











## HOW TO USE THIS REPORT

-  Home
-  Search
-  Undo
-  Previous page
-  Next page
-  Bookmark
-  Download
-  Interactive content

### Section 6 OTHER REPORTING AND ADMINISTRATION DETAILS

- 96** Reporting in line with GRI
- 104** Independent assurance statement
- 107** Glossary of terms and abbreviations
- 110** Administration and contact details

### Section 1 INTRODUCTION

- 2** Highlights
- 3** About this report
- 4** Chairman's letter
- 5** CEO's strategic review

### Section 5 GOVERNANCE

- 74** Directors and management
- 76** Corporate governance
- 87** Remuneration report

## CONTENTS

Click on the section  
for instant navigation

### Section 2 ABOUT DRDGOLD

- 7** Who we are
- 8** What we do
- 9** What sets us apart
- 10** Where we operate
- 11** Looking West

### Section 4 VALUE CREATION

- 39** Financial capital
- 44** Manufactured capital
- 47** Human capital
- 53** Social and relationship capital
- 57** Natural capital
- 63** Mineral Reserves and Mineral Resources
- 70** Three-year review
- 72** What sets us apart: our investment case

### Section 3 OUR BUSINESS MODEL AND STRATEGY

- 14** Our business model
- 21** Our operating environment
- 23** Creating value for our stakeholders
- 25** An analysis of our risks and opportunities
- 31** Our strategy

### 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 information relating to our Group, 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 Form 20-F for the fiscal year ended 30 June 2018, which we filed with the United States Securities and Exchange Commission (SEC) on 31 October 2018. 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.

# HIGHLIGHTS

## FINANCIAL



**38%**

increase in operating profit  
to R355.2m

Free cash flow of

**R93.4m**

Rise in all-in sustaining costs  
margin to

**5.5%**

## OPERATIONAL



**10%**

rise in production to 4 679kg

**6%**

drop in cash operating costs per kg

**Acquisition**

of Far West Gold Recoveries completed  
post year end

## COMMUNITY



**R14.5m**

community spend

**20%**

**increase**

in individual training courses

**4%**

increase in HDSA employees  
to 70%

## ENVIRONMENT



Dust exceedances stable at

**0.58%**

**38%**

drop in externally sourced  
potable water

**191ha**

rehabilitated land lodged for  
clearance for redevelopment

# ABOUT THIS REPORT

In this annual integrated report, we address the performance and sustainable value creation of Ergo Mining Proprietary Limited (Ergo), the reclamation operation owned and managed by DRDGOLD Limited (DRDGOLD), during the financial year from 1 July 2017 to 30 June 2018.

## REPORTING SCOPE AND BOUNDARY

Information is presented in an integrated manner, using five\* capitals, as defined by the International Integrated Reporting Council (IIRC), guided by matters that have a material impact on value creation within the Group and the Global Reporting Initiative G4 (core) guidelines. We acknowledge the newly effective GRI Standards and will make a transition thereto in the compilation of our FY2019 report.

We communicate the sustainability of our business and compliance, in terms of our listings on the Johannesburg Stock Exchange (JSE) and the New York Stock Exchange (NYSE), to our shareholders as our providers of capital. We also identify and report on our engagement with our other stakeholders. Our previous integrated report for the financial year from 1 July 2016 to 30 June 2017 can be found on the company's website: [www.drdgold.com/investors-and-media/annual-reports/2017](http://www.drdgold.com/investors-and-media/annual-reports/2017)

Our accompanying Annual Financial Statements (AFS) for the year ended 30 June 2018 and notice of annual general meeting (NOM) for the year ended 30 June 2018, which includes summary consolidated financial statements, can be found on the company's website: [www.drdgold.com/investors-and-media/annual-reports/2018](http://www.drdgold.com/investors-and-media/annual-reports/2018)

Selected sustainability key performance indicators, marked as <sup>1A</sup> in this report, have been assured by an independent assurance provider, KPMG Services Proprietary Limited.

## OUR APPROACH TO MATERIALITY


This report provides information that we believe is of material interest to our stakeholders who should be able to make an informed assessment of DRDGOLD's ability to generate value over time. As all the information in this report is material, we do not provide a list of "material issues" but have sought to ensure that all the information relates to matters that have a material impact on value creation within the Group.

Our business model (pages 13 to 20) shows how we create value. Our ability to create value is determined by our operating environment (pages 21 and 22), an analysis of our risks and opportunities (pages 25 to 30), our key stakeholder interests (pages 23 and 24) and the efficiency with which we deploy capital and resources in the context of the above. Our strategic objectives (pages 31 to 37) are linked to our material risks and opportunities. We have therefore determined the relevance of the issues we report, and the significance of these issues to our business and stakeholders.

## RESPONSIBILITY AND APPROVAL

The DRDGOLD Board, including the Audit and Risk Committee, is responsible for the compilation of this report. All directors have reviewed and commented on the contents to ensure its integrity. The Board formally approved this report, our AFS and NOM at a meeting on 24 October 2018.

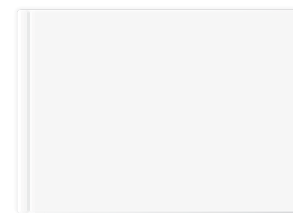
**Geoffrey Campbell**  
Chairman  
24 October 2018

 For more information, see [www.drdgold.com](http://www.drdgold.com)

Queries should be addressed to:

**Riaan Davel**  
Chief Financial Officer  
**Tel:** +27 (0)11 470 2608  
**Email:** [riaan.davel@drdgold.com](mailto:riaan.davel@drdgold.com)

## SUITE OF REPORTS



\* In terms of the International Integrated Reporting <IR> Framework, developed by the IIRC, six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) enable organisations to communicate value creation over time, and thus provide insight into the resources and relationships used and affected by an organisation. DRDGOLD combines manufactured and intellectual capital into a single capital (manufactured).

# CHAIRMAN'S LETTER



This year, we built on the solid foundation established over the previous years. We continued to innovate and improve the efficiency of operations as we seek to recover declining concentrations of gold from the dumps in and around Johannesburg.

In this report you will read of the many projects and initiatives to improve productivity and reduce costs and the bottom

line is that, in a year where the gold price was decidedly lacklustre, DRDGOLD reported a 10% increase in gold production and a 38% increase in operating profit to R355 million.

The robust nature of our operations and the extensive experience and talent that we have accumulated over the years were key factors that enabled DRDGOLD to negotiate and complete a very significant transaction with Sibanye Gold Limited (Sibanye-Stillwater). The deal, completed on 31 July 2018, was the result of a combined team effort across the company and is indicative of the quality of our operations and the people who work at DRDGOLD.

In the deal with Sibanye-Stillwater we acquired substantial dumps and treatment facilities in the West Rand area, now known as Far West Gold Recoveries, from Sibanye-Stillwater in exchange for 38% of DRDGOLD with an option to increase the shareholding to 50.1% within two years. Not only does the transaction add significant longevity to our operations, but also the dumps that we have acquired are of a higher grade than our existing dumps and therefore, we expect the operations to be more profitable than our

existing operations. This will make DRDGOLD more resilient to a lower gold price which is always a good thing.

We are busy upgrading the newly acquired facilities and we secured a R300 million loan to finance the work. Our ability to borrow money at a time of dull gold price performance in a sector that is not attracting capital, is further demonstration of DRDGOLD's positive reputation. We plan to have Phase 1 of the work in place by first quarter of 2019 adding approximately 120kg of gold a month to the overall production. This in itself will add substantial value to DRDGOLD shareholders and puts us in an excellent position to evaluate and consider Phase 2.

Phase 2 has the potential to be hugely significant, not just for DRDGOLD, but for South Africa as a whole. With the right gold price and forward-looking government policies to support a fair and stable business environment to attract the necessary long-term capital, we could be looking at a much larger operation. Phase 2 would require substantial development and the resulting investment would not just pay shareholders'

dividends for many years to come but also provide skilled jobs and training, tax payments, community development and extensive environmental clean-up.

There is much to look forward to in the coming year and beyond as we develop Far West Gold Recoveries. We will continue to seek out further efficiencies and look for ways to optimise our operations.


Our commitment to training and development of our workforce is of fundamental importance to maximising value for our shareholders. The application of specialised knowledge along with good communication and teamwork is key to making sure that we extract every gram of profitable gold possible. We will also continue to work with the communities close to our operations to nurture local businesses and social projects and minimise disruptions.

**Geoffrey Campbell**  
Chairman  
24 October 2018





# CEO'S STRATEGIC REVIEW

 Read more on our strategy on page 31



We entered FY2018 with high ambitions for the year: the hope to achieve lower unit costs and better operating flexibility while continuing our commitment to sustainable development.

I reported last year that FY2017 was a year of repositioning the business; exiting the West Rand footprint and migrating our operating footprint closer to the Ergo plant in the East Rand.

The year did not disappoint. Space that was previously taken up by clean-up material from the west had now become freed-up. We were able to pump better quality tonnes at lower cost per unit to our plants. Potable water consumption was down

38% due to increased usage of treated acid mine drainage (AMD) and sewage, enabled by our newly completed integrated water distribution network. This also brought down the cost of water consumption. In addition to the clean-up of the Johannesburg mining footprint through our reclamation activities, the containment of environmental impacts of our activities through dust suppressing vegetation also continued; an initiative of ever increasing social significance in improving the quality of life of the many communities who had settled in close proximity to our business infrastructure over the years.

Adding to the momentum were three important capital projects: the commissioning of 4L50 (which adds additional volume optionality), the completion of the zinc precipitation circuit (which reduces costs and creates more throughput capacity at the precipitation and smelting stage of gold recovery) and the transfer of mills from Crown to Ergo (which brings high grade sand milling capacity a lot closer to the East Rand).

Also worth mentioning are the risks we managed to avoid this year because of ongoing business improvements: we avoided a drop in carbon efficiencies following the very significant rainstorms early in 2018 –

testimony to better clean and dirty water separation and hence more stable density levels of throughput material. Despite a very disruptive few weeks in electricity supply, including a number of unannounced power trips linked to the Eskom wage strike, we managed to avoid the choking of plant infrastructure, and importantly, the tripping of thickeners. These are measures which by design make the business more resilient to risk associated with a changing climate and increasingly unreliable service delivery.

This report will not be complete without also referring to the acquisition of certain of the surface gold assets of Sibanye-Stillwater. The improved performance in our share price enabled us to pitch an offer to Sibanye-Stillwater for their West Rand surface gold portfolio at a share exchange ratio that struck a good balance between what we should be paying for the asset, and what they were asking for it. Not only do we expect to almost double our Mineral Reserves in FY2019, but the acquisition of existing plant and deposition infrastructure enables us to get to production and cash flow in a very short time. The first phase of this project is high grade, and we anticipate its contribution to cash flow will be such that it should all but eliminate the dilution of Ergo earnings insofar as pre-transaction shareholders are concerned.

Allow me a few words on the role our share price played in cementing this transaction. I am fully aware of the fact that our policy of taking full exposure to the gold price provides steep gearing to the gold price and the high levels of liquidity of our stock, provide opportunities for short term gain on both sides of the gold price trend. DRDGOLD has however now paid dividends without interruption for 11 years. The little bit of support the market afforded our stock during 2017 and the fact that the share price hovered around the R5.75 – R6.00 levels for as long as it did, was of vital importance in doing this deal and acquiring this asset in exchange for a very reasonable 38% share in our issued share capital. Sibanye-Stillwater now has the option to push its stake in DRDGOLD up by another 12.1% at a 10% discount to the share price at the time it exercises the option. How big, or small the inflow of capital might be should Sibanye-Stillwater choose to exercise the option is entirely up to you, the shareholder – ultimately it is you who decide the share-price.

The political climate in South Africa has changed a lot in the last 12 months. The standard of political governance is much higher and our new political leaders are considered men of integrity. The reality though is that they are also working very

hard to bring about structural changes they believe are appropriate and in accordance with the wishes of their constituency. Hence, we are seeing in the new Mining Charter a whole raft of requirements relating to carried interest for historically disadvantaged South Africans (HDSAs), as well as extensive empowerment provisions in respect of local black suppliers of goods and services. In addition the state has firmly committed to a programme of land expropriation without compensation in order to bring about transformation in land ownership that more closely reflects the demographics of South Africa.

As a member of the Minerals Council, we are hard at work to ensure that a settlement is reached that does not impact unfairly on our providers of capital. We are also very aware of our obligation to our providers of capital to ensure that investments are structured in such a way that the best chance to ensure a fair return on investment capital is assured.

**Niël Pretorius**

Chief Executive Officer  
24 October 2018

## WHO WE ARE

DRDGOLD is a South African gold producer and a world leader in the recovery of gold from the retreatment of surface tailings. Our network of assets is unrivalled in South Africa and, with our consolidated businesses operating as a single entity, is focused on optimising these assets in order to increase gold production.

### GROUP STRUCTURE

DRDGOLD is 94% held by public shareholders with 6% held by black economic empowerment (BEE) partners. Khumo Gold SPV Proprietary Limited holds 4% while the remaining 2% is held by historically disadvantaged employees through the DRDSA Empowerment Trust.

This ownership structure is compliant with the Mining Charter and has the approval of the Department of Mineral Resources (DMR).

During the year, the Ergo entity was unbundled out of the 100% DRDGOLD subsidiary, Ergo Mining Operations Proprietary Limited, into DRDGOLD. DRDGOLD now owns 100% of Ergo into which all the Group's surface retreatment sites are consolidated. A similar transaction was effected to the ERPM entity. On 1 August 2018, DRDGOLD became the 100% owner of Far West Gold Recoveries. See page 12.

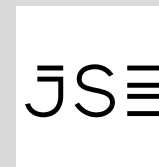
### OWNERSHIP STRUCTURE



### LISTINGS

The company has its primary listing on the JSE. It has been listed on this exchange for more than a century making it one of the oldest primary listings on the JSE. Our secondary listing is on the NYSE.

Primary listing



Secondary listing



Our shares are also traded on the regulated unofficial market of the Frankfurt Stock Exchange and the Berlin and Stuttgart over-the-counter markets. We voluntarily delisted our shares from the Marché Libre in Paris, effective 30 May 2018. The total volume of securities traded on this exchange amounted to less than 0.2% of the total number of DRDGOLD securities in issue.

At the end of FY2018, our company had 431 429 767 ordinary shares in issue and a market capitalisation of R1.6 billion.

*DRDGOLD is the only South African mining company focused solely on the retreatment of surface gold tailings.*





## WHAT WE DO

# SUSTAINABLY REVERSING A CENTURY-OLD ENVIRONMENTAL LEGACY

## OUR INTENTION

DRDGOLD HAS A POSITIVE IMPACT ON THE JOHANNESBURG LANDSCAPE BY SUSTAINABLY AND PROFITABLY CLEANING UP THE LEGACY OF MORE THAN A CENTURY OF GOLD MINING.

## OUR PURPOSE

We stay in business to sustainably and profitably mine, through reclamation, what has been left behind in the legacy tailings of the Witwatersrand. We strive to improve the quality of life for residents of the greater Johannesburg by cleaning up this legacy, by investing in environmental containment measures to suppress dust and contain AMD while operating as an “urban miner”, moving historic mining waste to a world-class tailings facility, and opening up valuable land for development.

By anticipating risk and adapting to circumstances, DRDGOLD has managed to remain operational where other mines have closed, broadening our value-add to include “people” and “planet”, and will strive to do so for many years to come.



# WHAT SETS US APART: OUR MINING RESULTS IN REHABILITATION



## PEOPLE

Continuous training to devolve decision-making and horizontal integration of skills through self-directed work teams has resulted in an increasingly knowledge-based workforce. Employee wellbeing, including education in financial literacy and confidential counselling, remains a fundamental aspect of our strategy to retain our accomplished employees.



## PLANET

As a gold mining company, we acknowledge our responsibilities to minimise our impact on the environment and pursue ways to enhance the quality of life experienced by communities around our operations.



## PROFIT

We are among world leaders in gold production from tailings retreatment. Optimal, sustainable orebody exploitation is key to ensuring that our business remains profitable in the long term. To this end, we control costs, manage margins and focus on generating cash with an integrated approach to value creation in mind.

HOW WE ARE DIFFERENT

Our mechanised process is not labour intensive and our own employees, deployed mainly in core mineral extraction and processing areas, are supported by independent service providers who mostly provide logistical, security and environmental services.

### PEOPLE

We have lower health and safety risks than traditional underground mines as our surface operations are not exposed to risks such as seismicity, underground fires, flooding or fall of rock.

	DRDGOLD	Industry
Labour as a percentage of operating cost (%)	19	54
Production per employee per annum (kg gold produced/total employees and contractors)	2.03	1.15
Average pay per employee (excluding contractors) per annum (R'000)	475	282

We add value by cleaning up the historic mining footprint around Johannesburg in our retreatment of mine dumps. We hope to attain five land clearance certificates covering approximately 191ha from the National Nuclear Regulator (NNR) for the release of completely rehabilitated sites, by the end of FY2019.

### PLANET

We are one of the few mining operations in South Africa that perform concurrent rehabilitation on our tailings deposition facilities. During the past three years, we have vegetated 141ha of our Crown, Brakpan/Withok and Daggafontein Tailings Deposition Facilities.



Adding value for our shareholders is important and, for the eleventh year in a row, DRDGOLD has declared a dividend.

### PROFIT

The minimal debt on our balance sheet has afforded us the opportunity to expand or invest in projects we believe will fit with our business model, in South Africa or anywhere in the world where mining has left a legacy of tailings dams; most notably, the acquisition of certain surface gold assets from Sibanye-Stillwater.



### OUR COMPETITIVE ADVANTAGE

Local and global economics, which are beyond our control, affect the price of gold. Technology, however, is in our realm of control and plays a vital role in unlocking gold potential and extending the lives of our operations. The DRDGOLD Board is committed to investigating research and development opportunities that would enable further reclamation of our Mineral Resource and improve our gold recoveries in terms of yield grade, as well as minimise environmental impact.

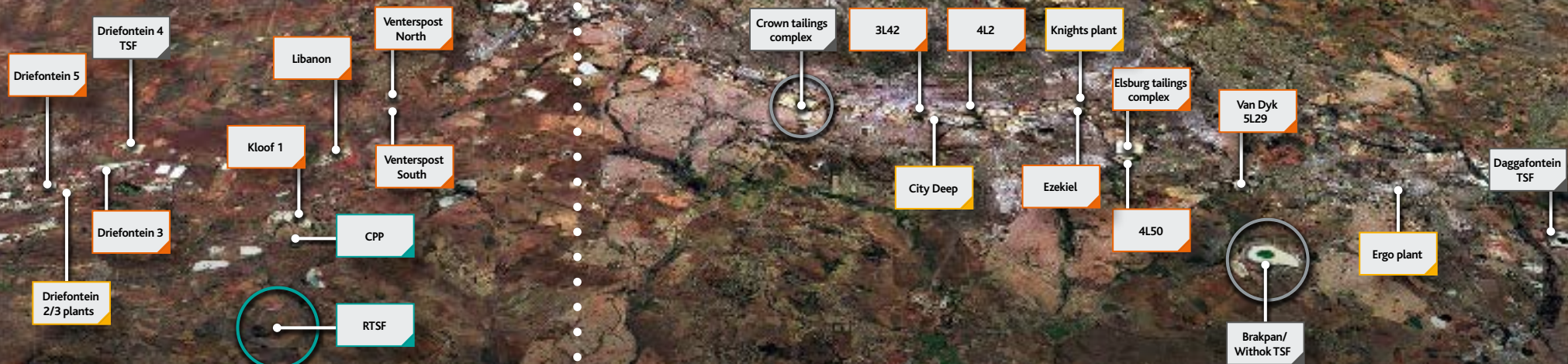
Our competitive advantage is vested in:

- Knowledge and infrastructure to move vast quantities of material over long distances through urban areas
- A supporting and caring culture
- Knowledge and technology to recover gold from low-grade material
- World-class knowledge to sustainably rehabilitate tailings dams
- Using water and electricity in a responsible way
- Astute use of technology to manage operations on a 24/7/365 basis

## WHERE WE OPERATE



Mouse over and click to enlarge highlighted areas



# WEST TO EAST

## PLANTS & TAILINGS

SPANNING OVER 163KM

Plant Dumps Tailings dams Future developments



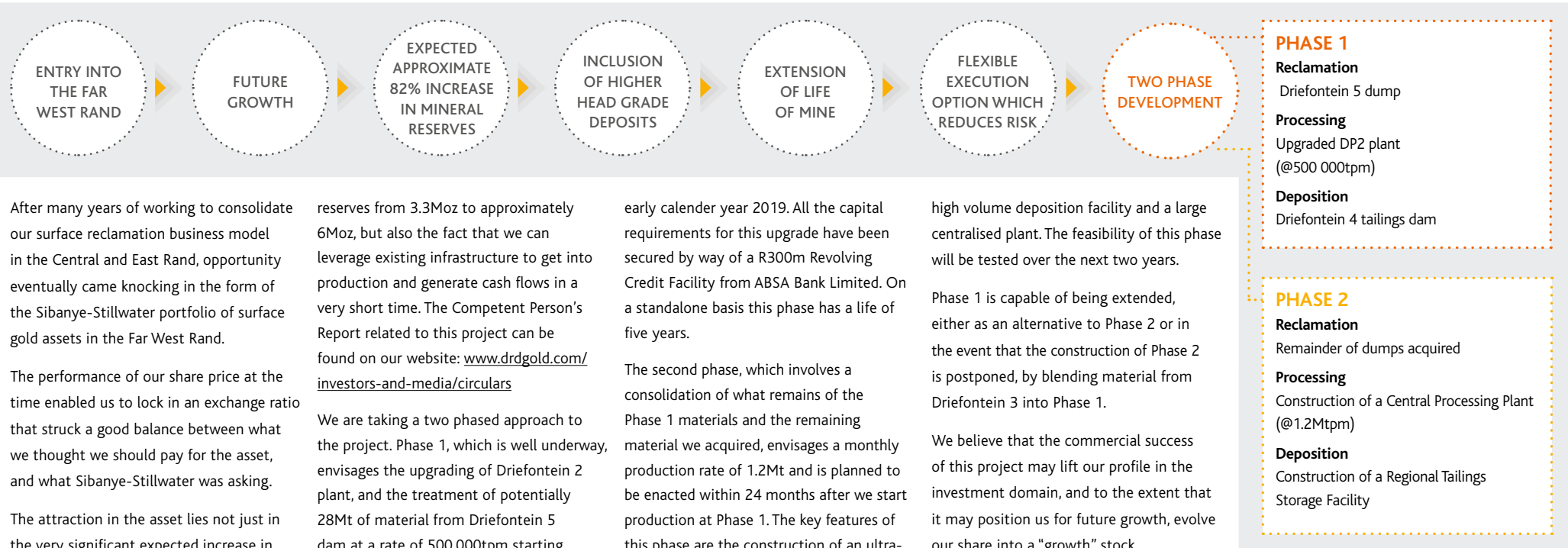
# LOOKING WEST

## GROWTH IN THE RIGHT DIRECTION

EXTENDING OUR FOOTPRINT FROM ERGO IN THE EAST, DRDGOLD WILL NOW ALSO EXPLOIT ON-SURFACE GOLD DEPOSITS AT FAR WEST GOLD RECOVERIES IN THE WEST OF JOHANNESBURG.



# INTRODUCING FAR WEST GOLD RECOVERIES



After many years of working to consolidate our surface reclamation business model in the Central and East Rand, opportunity eventually came knocking in the form of the Sibanye-Stillwater portfolio of surface gold assets in the Far West Rand.

The performance of our share price at the time enabled us to lock in an exchange ratio that struck a good balance between what we thought we should pay for the asset, and what Sibanye-Stillwater was asking.

The attraction in the asset lies not just in the very significant expected increase in

reserves from 3.3Moz to approximately 6Moz, but also the fact that we can leverage existing infrastructure to get into production and generate cash flows in a very short time. The Competent Person's Report related to this project can be found on our website: [www.drdgold.com/investors-and-media/circulars](http://www.drdgold.com/investors-and-media/circulars)

We are taking a two phased approach to the project. Phase 1, which is well underway, envisages the upgrading of Driefontein 2 plant, and the treatment of potentially 28Mt of material from Driefontein 5 dam at a rate of 500,000tpm starting

early calendar year 2019. All the capital requirements for this upgrade have been secured by way of a R300m Revolving Credit Facility from ABSA Bank Limited. On a standalone basis this phase has a life of five years.

The second phase, which involves a consolidation of what remains of the Phase 1 materials and the remaining material we acquired, envisages a monthly production rate of 1.2Mt and is planned to be enacted within 24 months after we start production at Phase 1. The key features of this phase are the construction of an ultra-

high volume deposition facility and a large centralised plant. The feasibility of this phase will be tested over the next two years.

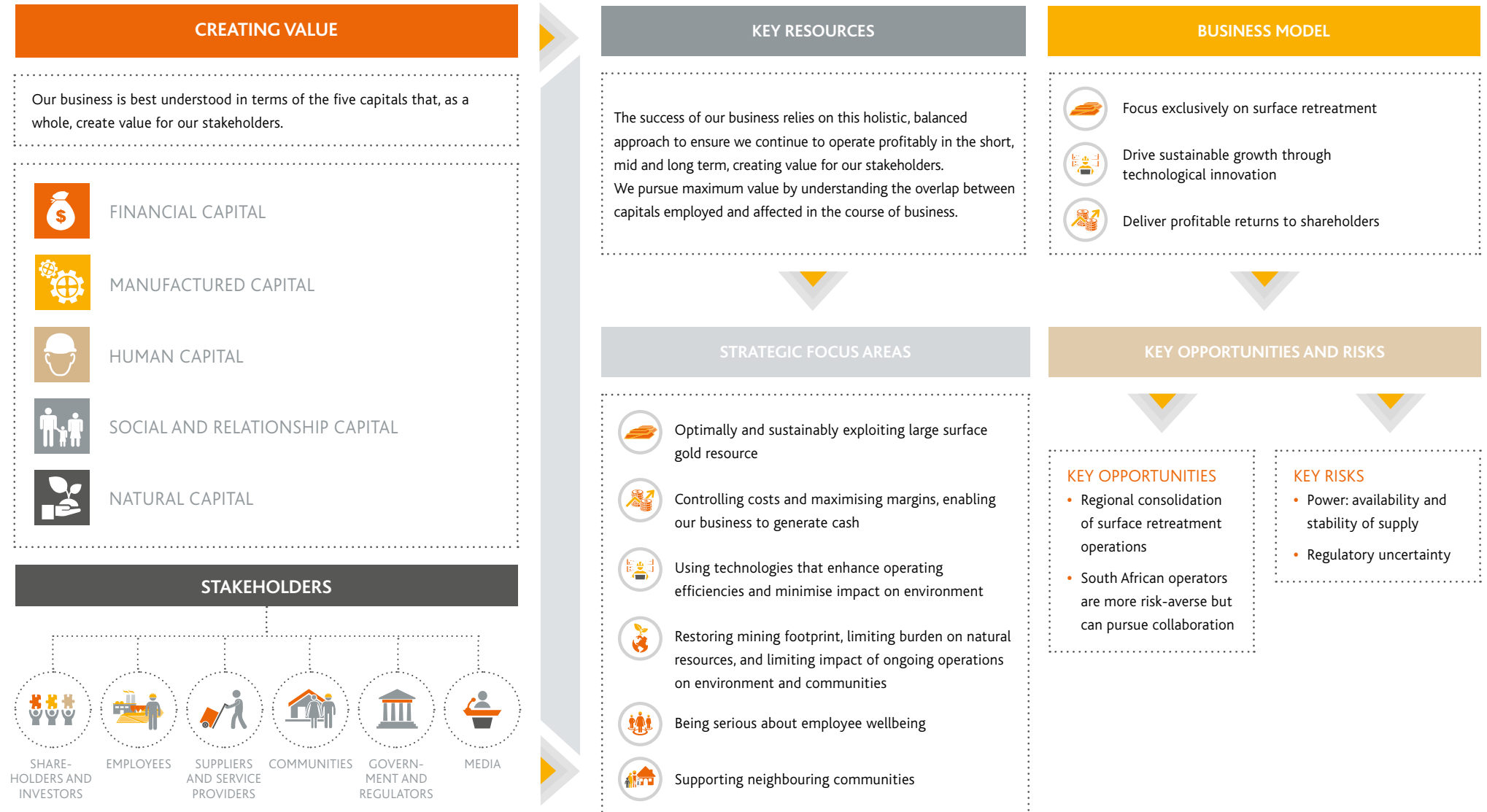
Phase 1 is capable of being extended, either as an alternative to Phase 2 or in the event that the construction of Phase 2 is postponed, by blending material from Driefontein 3 into Phase 1.

We believe that the commercial success of this project may lift our profile in the investment domain, and to the extent that it may position us for future growth, evolve our share into a "growth" stock.






# OUR BUSINESS MODEL



## OUR BUSINESS MODEL *continued*




## OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
 <b>FINANCIAL CAPITAL</b> Our financial capital is the return on investment and the revenue we generate from the sale of our product and from our providers of capital (shareholders). It is a critical input in conducting our business activities and investing in other forms of capital.	<ul style="list-style-type: none"> <li>NYSE/JSE listing</li> <li>Debt-free balance sheet at year end</li> <li>Cash of R302.1 million</li> <li>Free cash flow generated by operations</li> </ul>	<p>We realised benefits from the investments made in financial capital in the prior year. These included:</p> <ul style="list-style-type: none"> <li>Increase in production and cost savings benefit after the Crown legacy sites clean-up</li> <li>A reduction of potable water by 38% and the relevant cost savings through our investment in the Central Water Distribution System</li> </ul>	<ul style="list-style-type: none"> <li>Market capitalisation of R1.6 billion</li> <li>Interim dividend declared of 5cps</li> <li>Revenue of R2 490.4 million</li> <li>Operating profit of R355.2 million</li> <li>Total economic value of R2 333 million<sup>LA</sup> distributed</li> <li>Free cash inflow of R93.4 million</li> </ul>
	<ul style="list-style-type: none"> <li>Major capital projects completed</li> </ul>	<p>Investments in manufactured capital which are expected to yield returns in financial capital in the medium to long term:</p> <ul style="list-style-type: none"> <li>Refurbished and commissioned two ball mills from Crown to introduce higher grade material closer to our Ergo plant</li> <li>Invested in the zinc precipitation circuit which is expected to reduce costs and increase efficiencies</li> <li>Start up of 4L50 which is expected to bring in greater plant stability and consequently efficiency</li> </ul>	<ul style="list-style-type: none"> <li>R126.1 million spent on capital projects including R44.7 million on growth capital</li> </ul>
	<ul style="list-style-type: none"> <li>Major capital projects planned</li> </ul>	<p>Going forward, a key trade-off will be the refurbishment and commissioning of Phase 1 of Far West Gold Recoveries which requires capital funding. We have secured a revolving credit facility from ABSA Bank Limited and traded a zero collar post year end to provide protection against a possible decrease in the rand/gold price while the borrowings are in place. Although this is expected to decrease financial capital in the short term, Phase 1 of Far West Gold Recoveries is expected to yield returns in the medium and long term in all five capitals.</p>	<ul style="list-style-type: none"> <li>Production to commence in the third quarter of FY2019, which is expected to ultimately contribute to our bottom-line by the second half of FY2019</li> </ul>



<sup>LA</sup> Limited assurance

## OUR BUSINESS MODEL *continued*


Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
 <b>MANUFACTURED CAPITAL</b> Our manufactured and intellectual capital is the specialised technology we use to fine-grind gold-bearing material to achieve recovery efficiencies previously beyond the reach of typical metallurgical processes. We will continue to invest in projects that will yield a return and ensure our sustainable future.	<ul style="list-style-type: none"> <li>• Our flagship Ergo plant in Brakpan including flotation/fine-grind (FFG) process</li> <li>• Better use of technology and analysis to keep the Ergo plant stable</li> <li>• Extensive pipeline infrastructure</li> <li>• Mega Tailings Storage Facility</li> <li>• R126.1 million spent on capital projects including R44.7 million on growth capital</li> <li>• Central Water Distribution System</li> </ul>	We invest in research and development opportunities, which provide a return not only in terms of financial capital, but also contribute to other capitals as part of our optimal value chain. Our focus and trade-offs for FY2018 were: <ul style="list-style-type: none"> <li>• Invested financial capital in our Central Water Distribution System in the prior year and realised the benefit thereof as potable water consumption reduced by 38%</li> <li>• Invested financial capital in the new 4L50 reclamation area, conversion of the electrowinning circuit to zinc precipitation and installation of two ball mills to increase financial capital in the long term through cost savings, improved plant utilisation and improved operating flexibility</li> <li>• By spending financial capital on tonnage and grade verification, and studies to enlarge our tailings deposition facility in the medium term, we unlock financial capital potential in the long term by enabling more gold resources to be mined for longer in accordance with our stated strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Increased gold production by 10% to 4 679Kg</li> <li>• Use of externally sourced potable water decreased by 38%</li> <li>• 10% increase in our Mineral Reserves</li> </ul>



<sup>LA</sup> Limited assurance




## OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
 <b>HUMAN CAPITAL</b> Human capital is the investment in our people and the development of their skills towards a knowledge based workforce and to ensure that we run our business efficiently, safely and cost- effectively. Every employee has the right to work in a safe and secure environment and have the opportunity for personal development.	Experienced team: <ul style="list-style-type: none"> <li>• Relatively small, skilled, permanent workforce (878 employees)</li> <li>• Specialist service providers (1 426 contractors)</li> </ul>	Our employees' wellbeing is important to us. We invest financial capital in various initiatives to ensure that employees' personal goals are aligned with the strategic objectives of the Group, including: <ul style="list-style-type: none"> <li>• Training initiatives</li> <li>• Talent management</li> <li>• Best Life project</li> <li>• Home ownership initiative</li> <li>• Baobab programme and communication</li> </ul>	<ul style="list-style-type: none"> <li>• R417 million<sup>LA</sup> value distributed to employees – salaries, wages and other benefits</li> <li>• 20% women in mining</li> <li>• 12% women in core positions</li> <li>• 70% HDSAs in management, core and critical skills positions</li> <li>• 1 546 employee training sessions at a cost of R9.0 million</li> </ul>
	<ul style="list-style-type: none"> <li>• Health and safety policies and procedures</li> <li>• Training and awareness campaigns</li> </ul>	The health and safety of our employees remains a priority. We have therefore initiated the following campaigns: <ul style="list-style-type: none"> <li>• Managerial procedural training</li> <li>• Workplace safety pledge for management and workers</li> <li>• Silicosis dust awareness campaign</li> </ul>	<ul style="list-style-type: none"> <li>• 0<sup>LA</sup> fatalities</li> <li>• Lost time injury frequency rate (LTIFR): 2.92<sup>LA</sup></li> <li>• Reportable injury frequency rate (RIFR): 1.55<sup>LA</sup></li> <li>• One silicosis and one asbestos case reported</li> <li>• Reduction in noise-induced hearing loss (NIHL) to one case</li> </ul>



<sup>LA</sup> Limited assurance

## OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
 <b>SOCIAL AND RELATIONSHIP CAPITAL</b> Our social and relationship capital extends to our people and neighbouring communities by improving their quality of life, poverty alleviation and youth education.	<ul style="list-style-type: none"> <li>Ergo Business Development Academy (EBDA), flagship for development and training established in the community</li> <li>Employee assistance programme</li> <li>Broad-based agricultural livelihoods programme for East Rand communities</li> <li>Infrastructure improvement projects at several schools</li> <li>Maths, science and accountancy teaching programmes at schools on the West Rand and East Rand</li> </ul>	<p>Our future existence depends on our social licence to operate and our investment in our communities is guided by our current Social and Labour Plan (SLP). During FY2018, we invested financial capital in the following initiatives:</p> <ul style="list-style-type: none"> <li>Youth education remains a priority – DRDGOLD facilitated lessons in maths, science and accountancy for more than 891 pupils at eight schools in our areas of influence</li> <li>In and around Ergo, 877 families grow their own vegetables and several produce a surplus which is sold in their communities</li> <li>R2.1 million spent on a DRDGOLD-enlisted consortium, which employs 33 community members, to undertake the vegetation programme at the Crown complex. Currently, we supply the materials, but are assisting them to develop into a fully functional business</li> </ul>	<ul style="list-style-type: none"> <li>Broad-based black economic empowerment (BBBEE) procurement spend: R1 481.3 million (90.7% of our total discretionary spend)</li> <li>R25.1 million<sup>1A</sup> total socio-economic development spend</li> <li>488 community members in learnership programmes</li> <li>721 learners benefited from our maths and science teaching programme</li> <li>170 learners benefited from our accountancy teaching programme</li> </ul>



<sup>1A</sup> Limited assurance



## OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
 <b>NATURAL CAPITAL</b> Our natural capital includes the environmental resources at our disposal for consumption during the production process. Our positive impact is in the improvement of the greater Johannesburg landscape by reclaiming old mine dumps and tailings dams, restoring the environmental legacy of mining and unlocking sterilised land for further development.	<ul style="list-style-type: none"> <li>• Surface Mineral Resource of 7.33Moz</li> <li>• Water, electricity and chemical reagent consumption</li> <li>• Containment and remediation of our impacts on the environment</li> <li>• R51.6 million spend on environmental rehabilitation activities</li> </ul>	<p>Our most significant achievement in creating our natural capital in the current year, is the reduction of potable water usage by 38% as a result of the infrastructure investments (financial capital) made in the prior year in the Central Water Distribution System.</p> <p>We invested further in projects which have yielded or are expected to yield a natural dividend in the future, including the following:</p> <ul style="list-style-type: none"> <li>• Concurrent rehabilitation and vegetation of our tailings deposition facilities, which decreases dust emissions and improves the quality of life of those living within our areas of influence</li> <li>• The establishment and funding (financial capital) of a consortium which employs local community members (social capital) in the Crown complex area, as part of our dust suppressing vegetation programme</li> </ul>	<ul style="list-style-type: none"> <li>• Total water consumption up 6% and potable water consumption down 38%</li> <li>• 744Ml Trans-Caledon Tunnel Authority (TCTA) recycled water used</li> <li>• Electricity consumption up 2% to 383 151MWh<sup>LA</sup></li> <li>• Total carbon emissions down 3% to 372 678<sup>LA</sup> tonnes CO<sub>2</sub>e</li> <li>• Dust emissions stable</li> <li>• 35ha of vegetation established on our tailings deposition facilities</li> <li>• 191ha of land lodged for clearance for redevelopment</li> </ul>



<sup>LA</sup> Limited assurance



# OUR OPERATING ENVIRONMENT

## FLUCTUATIONS IN THE RAND GOLD PRICE

As a South African gold mining company, we are exposed to fluctuations in the US dollar (\$) price of gold and the rand/dollar exchange rate.

The gold price is significantly affected by macro-economic factors, such as fluctuations in inflation, interest rates, exchange rates, changes in reserve policy by central banks, global or regional political and economic crises and, in particular, recent trade wars which have devalued the currencies of emerging markets. In times of inflation and currency devaluation, gold is often seen as a safe haven, increasing purchases and price of gold and support for its price.

The gold price has been more stable over the past three years, ranging from highs of \$1 375/oz in July 2016 to lows of \$1 046/oz in December 2015.

Exchange rates are influenced by global economic trends and by the market forces of supply and demand.

As the price of gold is denominated in dollars and we realise our revenues in rand, the appreciation of the dollar against the rand increases our profitability, whereas the depreciation of the dollar against the rand reduces our profitability.

The value of the rand against the dollar has moved significantly in the past three years, ranging from strengths of R11.50/\$ in February 2018 to weakness of R17.83/\$ in January 2016.

### DRDGOLD'S RESPONSE

We sell the gold produced at spot price to obtain maximum benefit from prevailing gold prices. As a R/kg price-taker, we need to manage our costs and gold recoveries in our operations very carefully.

Although it is not our long-term strategy to enter into gold hedges and forward sale contracts, we have, subsequent to year end, entered into a zero-cost collar for approximately one third of our planned production in FY2019 to provide price protection to manage the increased liquidity risk which will arise as a result of borrowings secured for the funding of Far West Gold Recoveries.

## SOCIAL LICENCE TO OPERATE

Johannesburg has a unique history, but for mining, there would be no city. The mines, however, did not come to the city; the city came to the mines. As a consequence, environmental and waste disposal practices that were designed, and that may have been adequate in a less densely populated environment, are inadequate today. DRDGOLD's entire operating footprint is the legacy footprint of mining in Johannesburg. An integral part of our mining process is to remedy the shortcomings of that legacy.

While it is true that, in the course of our operations, there may be high levels of dust and other disturbances, the end result is a better environment and a legacy that is of value to the wider community. We aim, as a company, to improve the quality of life of people living within our areas of influence.

As such, in addition to our socio-economic investments, we seek to preserve, protect and improve the state of the footprint on which we operate in order to also yield a dividend beneficial to the natural environment.

### DRDGOLD'S RESPONSE

We follow a programme of concurrent rehabilitation and vegetation of our tailings deposition facilities, which decreases dust emissions. The surface reclamation process at Ergo has several environmental merits as it removes potential pollution sources and opens up land for development.





## OUR OPERATING ENVIRONMENT *continued*

### LIMITED NATURAL RESOURCES

In a country that is water scarce, our operations should endeavour to limit the impact on this natural resource while still ensuring that we can continue mining optimally for as long as possible.

Our surface retreatment operations are reliant on water to transport the slimes or sand from reclaimed areas to the processing plant and to the tailings facilities.

#### DRDGOLD'S RESPONSE

Over the past few years, we have invested in projects to reduce our reliance on potable water consumption, for example at the Rondebult waste water works, the installation of gland service infrastructure, and our Central Water Distribution System.

The full impact of these projects also came through this year, with a reduction of 38% in our use of potable water.

Approximately 70% of our total water used was from recycled water. 744Ml of water was used from TCTA and 938Ml of waste water from our Rondebult waste water treatment facility.



### REGULATIONS AND THEIR EFFECTS ON OUR BUSINESS

The mining industry in South Africa is extensively regulated through legislation and regulations issued by government's administrative bodies. These involve directives with respect to health and safety, mining and exploration of minerals, and managing the impact of mining operations on the environment. A change in regulatory or government policies could adversely affect our business.

On 27 September 2018, the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (Mining Charter 2018) was published in Government Gazette No. 41934 of Government Notice No. 639 superseding and replacing all previous charters, including the Reviewed Broad-Based Black Economic Empowerment Charter for the South African Mining and Minerals Industry, 2016 (Mining Charter III).

Mining Charter 2018 requires an enduring 30% BEE interest in respect of new mining rights. It also has extensive provisions in respect of HDP representation at board and management, as well as provisions relating to local procurement of goods and services. The procurement target of the total spend on services from South African companies has been pegged at 80% (up from 70% in Mining Charter III) and 60% of the aggregate spend thereof must be apportioned to BEE entrepreneurs.

Key provisions of Mining Charter 2018, which are welcomed by the industry are:

- The conditional acceptance of the continued consequences of previous compliance of the BEE ownership threshold of 26% in respect of existing mining rights
- Of the 30% HDP ownership component, qualifying employees and communities are each to hold a 5% carried interest (as

opposed to a free carry interest as per Mining Charter III), the cost of which may be recovered by the mining right holder from the development of the asset. The community interest in turn may be offset by way of an equity equivalent

- The removal of the so-called 1% of EBITDA trickle dividend provided for in Mining Charter III
- The removal of provisions requiring community and employee representation at board level

Elements of Mining Charter 2018 which we consider unfortunate, and which will be the topic of ongoing discussion with the DMR, are:

- That the continuing consequences of HDP ownership are recognised for transfers of mining rights
- That a top up of HDP ownership back to 30% is required for the renewal of existing rights

#### DRDGOLD'S RESPONSE

DRDGOLD is a member of the Minerals Council which has noted a material improvement on Mining Charter 2018, but still expresses concern on its ability to promote growth and attract investment. The Minerals Council provided, on behalf of its members, its preliminary response to Mining Charter 2018 on 3 October 2018, welcomed its publication, and broadly supports its intentions and content.

The Minerals Council noted that the Mining Charter is the product of substantial engagement between key stakeholders and is a compromise that reflects different difficult choices that have been made. This Mining Charter provides a better balance between the mutually reinforcing concepts of promoting competitiveness and transformation.

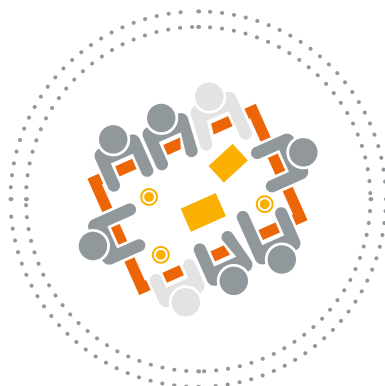
# CREATING VALUE FOR STAKEHOLDERS

By necessity, our operations take place in urban areas where people live, work and play. How we conduct our business affects the communities surrounding our operations.

When we discuss creating value for our stakeholders, we define this as long-term sustainable value. Building personal relationships with our stakeholders is not just good business sense, it is what we stand for. Operating in an urban setting, there are various economic, social, regulatory, community and environmental influences we need to navigate to ensure long-term sustainability.

DRDGOLD's Board is committed to representing a fair and transparent review of the Group's position to stakeholders. We ensure timeous and efficient handling of our stakeholders' issues as maintaining a good, long-term relationship with our stakeholders is a key priority. Our Board carefully ensures that communication on our performance is distributed to all stakeholders and the public through a broad range of channels.

## COMMUNICATING INVESTOR VALUE TO STAKEHOLDERS



### OUR GROUP AND BOARD

- Works to create value from investments with regard to market listings and regulations
- Ensures SLPs are in place
- Communicates regularly with government regarding mining, water, environmental affairs, education and labour



### COMMUNICATION TOOLS AND METHODS

- Workplace meetings
- Short message service
- Independent, anonymous tip-off line to report fraud or crime
- Community forums
- Formal workplace briefing procedures
- Induction and refresher training
- Monthly "future forum" meetings with organised labour



### DISSEMINATION OF KEY INFORMATION

- Done in an unbiased, timely manner
- JSE's Stock Exchange News Service (SENS)
- News releases on the company's website
- Web alerts to analysts, media and investors
- Presentations, briefings and webcasts
- Various investor conferences
- Investor roadshows for small groups and one-on-one meetings

# CREATING VALUE FOR STAKEHOLDERS *continued*

## OUR STAKEHOLDER GROUPS AND THEIR KEY INTERESTS



### SHAREHOLDERS AND INVESTORS

- Operating and financial performance
- Share price performance and dividends
- Governance
- Sustainability of the Group
- Management of risk
- Identification of business opportunities
- Stability within the industry
- Labour issues
- Safety performance
- Gold price



### EMPLOYEES

- Job security
- Training and development
- Wages and benefits
- Retirement provision
- Medical aid provision
- Home ownership
- Health and safety
- Group performance



### SUPPLIERS AND SPECIALIST SERVICE PROVIDERS

- Sustainability of the Group
- Financial performance
- Employment practices
- Local procurement
- Preferential procurement
- Performance of service providers
- Business training
- Support and quality control



### COMMUNITIES

- Local economic development (LED)
- Employment and local job creation
- Corporate social investment (CSI) projects
- Dust control
- Health-, safety- and security-related issues
- Environmental impact
- Rehabilitation
- Skills development
- Training programmes



### GOVERNMENT AND REGULATORY AUTHORITIES

- Licence to operate
- Water licence
- Environmental management plan (EMP)
- SLP
- BBBEE compliance
- Labour relations
- Conditions of employment
- Health and safety
- Employment equity
- Education and training
- LED
- Environmental impact and rehabilitation
- Taxation



### MEDIA

- Financial results
- Corporate activity
- Environmental issues
- Health and safety
- Marketing
- Community related topics

### QUALITY OF STAKEHOLDER RELATIONSHIPS

We set ourselves the task of pursuing and creating real value for our stakeholders along defined parameters and outcomes. We continuously measure our performance against our strategic objectives to ensure that we remain on track and that our contribution in this regard remains relevant.

Our stakeholder groups' key interests are linked to our business model and strategic objectives and inform the way we manage our business.

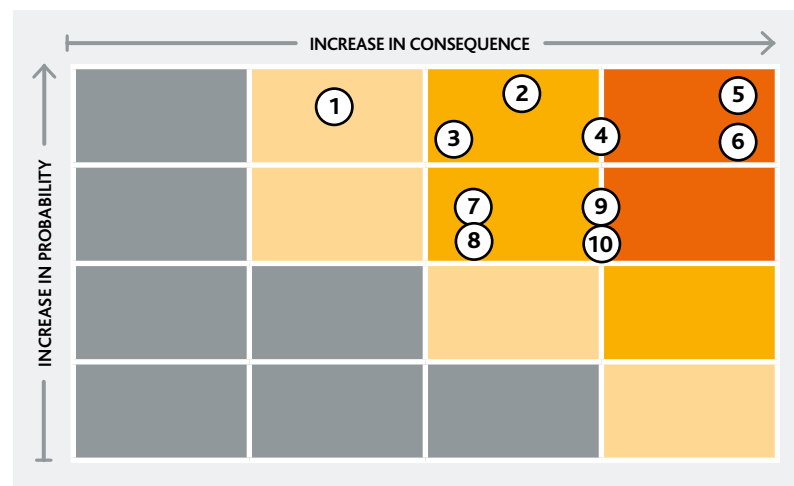
# AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES

DRDGOLD is not a typical gold mining company as we focus exclusively on surface retreatment and not underground mining. Our slimes retreatment focus places our business in a different risk environment compared to conventional mining.

## RISK MANAGEMENT

Our Board oversees risk challenges and has delegated the implementation of risk mitigation policies to management. DRDGOLD implemented enterprise-wide risk management more than a decade ago and still uses this to inform and advise on threats that could prevent the Group from achieving its objectives.

## OUR RISK PROFILE 10 YEARS AGO



- |                                    |                                     |
|------------------------------------|-------------------------------------|
| 1 Theft of explosives              | 6 Sustainable cash flow             |
| 2 Power supply                     | 7 Flooding of mine                  |
| 3 Depletion of profitable reserves | 8 Impact of HIV/Aids                |
| 4 Seismicity                       | 9 Underground fire                  |
| 5 Tailings dam capacity            | 10 Dependency on key/sole suppliers |

## TOP 10 RISK PROFILE

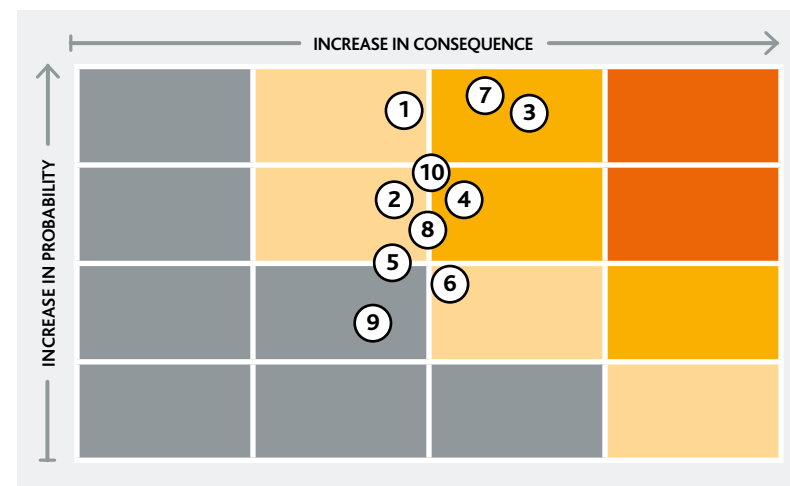
The substantial reduction in our top 10 risks is due to a deliberate strategy to address risks head-on and strive towards "no risk exposure".

The improvement in the risk profile is due to a combination of initiatives, actions and efforts over the years, particularly the following:

- Our exit from underground mining and concentrating solely on surface retreatment of mine dumps reduced our labour-related and health and safety risks
- The decreasing head grade trend was mitigated with the purchase of higher grade material from Sibanye-Stillwater
- Generators were installed at critical points in our operation to mitigate power interruptions by Eskom
- Dependence on potable water was reduced by investing in the Rondebult waste water treatment works, the gland service infrastructure and the Central Water Distribution System
- Human resources strategies were implemented to address skills shortages and improve labour relations



## RISKS AS AT 30 JUNE 2018



- |  |   |
|--|---|
| 1 Commodity price  | 6 Environmental legislation, regulatory authorities and changes |
| 2 Cost impact  | 7 Power supply  |
| 3 Depletion of profitable reserves                       | 8 Increased crime   |
| 4 Social licence to operate                              | 9 Gold theft  |
| 5 Mining legislation, regulatory authorities and changes | 10 Extreme weather  |



# AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

## KEY OPPORTUNITIES

### Key opportunity

### Strategic focus areas

We have access to a large surface gold resource which could be exploited



The recent acquisition of assets from Sibanye-Stillwater creates an opportunity for an expanded operation in the Far West Rand



We are a leading surface retreatment operator with established infrastructure and a network affording us a significant competitive advantage



We have a strong, experienced management team



Our workforce is relatively small



We have fewer health and safety risks than traditional mining companies



Our operations are automated 365 days, 24/7, using technology extensively



Our operational model is flexible



Rehabilitation through mining releases valuable land for redevelopment



### STRATEGIC FOCUS AREAS LEGEND



*Optimally and sustainably exploiting large surface gold resource*



*Using technologies that enhance operating efficiencies and minimise impact on environment*



*Being serious about employee wellbeing*



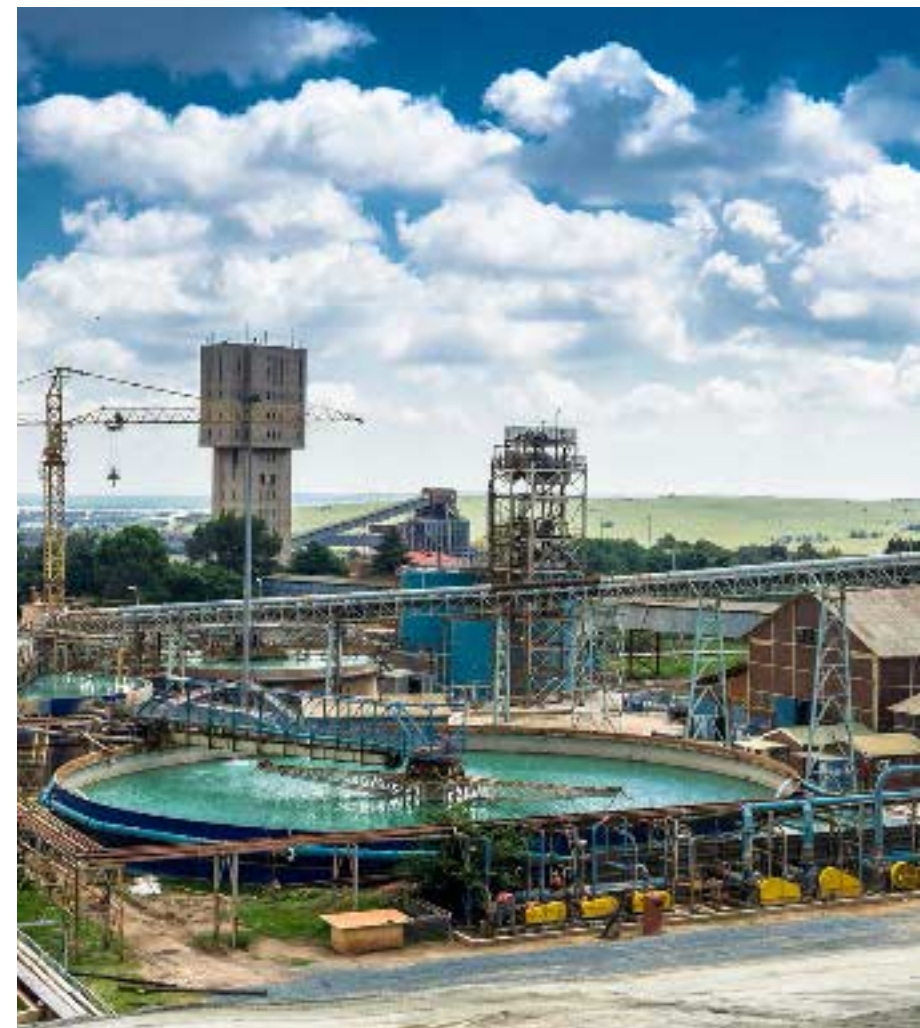
*Controlling costs and maximising margins, enabling our business to generate cash*



*Restoring mining footprint, limiting burden on natural resources, and limiting impact of ongoing operations on environment and communities*





*Supporting neighbouring communities*





## AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

### OUR MAJOR RISKS







Key risk	Mitigating actions	Key risk	Mitigating actions
<p><b>1. Commodity price</b></p> <p>DRDGOLD's revenue and earnings are dependent on the prevailing gold price. Historically, the gold price has fluctuated widely being affected by a number of factors over which the company has no control.</p> <p>DRDGOLD's profitability may be negatively affected if revenue from gold sales drops below the cost of production for an extended period. As most of the Group's operating costs are in rand while gold is generally priced in dollars, DRDGOLD's financial condition could be materially harmed in the future by an appreciation in the value of the rand.</p> <p><b>Strategic focus areas</b></p> 	<p>Key gold price trends and market indicators are constantly monitored to ensure an effective response to commodity price and exchange rate fluctuations.</p> <p>In recent years, it has not been DRDGOLD's policy to enter into forward contracts or other price protection instruments to reduce exposure to fluctuations in the dollar gold price or the exchange rate movements of the rand.</p> <p>However, subsequent to year end, a zero cost collar was entered into, to manage the increased liquidity risk as a result of external borrowings which were secured to fund Far West Gold Recoveries. DRDGOLD has committed 50 000oz gold under a zero-collar with a floor of R565 000/kg and a ceiling of just under R609 000/kg, spread equally over the next nine months, cash settled at the end of each month.</p> <p>DRDGOLD continues to invest in manufactured capital to help manage recoveries and enhance extraction efficiencies and remain resilient in the face of a volatile gold price.</p>	<p><b>2. Cost impact</b></p> <p>DRDGOLD's operating costs mainly comprise labour, steel, electricity, water, reagents, fuels, lubricants, and other oil- and petroleum-based products. Many of these consumables are linked to the price of oil and steel and fluctuate accordingly.</p> <p>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.</p> <p>DRDGOLD's mining operations are dependent on electrical power supplied by Eskom which has, over the years, imposed tariff increases that have had an adverse effect on DRDGOLD's operating costs. The winter tariff imposed by the power utility is particularly onerous.</p> <p><b>Strategic focus areas</b></p> 	<p>Operating and capital costs are monitored and reviewed regularly by management and the Board.</p> <p>The procurement department manages purchases, contracts and tenders. Power conservation and reduction initiatives are implemented at the operations.</p> <p>Two new initiatives, including the gland service infrastructure and the Central Water Distribution System, were completed successfully during FY2017. The cost savings from these initiatives were realised in the current year, in the reduction of potable water consumption. We also have the option to enter into an agreement with Johannesburg Water to begin our second water treatment project at the Goudkoppies waste water treatment works, which we will pursue when financially viable.</p> <p>An investment was also made during the year to commission the zinc precipitation plant at Ergo. This is expected to decrease costs by decreasing the time to complete the final stage of gold recovery.</p> <p>On the labour side, DRDGOLD was able to reach a one year extension on the current wage agreement.</p>

## AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions
<p><b>3. Depletion of profitable reserves</b></p> <p>Since the early 1970s, sand dumps holding higher grades targeted for reclamation have mostly been depleted.</p> <p>Ergo's Mineral Resources now mostly include slime reclamation sites, which contain lower head grades. A sustained decrease in the head grade delivered to the plant could materially affect the Group's operating and financial results.</p> <p><b>Strategic focus areas</b></p> 	<p>Our investment in technology to improve recovery efficiencies may offset the impact of diminishing head grades.</p> <p>Securing additional higher-grade surface Mineral Resources within Ergo's current footprint may also offset the impact of diminishing head grades on Ergo.</p> <p>The acquisition of Far West Gold Recoveries is not only expected to increase the Group's Mineral Reserves but also provide for higher yields in our operations.</p>
<p><b>4. Social licence to operate</b></p> <p>Our social licence to operate refers to the level of acceptance or approval by local communities and stakeholders (including local government) of the Group's operations and methods of conducting business. A social licence to operate is based on the principle that a company needs not only official government permits and licences to conduct its business but also the support of those living and working in its operational jurisdictions. The company may not always be able to control the circumstances that affect its social licence to operate.</p> <p><b>Strategic focus areas</b></p> 	<p>Our ongoing commitment to improving engagement with our employees and surrounding communities, and our strategic objective to support our neighbouring communities by improving quality of life, poverty alleviation and youth education helps mitigate the risk.</p>




Key risk	Mitigating actions
<p><b>5. Mining legislation, regulatory authorities and changes</b></p> <p>DRDGOLD, like other mining companies in South Africa, is subject to extensive mining legislation and regulations.</p> <p>In June 2018, the Minister of Mineral Resources published a draft 2018 Mining Charter for public commentary. This revision was intended to address concerns on the previously released draft in June 2017.</p> <p>This revision has however, not fully addressed concerns raised on the 2017 draft.</p> <p>On 27 September 2018, the Mining Charter was gazetted superseding all other charters including the Draft Mining Charter III.</p> <p><b>Strategic focus areas</b></p> 	<p>DRDGOLD monitors changes and engages with government and regulators to ensure compliance.</p> <p>The Group also maintains close relationships with authorities at regional and national level so that any issues can be addressed speedily.</p> <p>DRDGOLD is a member of the Minerals Council South Africa which submitted a preliminary response on 3 October 2018, and welcomed the publication and fundamentally supported its intentions and content, subject to certain reservations.</p>

# AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions	Key risk	Mitigating actions
<p><b>6. Environmental legislation, regulatory authorities and changes</b></p> <p>New Financial Provisioning Regulations (FPR) were published on November 20, 2015 under the National Environmental Management Act (NEMA) and became effective from the date of publication thereof. Proposed amendments to the FRPs were published for public comment, in September 2016, to address some challenges relating to the implementation thereof.</p> <p>Under these FRPs, existing environmental rehabilitation trust funds may only be used for post closure activities and may no longer be utilised for their intended purpose of concurrent and final rehabilitation and closure.</p> <p>Further amendments were made to the FPR on 21 September 2018, which extends the period of compliance with the FPR to 19 February 2020. This is likely to affect the amount of funds set aside for financial provision for rehabilitation of the mine.</p> <p><b>Strategic focus areas</b></p> 	<p>The Group has funds invested and financial guarantees in place to adequately fund our rehabilitation obligations.</p> <p>Our operations actively pursue ongoing or concurrent rehabilitation to reduce the impact of dust on the communities that have moved within close proximity to our operations, and the potential impact our operations may have on the environment.</p> <p>As there is still uncertainty on what the final changes will be, we are unable to quantify or assess the potential impact these changes may have on the Group.</p>	<p><b>7. Power supply</b></p> <p>Eskom is currently experiencing financial difficulties which include, amongst others, the statement by the chairman of its board and disclosure in its 2018 Integrated Report, citing serious concerns around the power utility's long-term viability and status as a going concern as well as the growing outstanding debt from municipalities, which represent their biggest customer base.</p> <p>Future power supply security and relevant cost implications, therefore remain a risk and may have major implications for our operational process.</p> <p><b>Strategic focus areas</b></p>  	<p>Generators have been installed to prevent the challenges experienced during power outages such as long delays in restarting operations after an interruption in power supply.</p> <p>We have embarked on a long-term project to assess and evaluate the feasibility of alternative power-generation technologies.</p>
		<p><b>8. Increased crime</b></p> <p>Employees are sometimes threatened or attacked as criminals attempt to gain access to our property and steal assets. In most cases, this involves the theft of copper cable, production pipelines and scrap metal. These activities could adversely affect the Group's operational output and/or endanger the lives of employees.</p> <p><b>Strategic focus areas</b></p>   	<p>DRDGOLD maintains close relationships with leaders in the communities surrounding our operations.</p> <p>The Group's security service provider and in-house security managers increase staff complements as required.</p> <p>Surveillance equipment allows for continuous monitoring of properties by security personnel.</p>



## AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions
<p><b>9. Gold theft</b></p> <p>The highest risk of theft is during the final stages of production, in the gold rooms where extracted gold is visible and a target area. Some employees are approached and subsequently recruited and trained by external parties to steal high-grade material or gold.</p> <p><b>Strategic focus areas</b></p> 	<p>Steps are taken to monitor high-risk areas and to minimise the opportunity for illegal activities.</p> <p>Sophisticated access control systems have also been introduced to identify material on a person leaving high-risk areas.</p>
<p><b>10. Extreme weather</b></p> <p>Climate change has an influence on weather patterns, which could result in a severe weather event within our areas of operation, which in turn could adversely impact on operational output. Major property, infrastructure and/or environmental damage as well as loss of human life could be caused by extreme weather events.</p> <p><b>Strategic focus areas</b></p>  	<p>The Group has policies and procedures in place to ensure health and safety compliance and a safe working environment is created for all employees.</p> <p>Tailings deposition facilities are managed to ensure that, in the event of extreme weather, storm damage to infrastructure is limited and any consequence of a major failure is restricted.</p>



# OUR STRATEGY

## STRATEGIC OBJECTIVES

**We are first and foremost a business, and hence our primary goal is that of commercial success.**

Our desire is to sustainably and profitably mine as much of our Mineral Resource as we possibly can and in the process offer our shareholders dividend yield, capital growth and exposure to the gold price for the longest possible period.

The demands of a changing society and the realities of a planet under pressure have over the years influenced our thinking and have also convinced us of the merits of sustainable development. We now extensively apply integrated thinking to inform the application of capital and the deployment of resources.


The nature and location of our assets make our pursuit of integrated value creation – straightforward and intuitive and enable us to create both value overlap between the different sustainable development capitals and, in many cases, to improve bottom line returns.

In its most basic form the removal and treatment of mine waste from environmentally sensitive areas (like wetlands) and areas that have become built-up over the years, create both natural capital, in the shape of environmental clean-up, and social capital in the shape of improving the quality of life of communities who have moved to within close proximity to these mine dumps – a very good example of value overlap.

Some initiatives are set up in such a way that they not only overlap different sustainable development capitals, but actually improve the commercial bottom-line, like the use of treated AMD and sewerage water in our recovery circuits, instead of potable water. This not only saves water, but is also cheaper than buying water from Rand Water – straight to the commercial bottom line. The same applies to our technologies and development of infrastructure. Our pipelines that carry slimes to the treatment plants are HDPE lined to extend their operating lives and reduce friction. This means less electricity consumption, which in turn saves costs and lightens the burden on the environment.



## OUR STRATEGY *continued*


Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 <p>Optimally and sustainably exploiting large surface gold resource</p>	Exploit our 7.3Moz surface gold Mineral Resource sustainably, to enable DRDGOLD to provide value to as many stakeholders for as long as possible.	<ul style="list-style-type: none"> <li>Seek out opportunities through co-operation or acquisitions that are suitable for the expansion or roll-out of our business model</li> <li>Convert as much of our Mineral Resource base into Mineral Reserves to enable us to make an informed decision about the future expansion of our Tailings Deposition Facility</li> <li>Expand our Tailings Deposition Facility by approximately 800Mt within the next four years</li> </ul>	<p>Acquisition of Far West Gold Recoveries effective 31 July 2018, is expected to increase our Mineral Reserves by approximately 82%.</p> <p>Continued to invest financial capital in our drilling programme which resulted in an increase of 10% of Ergo's Mineral Reserves.</p> <p>Daggafontein was evaluated as an additional Tailings Deposition Facility.</p> <p>Total economic value distributed increased by 3% year-on-year, mainly due to the increase in the value distributed to suppliers from R1.77 billion in FY2017 to R1.83 billion in FY2018.</p> <p>Our share price remained relatively stable in the past year, from lows of R2.69 in to a high of R5.52. The share price closed at R3.65 for FY2018.</p>	Mineral Resource acquisitions	<b>Acquired Far West Gold Recoveries which is expected to add approximately 2.7Moz to Mineral Reserves<sup>1</sup>.</b>		<ul style="list-style-type: none"> <li>Successful commissioning of Phase 1 of Far West Gold Recoveries</li> <li>Continue our investment in tonnage and grade verification</li> <li>Further studies to inform our decision regarding the expansion of our Tailings Deposition Facility</li> </ul>
				Mineral Reserve conversion	<b>Converted 0.48Moz to Mineral Reserves increasing Ergo's Mineral Reserves by 10%</b>	Converted 1.6Moz of Mineral Resources to Mineral Reserves increasing our Mineral Reserves by 62.5%	
				Total economic value distributed	<b>R2 333 million<sup>1A</sup></b>	R2 260 million <sup>1A</sup>	
				Share price, in comparison to gold index	<b>Outperformed the JSE Gold Index</b>	Underperformed against the JSE Gold Index	



<sup>1A</sup> Limited assurance

<sup>1</sup> The Competent Person's Report relating to the Far West Gold Recoveries can be found on our website: [www.drdgold.com/investors-and-media/circulars](http://www.drdgold.com/investors-and-media/circulars)

## OUR STRATEGY *continued*


Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 <p>Controlling costs and maximising margins, enabling our business to generate cash</p>	<p>Ensure full value is realised from our product by focusing on consistent volumes and managing costs.</p>	<ul style="list-style-type: none"> <li>Contain our cash operating costs within budget and below mining inflation</li> <li>Contain our cash operating cost per tonne within budget and below mining inflation</li> <li>Stable, predictable volume throughput of 2.1Mt/month</li> <li>Generate positive free cash flow to distribute to our shareholders and invest in other capitals to ensure the sustainable business of DRDGOLD</li> </ul>	<p>Contained our cash operating costs per tonne to R89, by achieving the following:</p> <ul style="list-style-type: none"> <li>Total cash operating costs increased by 3%; inflationary increases were offset by the realisation of the cost benefit after the clean-up of the Crown legacy sites and specific investments in cost saving initiatives</li> <li>Volume throughput decreased slightly from 25.0Mt in FY2017 to 24.3Mt</li> </ul> <p>All-in sustaining costs (AISC) margin increased to 5.5% from 3.2% in the prior year.</p> <p>Generated a positive free cashflow of R93.4 million compared to a free cash outflow of R45.1 million in FY2017, mainly as a result of a good operational performance characterised by a 10% increase in gold production and cost benefits realised.</p>	<p>Total cash operating cost</p> <p>Cash operating cost per tonne (R/t)</p> <p>Operating margin</p> <p>AISC margin</p> <p>Tonnes throughput</p> <p>Free cash flow generated/(utilised)</p>	<p><b>R2 159.7 million</b></p> <p><b>R89/t</b></p> <p><b>14.3%</b></p> <p><b>5.5%</b></p> <p><b>24.3Mt</b></p> <p><b>R93.4 million</b></p>	<p>R2 087.9 million</p> <p>R84/t</p> <p>11.0%</p> <p>3.2%</p> <p>25.0Mt</p> <p>(R45.1 million)</p>	<p>We will focus on the following cost saving initiatives:</p> <ul style="list-style-type: none"> <li>Plant efficiencies and reagents consumption: <ul style="list-style-type: none"> <li>the full impact of the commissioning of the zinc precipitation circuit will be observed and is expected to reduce the time of completion in the final stages of gold recovery</li> </ul> </li> <li>saving on reagent consumption and related costs through plant efficiencies by enhancing the Ergo plants electronic monitoring systems</li> <li>treatment of material from 4L50 at a rate of 450 000tpm is expected to result in greater plant stability and therefore efficiency</li> <li>treating higher grade material using the refurbished ball mills reclaimed from Crown will reduce transportation costs and increase efficiencies in the Ergo plant</li> <li>Potable water consumption: <ul style="list-style-type: none"> <li>optimising the operation of the Central Water Distribution System and other water investments made, therefore reducing our potable usage even further</li> </ul> </li> </ul>



<sup>1A</sup> Limited assurance




## OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 <p>Using technologies that enhance operating efficiencies and minimise impact on environment</p>	Improve gold recovery and operational efficiencies through continued research and development.	<ul style="list-style-type: none"> <li>Operate and monitor the plant efficiently to enable a stable plant</li> </ul>	<p>The recovered grade was higher due to higher grade material treated at the Knights plant. The plant call factor at the Ergo plant also improved as a result of metallurgical efficiencies achieved in the carbon in pulp (CIP) and carbon in leach (CIL) sections of the plant.</p> <p>We converted the Ergo plant's electrowinning circuit to zinc precipitation which is expected to reduce the time to complete the final stages of gold recovery from around 18 hours to three hours.</p>	Recovered gold	0.193g/t	0.171g/t	<ul style="list-style-type: none"> <li>Continue our focus on improving plant efficiency and recoveries through the partnership with the Wits School of Chemical Engineering and other initiatives</li> </ul>




## OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 <p>Restoring mining footprint, limiting burden on natural resources, and limiting impact of ongoing operations on environment and communities</p>	We manage the use of potable water and power in our operation, we reduce dust emissions through our extensive vegetation programme.	<ul style="list-style-type: none"> <li>Decrease and maintain, the use of external potable water to 10% of total water used</li> <li>Maintain dust exceedances to below 1% for the entire monitoring network by maintaining our vegetation programme (50ha per annum) on our tailings deposition facilities</li> <li>Complete the vegetation programme of the Crown complex by 2024</li> <li>Decrease our reliance on Eskom power supply and invest in alternative power generation technologies by 2025</li> </ul>	<p>We achieved a 38% reduction in potable water as a result of the following:</p> <ul style="list-style-type: none"> <li>The Central Water Distribution System being fully operational through the year leading to an increase in recycled water from the circuit from 18 500Ml to 19 924Ml</li> <li>Increase in consumption of the Rondebult waste water treatment works from 386Ml to 938Ml</li> <li>Increase in TCTA water consumption</li> </ul> <p>We enlisted a community-based consortium to assist with the Crown complex vegetation programme, and together with other vegetation programmes on our various tailings deposition facilities, we vegetated 35ha (FY2017: 35ha).</p> <p>Our concurrent rehabilitation and vegetation programme, on our various tailings deposition facilities, achieved positive results in that we only recorded seven dust exceedances (0.6%). Although higher than the five dust exceedances (0.4%) in FY2017, the increase was primarily caused by ongoing residential developments or vehicle movement on unpaved surfaces in close proximity to the monitoring points.</p>	<p>Potable water sourced externally</p> <p>Potable water used as a percentage of total water used</p> <p>Total dust exceedances</p> <p>Electricity consumption</p>	<p>3 377Ml<sup>LA</sup></p> <p><b>12% of total water used</b></p> <p><b>7<sup>LA</sup> exceedances (0.6%)</b></p> <p><b>383 151 MWh<sup>LA</sup></b></p>	<p>5 490Ml<sup>LA</sup></p> <p>20% of total water used</p> <p>5<sup>LA</sup> exceedances (0.4%)</p> <p>376 723MWh<sup>LA</sup></p>	<ul style="list-style-type: none"> <li>Continue to reduce our reliance on limited potable water resources by maximising the operation of the Central Water Distribution System in conjunction with other water investments made</li> <li>Continue engaging with relevant stakeholders including communities through our Dust Forum to understand and address any key concerns they have</li> <li>Continue our vegetation programme on the Crown complex, increase the cladding programme on the Brakpan/Withok Tailings Deposition Facility and the clearing of land through our mining activities with the aim of obtaining five land clearance certificates for approximately 191ha from the NNR</li> </ul>



<sup>LA</sup> Limited assurance


## OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 Being serious about employee wellbeing	Ensure employee wellness, financial literacy and develop a knowledge-based labour force.	To create a healthy and safe working environment: <ul style="list-style-type: none"> <li>• 0 fatalities</li> <li>• Maintain RIFR and LRIFR below one standard deviation of the preceding five year rolling average</li> <li>• Offer competitive and market related remuneration to all our employees</li> <li>• Keep developing our people by offering training and other initiatives</li> </ul>	We achieved a fatality free year in FY2018.  Our reported safety measures remained stable during the year.  Value distributed to employees increased by 1%.  A settlement with NUM and UASA, on a one year extension of the current wage agreement, effective 1 June 2018 to 30 June 2019.  We granted housing loans to the value R300 000 to qualifying employees as part of our initiative to assist our employees in providing accommodation for their families.	Safety measures    Value distributed to employees – salaries, wages and other benefits	<b>Fatalities: 0<sup>LA</sup></b> <b>LTIFR: 2.92<sup>LA</sup></b> <b>RIFR: 1.55<sup>LA</sup></b>  <b>R417 million<sup>LA</sup></b> <b>1 546 employee training sessions at a cost of R9.0 million</b>	Fatalities: 1 <sup>LA</sup> LTIFR: 2.91 <sup>LA</sup> RIFR: 1.53 <sup>LA</sup>  R412 million <sup>LA</sup> 1 371 employee training sessions at a cost of R9.6 million	<ul style="list-style-type: none"> <li>• Continue to prioritise the wellbeing and safety of our employees</li> <li>• Roll out the Accelerated Capability Development Programme to the metallurgical section of our business</li> <li>• Commence with learnership programmes in metallurgy</li> <li>• Enter into wage negotiations to sign a new wage agreement in FY2020</li> <li>• Restructure our policies on the Short-term and Long-term incentive schemes to align them with the latest developments in the industry</li> </ul>



<sup>LA</sup> Limited assurance

## OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
 Supporting neighbouring communities	Quality of life (health impacts), poverty alleviation and youth education.	Improving the quality of life for our communities by investing 1% of total working cost spend on socio-economic development.	<p>We focused on the following projects as part of our socio-economic development spend:</p> <ul style="list-style-type: none"> <li>Broad-Based Agricultural Livelihood Project</li> <li>Community based consortium to assist us in the Crown complex vegetation programme</li> </ul> <p>In FY2018, 721 learners took advantage of our maths and science teaching programme and 170 learners took advantage of our accountancy teaching programme.</p> <p>We finalised our five year SLP after consultations with Johannesburg and Ekurhuleni municipalities, effective January 2018 to December 2022.</p>	Total socio-economic development spend	R25.1 million <sup>LA</sup>	R25.0 million <sup>LA</sup>	<p>Continue to invest in the Broad Based Agricultural Livelihoods programme in the East Rand and to introduce and extend the project to the West Rand.</p> <p>Pursue infrastructure developments as part of the LED requirements in the new SLP.</p>



<sup>LA</sup> Limited assurance