows are conducted on an annual basis. The senior legal advisor is the direct contact for government relations. All material information is released on SENS, and the company website as and when it is reasonably possible. At the operational level, teams are established to regularly interact with the community. Matters addressed include the effects of surface retreatment on residents, such as dust pollution, slime spillage etc.
8.2 The board should delegate to management to pro-actively deal with stakeholder relationships and the outcome of these dealings	
8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	
8.4 Companies should ensure the equitable treatment of shareholders	All material information is released on SENS and the NYSE simultaneously. Immediately thereafter it is posted on the company website for shareholders to access.
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	
8.6 The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	The company has structures through which disputes are resolved. For example, the company belongs to the local dust-monitoring forum – attended by, <i>inter alia</i> , community representatives, government officials and NGOs. This provides an opportunity for dust-related complaints which may be linked to our operations to be resolved. The agreement which the company enters into has dispute-resolution clauses.
9.1 The board should ensure the integrity of the company's Integrated Report	The board considers and approves the Integrated Report on an annual basis. The Integrated Report 2013 and the Sustainable Development Report 2013 will be published during September 2013.
9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	
9.3 Sustainability reporting and disclosure should be independently assured	
	DRDGOLD's Sustainable Development Report 2013 has been compiled in line with the guidelines of the Global Reporting Initiative (version 3.0) and the Mining Charter. KPMG Inc. has been engaged to provide limited assurance on agreed items in the Sustainable Development Report.

# REMUNERATION REPORT

*The DRDGOLD remuneration policy is based on four elements: basic salary, bonus incentives, soft rewards and retention of key staff.*

*"DRDGOLD strives to be fair and responsible in its remuneration policies with respect to all employees"*

## REMUNERATION POLICIES

DRDGOLD strives to be fair and responsible in its remuneration policies with respect to all employees. Broadly, employees fall into the following groups: executive directors, non-executive directors, senior management, non-unionised employees and unionised employees.

The company's MOI makes provision for directors' fees to be determined from time to time in a general meeting or by a quorum of non-executive directors. Remco, which comprises directors who are independent and non-executive, is primarily responsible for approving the remuneration policies of DRDGOLD, and the terms and conditions of employment of executive and non-executive directors. Items considered by the committee include salaries, performance-based incentives and the eligibility and performance measures of the DRDGOLD phantom share scheme applicable to senior management.

## REMUNERATION POLICY

DRDGOLD amended its remuneration policy to endorse the corporate governance improvements introduced by the King III recommendations. The salient principles found in this remuneration policy are summarised as follows:

- a remuneration strategy which is aligned to the company's business strategy, performance, objectives and results;
- pay practices which motivate individuals to consistently enhance performance;
- a performance management system that recognises individual contribution to the company and guides training and development requirements;
- internal equity in remuneration practices, where differentiation between employees is based on fair and objective criteria;
- creating value for the company over the long-term;
- factors affecting company performance but outside the control of executives should be considered to a limited extent; and
- the mix of fixed and variable pay, in cash, shares and other elements must meet the company's needs and strategic objectives.

Following our interaction with shareholders and in order to respond accordingly, the Remuneration Committee implemented the changes set out below.

## SHARE OPTION SCHEME

In November 2012 the Remuneration Committee suspended the share option scheme, approved the share option buy back and replaced it with the phantom share scheme. The advantages presented by the suspension of the share option scheme are *inter alia* listed as follows:

- avoidance of dilution of current shareholders;
- introduction of performance based criteria; and
- avoidance of short vesting periods.

# REMUNERATION REPORT (CONTINUED)

## PHANTOM SHARE SCHEME

This scheme, which replaces the share option scheme, is part of the long-term retention strategy intended to grow the company. Some of the issues raised by shareholders against the share option scheme include:

- lack of a clear and detailed performance measurement;
- the vesting period happens very early after allocation; and
- dilution of the current shareholding up to 10.4% of the issued share capital.

These and other issues are addressed by the phantom share scheme through the introduction of *inter alia*:

- vesting of phantom shares based on stringent company performance criteria and retention criteria that are approved by Remco;
- stringent vesting periods in terms of which performance shares vest in three equal parts over a period of three years, the first tranche vesting after 12 months;
- stringent vesting periods in terms of which retention phantom shares vest in two equal parts over a period of three years, the first tranche vesting after 24 months;
- lapse of reward if requirements are not satisfied on the vesting date; and
- limitation of maximum amount payable on an annual basis, capped at 75% of a participant's total package.

## SHORT-TERM INCENTIVE SCHEME

The scheme was introduced in April 2013 to align employees' individual performances with short-term performance criteria of the company in order to optimise output. The total annual incentive payments are based on two equal criteria – individual performance and company performance. Individuals are assessed through a performance management system and for company performance Remco looks at:

- production;
- total unit costs; and
- total costs.

No incentive payment will be payable if the annual free cash flow is negative.

## REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

To obtain an objective report on non-executive directors' fees the board commissioned Deloitte, an independent professional company, to conduct a benchmarking exercise within the mining industry. Thereafter a remuneration policy for non-executive directors was prepared to set the standard and give guidance on their remuneration. Some of the features of that policy to be emphasised are:

- fair remuneration considering the need to attract and retain the most suitably talented non-executive directors;
- fees should take into account the level of risk accompanied by the complex environment found in the mining industry; and
- non-executive directors do not participate in any incentive or share scheme.

## EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of executive directors comprises a basic salary and an annual performance bonus. The remuneration of the executive directors is paid by DRDGOLD for any services rendered to DRDGOLD or its subsidiaries.

*"Our remuneration policy takes into account the need to attract and retain the most suitably talented non-executive directors"*

**NOM** pages 7 to 9  
For motivation on non-executive directors' fees proposed for approval at the AGM to be held on 29 November 2013

*"Salaries of executive directors are benchmarked"*

### BASIC SALARY

Each executive director receives a basic salary as recommended by Remco in accordance with the remuneration policy. All salaries are reviewed annually, with the salaries of executive directors being benchmarked to external market surveys.

### ANNUAL PERFORMANCE BONUS

Executive directors' service contracts make provision for the members of the executive committee to be eligible for a discretionary bonus based on agreed key performance indicators. This bonus is approved by Remco.

### OTHER BENEFITS

All directors who meet the qualification requirements are members of the Group Life Scheme. All directors are reimbursed for any reasonable business expenses they incur.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees paid to non-executive directors are recommended by the board and approved by shareholders. The current fees payable, effective 1 January 2012, are as follows:

- chairman's annual fee, R1 212 892;
- non-executive director's annual fee, R539 063;
- Audit Committee chairman's annual fee, R26 954;\*
- Audit Committee member's annual fee, R26 954;
- Nominations Committee chairman's annual fee, R10 108;\*
- Nominations Committee member's annual fee, R10 108;
- chairmen of Remco, Risco and Social and Ethics Committee, annual fee of R20 215\* each;
- members of Remco, Risco and Social and Ethics Committee, annual fee of R20 215 each;
- daily fee, R20 215; hourly rate, R2 695;
- half-day fee for participating by telephone in special board meetings; and
- chairman of the board receives committee fees.

Non-executive directors' fees are adjusted annually on the basis of the Consumer Price Index.

\* The chairmen of the sub-committees receive fees as both chairman and member.

Previously non-executive directors were granted share options in respect of DRDGOLD's ordinary shares; details of the directors with unexercised options are provided below.

## DIRECTORS' SERVICE CONTRACTS

Service contracts have been concluded with the executive as well as the non-executive directors. Details of the service contracts are set out in the table below.

The directors had no conflicting interests during the year under review and up to the date of issue of the financial statements.

# REMUNERATION REPORT (CONTINUED)

## Share options

	Executive		Non-executive		Prescribed officers							
	D J Pretorius	C C Barnes	G C Campbell	R P Hume	J Turk	E A Jeneker	C M Symons	T J Gwebu	W J Schoeman	Other participants	Total	
<b>Balance at 1 Jul 2012</b>												
Number	1 283 486	1 453 667	37 994	39 157	–	–	1 282 976	958 158	396 700	14 172 447	19 624 585	
Avg strike price – rand per share	6.19	4.84	19.74	19.93	–	–	5.44	5.01	5.12	7.99	7.32	
Granted during year												
Number	–	–	–	–	–	–	–	–	–	–	–	
Avg strike price – rand per share	–	–	–	–	–	–	–	–	–	–	–	
Exercised during year												
Number	1 283 486	1 219 163	29 394	28 457	–	–	1 064 626	765 508	198 350	10 110 296	14 699 280	
Avg strike price – rand per share	6.19	4.89	17.00	16.48	–	–	5.42	5.09	5.12	7.08	6.61	
Lapsed during year												
Number	–	–	8 600	10 700	–	–	6 300	–	–	1 244 348	1 269 948	
Avg strike price – rand per share	–	–	29.10	29.10	–	–	29.10	–	–	17.12	17.36	
<b>Balance at 30 Jun 2013</b>												
Number	–	234 504	–	–	–	–	212 050	192 650	198 350	2 817 803	3 655 357	

Director	Title	Date of appointment	Term	Unexpired term of service contract
D J Pretorius	Chief executive officer	1/1/2012	3 years	18 months
C C Barnes	Chief financial officer	1/5/2011	3 years	12 months
R P Hume	Non-executive director	1/10/2012	2 years	15 months
G C Campbell	Non-executive chairman	1/11/2011	2 years	4 months
J Turk	Non-executive director	1/11/2012	2 years	16 months
E A Jeneker	Non-executive director	1/11/2011	2 years	4 months

## PRESCRIBED OFFICERS' REMUNERATION

The remuneration of the prescribed officers comprises an all-inclusive salary and a bi-annual performance bonus.

### ALL INCLUSIVE SALARY

Prescribed officers receive an all-inclusive salary in accordance with the remuneration policy. All salaries are reviewed annually.

### BI-ANNUAL PERFORMANCE BONUS

Depending on the nature of the position of a prescribed officer, his/her service contract might make provision for the officer to be eligible for a discretionary bonus based on agreed key performance indicators. This bonus is approved by Remco.

### SERVICE CONTACTS

Each of the prescribed officers has a separate service contract with a specified notice period.

## Directors' and prescribed officers' emoluments

2013	Board fees	Salary	Bonuses and performance related payments	Pre-tax gain on share options	Pension/ provident scheme contributions	Total	Tax deducted by company	Net
Group and company	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Executive directors</b>								
D J Pretorius	–	4 664	4 238	2 423	–	11 325	4 358	6 967
C C Barnes	–	3 367	931	2 505	–	6 803	3 130	3 673
	–	8 031	5 169	4 928	–	18 128	7 488	10 640
<b>Non-executive directors</b>								
G C Campbell	1 348	–	–	4	–	1 352	–	1 352
R P Hume	703	–	–	5	–	708	199	509
J Turk	647	–	–	–	–	647	–	647
E A Jeneker	729	–	–	–	–	729	304	425
	3 427	–	–	9	–	3 436	503	2 933
<b>Prescribed officers</b>								
C M Symons	–	2 209	1 304	2 043	267	5 823	1 923	3 900
T J Gwebu	–	2 075	1 181	1 132	–	4 388	1 503	2 885
W J Schoeman	–	2 830	1 340	389	–	4 559	1 524	3 035
	–	7 114	3 825	3 564	267	14 770	4 950	9 820
<b>Total</b>	<b>3 427</b>	<b>15 145</b>	<b>8 994</b>	<b>8 501</b>	<b>267</b>	<b>36 334</b>	<b>12 741</b>	<b>23 393</b>

The remuneration of executive directors and prescribed officers comprises a basic salary and an annual bonus for directors and bi-annual bonus for prescribed officers. Non-executive directors receive board fees which are approved at each AGM of the company.

2012	Board fees	Salary	Bonuses and performance related payments	Pension/ provident scheme contributions	Total	Tax deducted by company	Net
Group and company	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Executive directors</b>							
D J Pretorius	–	4 470	3 666	–	8 136	2 348	5 788
C C Barnes	–	3 113	2 078	–	5 191	1 900	3 291
	–	7 583	5 744	–	13 327	4 248	9 079
<b>Non-executive directors</b>							
G C Campbell	1 317	–	–	–	1 317	–	1 317
R P Hume	691	–	–	–	691	192	499
J Turk	616	–	–	–	616	–	616
E A Jeneker	686	–	–	–	686	334	352
	3 310	–	–	–	3 310	526	2 784
<b>Prescribed officers</b>							
C M Symons	–	2 043	1 242	250	3 535	1 178	2 357
T J Gwebu	–	1 870	1 292	–	3 162	1 149	2 013
W J Schoeman	–	1 989	960	–	2 949	1 105	1 844
	–	5 902	3 494	250	9 646	3 432	6 214
<b>Total</b>	<b>3 310</b>	<b>13 485</b>	<b>9 238</b>	<b>250</b>	<b>26 283</b>	<b>8 206</b>	<b>18 077</b>

# SHAREHOLDER INFORMATION

AT 30 JUNE 2013

	No of holders	% of total share holders	No of shares	% of total issued share capital
<b>1 Analysis of shareholdings</b>				
1 – 5 000	5 112	80.82%	4 802 884	1.25%
5 001 – 10 000	449	7.10%	3 512 582	0.91%
10 001 – 50 000	530	8.37%	12 253 907	3.18%
50 001 – 100 000	87	1.38%	6 561 943	1.70%
100 001 – 1 000 000	101	1.60%	32 905 075	8.54%
1 000 001 – and more	46	0.73%	325 347 376	84.42%
<b>Totals</b>	<b>6 325</b>	<b>100.00%</b>	<b>385 383 767</b>	<b>100.00%</b>
<b>2 Major shareholders (1% and more of the shares in issue)</b>				
Bank of New York			175 391 811	45.51%
Investec			27 186 840	7.05%
Public Investment Corporation			19 595 744	5.08%
Soges Fiducem SA			16 931 240	4.39%
State Street Bank and Trust			10 955 967	2.84%
Citibank			10 858 001	2.82%
Standard Bank			10 386 768	2.70%
Clearstream Banking SA Luxembourg			8 551 328	2.22%
Fidelity Funds – Emerging Europe, Middle East and Africa			7 991 685	2.07%
Brown Brothers Harriman & Co.			7 870 375	2.04%
Ergo Mining Operations Proprietary Limited			6 205 559	1.61%
HSBC			6 155 844	1.60%
<b>3 Shareholder spread</b>				
<b>Non-public</b>	4	0.06%	6 885 726	1.79%
Directors	4	0.06%	680 167	0.18%
Subsidiary		0.00%	6 205 559	1.61%
<b>Public</b>	6 321	99.94%	378 498 041	98.21%
<b>Totals</b>	<b>6 325</b>	<b>100.00%</b>	<b>385 383 767</b>	<b>100.00%</b>
<b>4 Distribution of shareholders</b>				
Individuals	5 713	90.32%	26 683 654	6.92%
Institutions and bodies corporate	612	9.68%	358 700 113	93.08%
<b>Total</b>	<b>6 325</b>	<b>100.00%</b>	<b>385 383 767</b>	<b>100.00%</b>

## NON-PUBLIC HOLDERS

	30 June 2013	
	Beneficial direct	Beneficial indirect
<b>Executive directors</b>		
D J Pretorius <sup>1</sup>	187 167	–
C C Barnes	–	–
	<b>187 167</b>	<b>–</b>
<b>Non-executive directors</b>		
G C Campbell	100 000	–
R P Hume	150 000	–
J Turk	–	243 000
E A Jeneker	–	–
	<b>250 000</b>	<b>243 000</b>
<b>Total</b>	<b>437 167</b>	<b>243 000</b>

<sup>1</sup> D J Pretorius acquired a further 24 000 shares subsequent to 30 June 2013

# SHAREHOLDER DIARY

AT 30 JUNE 2013

## ANNUAL GENERAL MEETING

Date	29 November 2013
Time	09:00 (local time)
Place	Quadrum Office Park 1st Floor, Building 1 50 Constantia Boulevard Constantia Kloof Ext 28 1709 South Africa

## QUARTERLY REPORTS

First quarter	October 2013
Second quarter	February 2014
Third quarter	April 2014
Fourth quarter	August 2014
Interim financial report	February 2014
Preliminary annual financial report	August 2014

Copies of the company's quarterly activity reports may be obtained by making application to the company secretary or the share transfer secretary in South Africa.

Members are requested to notify the share transfer secretaries in South Africa, Australia or the United Kingdom of any change of address.

## CONVERSION TABLE

The following factors have been used in this document.

**Currency:** Average exchange rate during year US\$1 = R8.8328  
Closing exchange rate at 30 June 2013 US\$1 = R9.8675

Metric	Imperial	Imperial	Metric
1 tonne	1.10229 short ton	1 short ton	0.9072 tonne
1 kilogram	2.20458 pounds	1 pound	0.4536 kilograms
1 gram	0.03215 troy ounces	1 troy ounce	32.1507 grams
1 kilometre	0.62150 miles	1 mile	1.609 kilometres
1 metre	3.28084 feet	1 foot	0.3048 metres
1 litre	0.2642 gallons	1 gallon	3.785 litres
1 hectare	2.47097 acres	1 acres	0.4047 hectares
1 centimetre	0.3937 inches	1 inch	2.54 centimetres
1 gram/tonne	0.292 ounce/tonne	1 ounce/tonne	34.28 grams/tonne

# GLOSSARY

<b>ADR</b>	American Depositary Receipt.
<b>AFS</b>	Annual Financial Statements.
<b>AGM</b>	Annual general meeting.
<b>AISC</b>	All in sustaining costs.
<b>AMD</b>	Acid mine drainage.
<b>Au</b>	Symbol for gold.
<b>BEE</b>	Black economic empowerment.
<b>BTF</b>	Brakpan tailings facility.
<b>Cash costs</b>	Measurement that represents the full costs incurred inclusive of royalties and production taxes. Depreciation, rehabilitation, corporate administration and retrenchment costs are excluded.
<b>CEO/CFO</b>	Chief executive officer/ chief financial officer.
<b>CIL</b>	Carbon in leach: a process for extracting gold from slurry material.
<b>CIP</b>	Carbon in pulp: a process for extracting gold from slurry material.
<b>cmgt</b>	Centimetre grams per tonne.
<b>CO<sub>2</sub></b>	Carbon dioxide.
<b>Companies Act</b>	A piece of South African legislation: Companies Act, No 71 of 2008, amended and promulgated in 2011.
<b>Competent person</b>	The SAMREC Code defines a competent person as a person who is registered with any one of the following: South African Council for Natural Scientific Professions, Engineering Council of South Africa, The South African Council for Professional Land Surveyors and Technical Surveys or any other statutory South African or international body recognised by SAMREC. A competent person should have a minimum of five years' experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking.
<b>cps</b>	Cents per share.
<b>Debt</b>	Borrowings, including short-term borrowings.
<b>Development</b>	Activities required to prepare for mining activities and to maintain a planned production level, and those costs required to enable the conversion of mineral reserves to recover gold.
<b>DRDGOLD</b>	DRDGOLD Limited.
<b>EBDA</b>	Ergo Business Development Academy.
<b>EMO</b>	Ergo Mining Operations Proprietary Limited; owns Ergo and ERPM.
<b>Ergo</b>	Ergo Mining Proprietary Limited, an operating company that is wholly-owned by EMO.
<b>ERPM</b>	East Rand Proprietary Mines Limited, wholly-owned by EMO.
<b>FY</b>	The DRDGOLD financial year is 1 July to 30 June. FY2013 is the year beginning 1 July 2012 and ending 30 June 2013.
<b>g</b>	Gram.
<b>g/t</b>	Gram per tonne.
<b>ha</b>	Hectare.
<b>HDSA</b>	Historically disadvantaged South African.
<b>I&amp;APs</b>	Interested and affected parties.
<b>IFRS</b>	International Financing Reporting Standards.
<b>IT</b>	Information technology.
<b>JSE</b>	JSE Limited, South Africa's stock exchange.
<b>kg</b>	Kilogram.
<b>King III</b>	Code of and Report on Governance Principles for South Africa 2009.
<b>km</b>	Kilometre.
<b>KPMG</b>	KPMG Inc., auditors for DRDGOLD.
<b>Life of mine</b>	Number of years that the operation is planning to mine and treat ore, taken from the current mine plan.
<b>m</b>	Metre.

## GLOSSARY (CONTINUED)

<b>Market capitalisation</b>	The number of ordinary shares in issue multiplied by the closing price of the share as quoted on stock exchanges.
<b>Metallurgical plant</b>	Processing plant used to treat ore and extract the contained metals.
<b>Mill/milling</b>	The comminution of the ore, although the terms have come to cover the broad range of machinery inside the treatment plant where the mineral is separated from the ore.
<b>Mineral reserve</b>	A mineral reserve is the economically mineable material derived from a measured and/or indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. Mineral reserves are subdivided in order of increasing confidence into probable mineral reserves and proved mineral reserves.
<b>Mineral resource</b>	A mineral resource is a concentration (or occurrence) of material of economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well-constrained and portrayed geological model. Mineral resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into inferred, indicated and measured categories.
<b>Mining Charter</b>	The Broad-based Socio-economic Empowerment Charter for the South African Mining Industry developed in terms of Section 100 of the Mineral and Petroleum Resources Development Act of 2002, to set the framework, targets and timetable for effecting the entry of HDSAs into the mining industry.
<b>MI</b>	Megalitre.
<b>MOI</b>	Memorandum of Incorporation.
<b>Moz</b>	Million ounces.
<b>Mt</b>	Million tonnes.
<b>Mtpm</b>	Million tonnes per month.
<b>MWh</b>	Megawatts hours.
<b>NGO</b>	Non-governmental organisation.
<b>NYSE</b>	New York Stock Exchange.
<b>Ore</b>	A mixture of mineralised material from which at least one of the contained minerals can be mined and processed at an economic profit.
<b>OTC</b>	Over the counter.
<b>Ounce</b>	One troy ounce which equals 32.1507 grams.
<b>Payshoot</b>	Linear to sub-linear zone within a reef for which gold grades or accumulations are predominately above the cut-off grade.
<b>Production</b>	The day-to-day activities directed to obtaining saleable product from the mineral resource on a commercial scale. It includes extraction and other processing prior to sale.
<b>Reclamation site</b>	Slimes dams or sand dumps that were created from discarded material after ore processing and are being retreated to recover gold.
<b>Reef</b>	A mineralised horizon containing economic levels of metal.
<b>Rehabilitation</b>	The process of restoring mined land to allow appropriate post-mining usage. Rehabilitation standards are determined and audited by the Department of Mineral Resources and address ground and surface water, topsoil, final slope gradients, waste handling and revegetation issues.
<b>Risco</b>	Risk Committee.



Above: Crown Tailings  
Complex adjacent to Nasrec,  
Johannesburg

<b>Remco</b>	Remuneration Committee.
<b>SAICA</b>	South African Institute of Chartered Accountants.
<b>SAMREC Code</b>	The South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, including the guidelines contained therein.
<b>SEC</b>	United States Securities and Exchange Commission.
<b>SENS</b>	Stock Exchange News Service.
<b>SOX</b>	Sarbanes-Oxley Act of 2002.
<b>t</b>	Tonne/s.
<b>Tailings</b>	Finely ground rock from which valuable minerals have been extracted, may still include mineral particles.
<b>Tailings dam</b>	Dams or dumps created from residue after the economically recoverable metal has been extracted from tailings material.
<b>Tonne (t)</b>	One tonne is equal to 1 000 kilograms (also known as a metric ton).
<b>tpm</b>	Tonnes per month.
<b>US/USA</b>	United States of America.
<b>VMR</b>	Village Main Reef Limited.
<b>Yield/recovered grade</b>	The actual grade of ore realised after the mining treatment process.

# ADMINISTRATION AND CONTACT DETAILS

**DRDGOLD LIMITED**

(Incorporated in the Republic of South Africa)

(Registration Number: 1895/000926/06)

## OFFICES

### Registered and corporate

Quadrum Office Park  
1st Floor, Building 1  
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1709  
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Tel: +27 (0) 11 470 2600  
Fax: +27 (0) 11 470 2618

## OPERATIONS

### Ergo Mining Proprietary Limited

PO Box 390  
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1700  
South Africa  
Tel: +27 (0) 11 742 1003  
Fax: +27 (0) 11 743 1544

### East Rand Proprietary Mines Limited

PO Box 2227  
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1460  
South Africa  
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## DIRECTORS

### Geoffrey Campbell\*

Independent non-executive chairman <sup>2, 3#, 4</sup>

### Daniël (Niël) Pretorius

Chief executive officer <sup>4#, 5</sup>

### Craig Barnes

Chief financial officer <sup>4, 5</sup>

### Robert Hume

Independent non-executive <sup>1, 2, 3, 4</sup>

### Edmund Jeneker

Independent non-executive <sup>1, 2#, 4, 5#</sup>

### James Turk\*\*

Independent non-executive <sup>1, 2, 4</sup>

## COMPANY SECRETARY

Themba Gwebu

## INVESTOR AND MEDIA RELATIONS

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Mobile: +44 (0) 7798 634 398  
E-mail: phil.dexter@corpserv.co.uk

## STOCK EXCHANGE LISTINGS

### JSE

Ordinary shares  
Share Code: DRD  
ISIN: ZAE000058723

### NYSE

ADRs  
Trading Symbol: DRD  
CUSIP: 26152H301

### Marché Libre Paris

Ordinary shares  
Share Code: MLDUR  
ISIN: ZAE000058723

### Euronext Brussels

IDRs  
Share Code: DRD  
BE0004520582

DRDGOLD's ordinary shares are listed on the Johannesburg Stock Exchange (JSE) and on the New York

Stock Exchange (NYSE), in the form of American Depositary Receipts (ADRs). The company's shares are also traded on the Marché Libre in Paris, the Regulated Unofficial Market on the Frankfurt Stock Exchange, the Berlin and Stuttgart OTC markets, as well as the Euronext Brussels, in the form of International Depositary Receipts.

In addition, DRDGOLD trades warrants of various denominations on the Marché Libre Paris.

## SHARE TRANSFER SECRETARIES

### South Africa

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### United Kingdom (and bearer office)

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## ADR depositary

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## French agents

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France  
Tel: +33 1 5530 5900  
Fax: +33 1 5530 5910

## GENERAL

### JSE sponsor

One Capital

### Auditor

KPMG Inc.

### Attorneys

Edward Nathan Sonnenbergs Inc.  
Malan Scholes  
Mendelow Jacobs  
Norton Rose  
Skadden, Arps, Slate, Meagher and Flom (UK) LLP

### Bankers

Standard Bank of South Africa Limited  
ABSA Capital

### Website

www.drdgold.com

\* British

\*\* American

# Denotes committee chairman

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Remuneration Committee

<sup>3</sup> Member of the Nominations Committee

<sup>4</sup> Member of the Risk Committee

<sup>5</sup> Member of the Social and Ethics Committee

 **RUSSELL AND ASSOCIATES** 6943/13