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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 exceedences 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

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

Selected sustainability key performance indicators, marked as [LA] 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

Queries should be addressed to:

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Chief Financial Officer

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Email: riaan.davel@drdgold.com

For more information, see **www.drdgold.com**

** 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).*

SUITE OF REPORTS

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

SECTION 2

DRDGOLD IS AMONG THE WORLD LEADERS IN GOLD PRODUCTION FROM TAILINGS RETREATMENT. WE OPTIMALLY EXPLOIT OUR SURFACE GOLD RESOURCES, A LEGACY OF MORE THAN A CENTURY OF GOLD MINING, WHILE ADDING ECONOMIC VALUE AND RELEASING LAND BACK TO THE GREATER JOHANNESBURG FOR REDEVELOPMENT.

ABOUT DRDGOLD

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

94% Public shareholders

4% Khumo Gold

2% DRDSA Empowerment Trust

DRDGOLD LIMITED

100% FAR WEST GOLD RECOVERIES*

Acquired after FY2018

100% ERPM

100% Ergo

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 JSE

Secondary listing NYSE

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

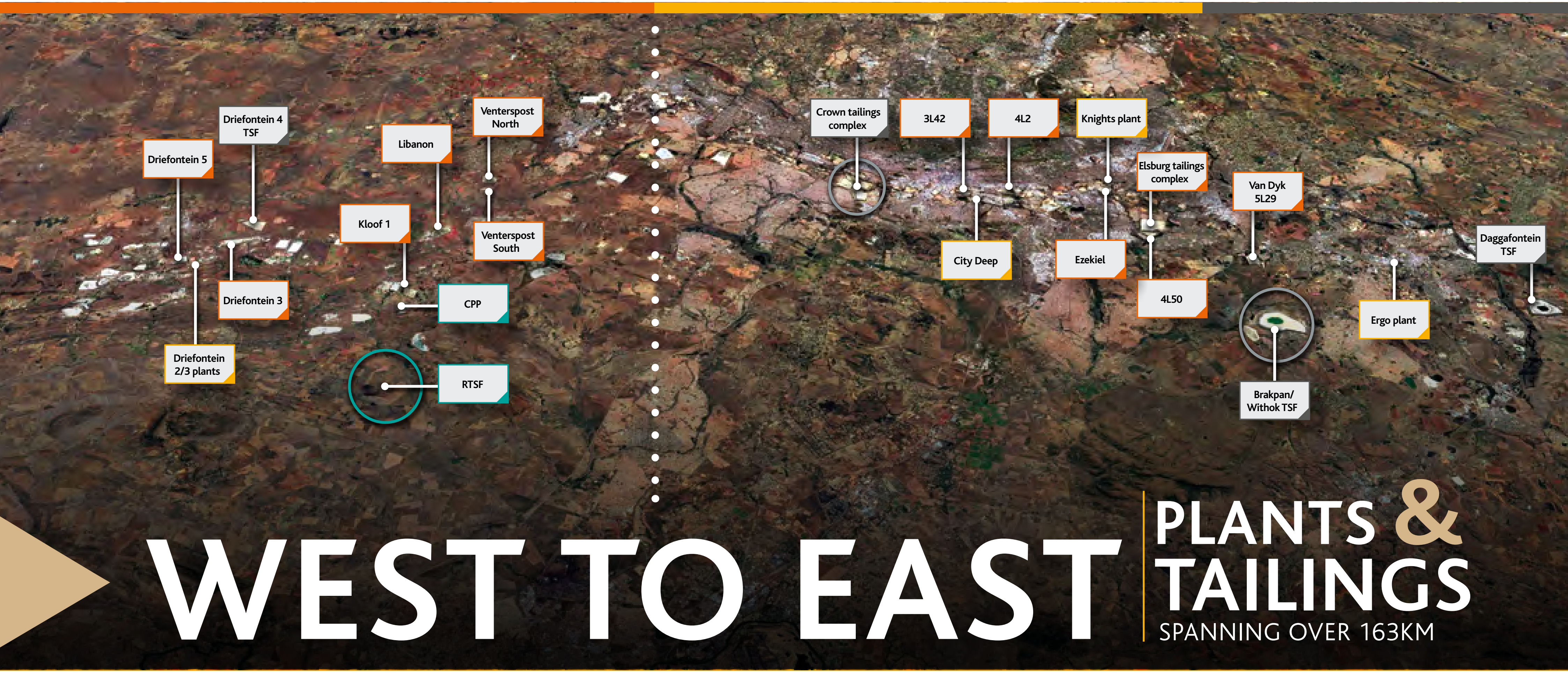
Local and global economics, which are beyond our control, affect the price of gold. Technology, however, is in our realm of control and plays a vital role in unlocking gold potential and extending the lives of our operations. The DRDGOLD Board is committed to investigating research and development opportunities 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

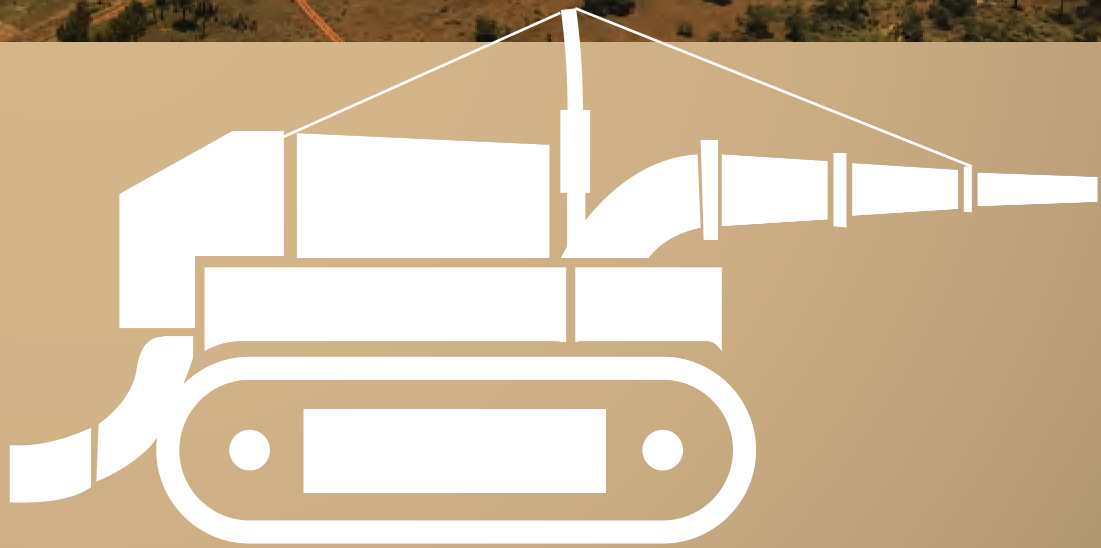


Plant
Dumps
Tailings dams
Future developments

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

ENTRY INTO THE FAR WEST RAND → FUTURE GROWTH → EXPECTED APPROXIMATE 82% INCREASE IN MINERAL RESERVES → INCLUSION OF HIGHER HEAD GRADE DEPOSITS → EXTENSION OF LIFE OF MINE → FLEXIBLE EXECUTION OPTION WHICH REDUCES RISK → TWO PHASE DEVELOPMENT

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

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 calender 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.

PHASE 1

Reclamation
Driefontein 5 dump

Processing
Upgraded DP2 plant
(@500 000tpm)

Deposition
Driefontein 4 tailings dam

PHASE 2

Reclamation
Remainder of dumps acquired

Processing
Construction of a Central Processing Plant
(@1.2Mtpm)

Deposition
Construction of a Regional Tailings Storage Facility

SECTION 3

REHABILITATION THROUGH MINING: DRDGOLD ADDS VALUE TO THE ECONOMY BY PRODUCING GOLD THROUGH THE RETREATMENT OF MINE DUMPS. TECHNOLOGY PLAYS A VITAL ROLE IN UNLOCKING VALUE AND EXTENDING THE LIVES OF OUR OPERATIONS.

OUR BUSINESS MODEL AND STRATEGY

OUR BUSINESS MODEL

CREATING VALUE

Our business is best understood in terms of the five capitals that, as a whole, create value for our stakeholders.

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- NATURAL CAPITAL

STAKEHOLDERS

- SHARE-HOLDERS AND INVESTORS
- EMPLOYEES
- SUPPLIERS AND SERVICE PROVIDERS
- COMMUNITIES
- GOVERN-MENT AND REGULATORS
- MEDIA

KEY RESOURCES

The success of our business relies on this holistic, balanced approach to ensure we continue to operate profitably in the short, mid and long term, creating value for our stakeholders.
We pursue maximum value by understanding the overlap between capitals employed and affected in the course of business.

BUSINESS MODEL

- Focus exclusively on surface retreatment
- Drive sustainable growth through technological innovation
- Deliver profitable returns to shareholders

STRATEGIC FOCUS AREAS

- Optimally and sustainably exploiting large surface gold resource
- Controlling costs and maximising margins, enabling our business to generate cash
- Using technologies that enhance operating efficiencies and minimise impact on environment
- Restoring mining footprint, limiting burden on natural resources, and limiting impact of ongoing operations on environment and communities
- Being serious about employee wellbeing
- Supporting neighbouring communities

KEY OPPORTUNITIES AND RISKS

KEY OPPORTUNITIES

- Regional consolidation of surface retreatment operations
- South African operators are more risk-averse but can pursue collaboration

KEY RISKS

- Power: availability and stability of supply
- Regulatory uncertainty

OUR BUSINESS MODEL *continued*

INPUT

RESOURCE INVESTMENT

UPSKILLING PEOPLE

SUSTAINABLE DEVELOPMENT

FIVE CAPITALS

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- NATURAL CAPITAL

OUR COMPETITIVE ADVANTAGE IN A COMBINATION OF RESOURCES

OUTPUT

24Mt treated

4 679kg gold produced

OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
FINANCIAL CAPITAL 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.	• NYSE/JSE listing • Debt-free balance sheet at year end • Cash of R302.1 million • Free cash flow generated by operations	We realised benefits from the investments made in financial capital in the prior year. These included: • Increase in production and cost savings benefit after the Crown legacy sites clean-up • A reduction of potable water by 38% and the relevant cost savings through our investment in the Central Water Distribution System	• Market capitalisation of R1.6 billion • Interim dividend declared of 5cps • Revenue of R2 490.4 million • Operating profit of R355.2 million • Total economic value of R2 333 million[LA] distributed • Free cash inflow of R93.4 million
	• Major capital projects completed	Investments in manufactured capital which are expected to yield returns in financial capital in the medium to long term: • Refurbished and commissioned two ball mills from Crown to introduce higher grade material closer to our Ergo plant • Invested in the zinc precipitation circuit which is expected to reduce costs and increase efficiencies • Start up of 4L50 which is expected to bring in greater plant stability and consequently efficiency	• R126.1 million spent on capital projects including R44.7 million on growth capital
	• Major capital projects planned	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.	• 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

[LA] *Limited assurance*

OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
MANUFACTURED CAPITAL 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.	• Our flagship Ergo plant in Brakpan including flotation/fine-grind (FFG) process • Better use of technology and analysis to keep the Ergo plant stable • Extensive pipeline infrastructure • Mega Tailings Storage Facility • R126.1 million spent on capital projects including R44.7 million on growth capital • Central Water Distribution System	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: • 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% • 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 • 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	• Increased gold production by 10% to 4 679Kg • Use of externally sourced potable water decreased by 38% • 10% increase in our Mineral Reserves

[LA] *Limited assurance*

OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
HUMAN CAPITAL 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: • Relatively small, skilled, permanent workforce (878 employees) • Specialist service providers (1 426 contractors)	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: • Training initiatives • Talent management • Best Life project • Home ownership initiative • Baobab programme and communication	• R417 million[LA] value distributed to employees – salaries, wages and other benefits • 20% women in mining • 12% women in core positions • 70% HDSAs in management, core and critical skills positions • 1 546 employee training sessions at a cost of R9.0 million
	• Health and safety policies and procedures • Training and awareness campaigns	The health and safety of our employees remains a priority. We have therefore initiated the following campaigns: • Managerial procedural training • Workplace safety pledge for management and workers • Silicosis dust awareness campaign	• 0[LA] fatalities • Lost time injury frequency rate (LTIFR): 2.92[LA] • Reportable injury frequency rate (RIFR): 1.55[LA] • One silicosis and one asbestos case reported • Reduction in noise-induced hearing loss (NIHL) to one case

[LA] *Limited assurance*

OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
SOCIAL AND RELATIONSHIP CAPITAL Our social and relationship capital extends to our people and neighbouring communities by improving their quality of life, poverty alleviation and youth education.	• Ergo Business Development Academy (EBDA), flagship for development and training established in the community • Employee assistance programme • Broad-based agricultural livelihoods programme for East Rand communities • Infrastructure improvement projects at several schools • Maths, science and accountancy teaching programmes at schools on the West Rand and East Rand	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: • 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 • In and around Ergo, 877 families grow their own vegetables and several produce a surplus which is sold in their communities • 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	• Broad-based black economic empowerment (BBBEE) procurement spend: R1 481.3 million (90.7% of our total discretionary spend) • R25.1 million[LA] total socio-economic development spend • 488 community members in learnership programmes • 721 learners benefited from our maths and science teaching programme • 170 learners benefited from our accountancy teaching programme

[LA] *Limited assurance*

OUR BUSINESS MODEL *continued*

Key resources	Key inputs	Activities to enhance key resources and trade-offs between capitals	Outcomes
NATURAL CAPITAL 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.	• Surface Mineral Resource of 7.33Moz • Water, electricity and chemical reagent consumption • Containment and remediation of our impacts on the environment • R51.6 million spend on environmental rehabilitation activities	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. We invested further in projects which have yielded or are expected to yield a natural dividend in the future, including the following: • 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 • 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	• Total water consumption up 6% and potable water consumption down 38% • 744Mℓ Trans-Caledon Tunnel Authority (TCTA) recycled water used • Electricity consumption up 2% to 383 151MWh[LA] • Total carbon emissions down 3% to 372 678[LA] tonnes CO_2e • Dust emissions stable • 35ha of vegetation established on our tailings deposition facilities • 191ha of land lodged for clearance for redevelopment

[LA] *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.

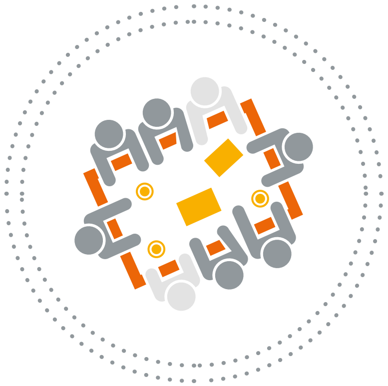
CREATING VALUE FOR STAKEHOLDERS

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.

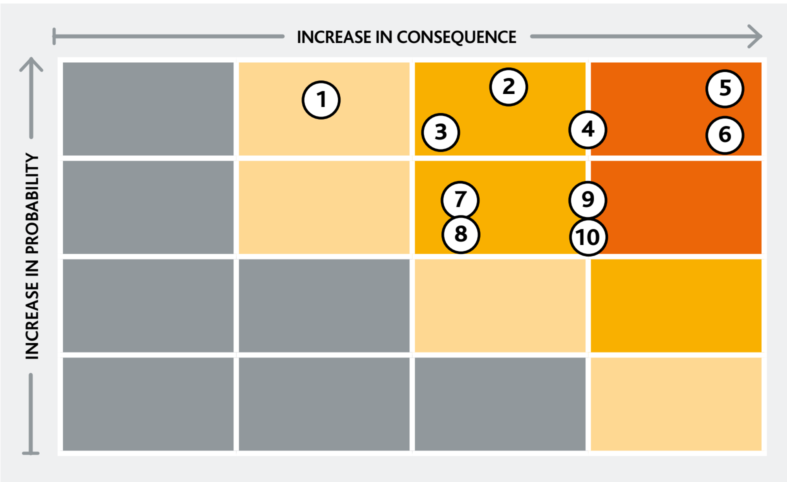
AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES

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

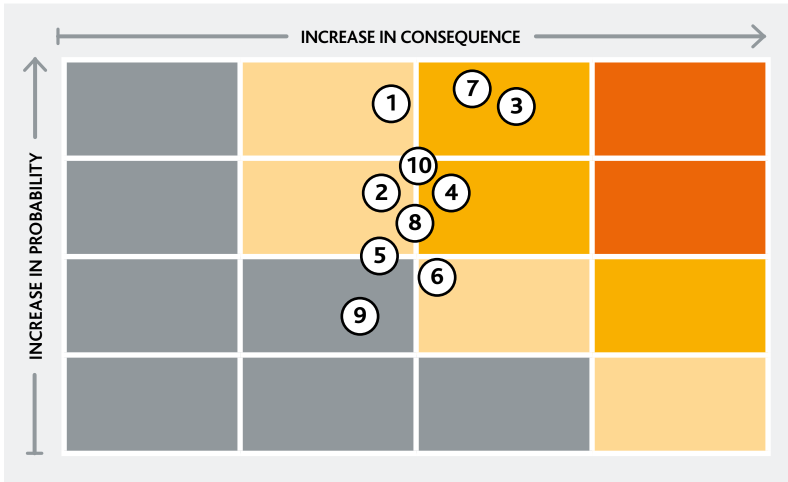
TOP 10 RISK PROFILE

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

1. Commodity price

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.

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.

Strategic focus areas

Mitigating actions

Key gold price trends and market indicators are constantly monitored to ensure an effective response to commodity price and exchange rate fluctuations.

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.

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.

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.

Key risk

2. Cost impact

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.

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 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.

Strategic focus areas

Mitigating actions

Operating and capital costs are monitored and reviewed regularly by management and the Board.

The procurement department manages purchases, contracts and tenders. Power conservation and reduction initiatives are implemented at the operations.

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.

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.

On the labour side, DRDGOLD was able to reach a one year extension on the current wage agreement.

AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions
3. Depletion of profitable reserves Since the early 1970s, sand dumps holding higher grades targeted for reclamation have mostly been depleted. 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. **Strategic focus areas** 	Our investment in technology to improve recovery efficiencies may offset the impact of diminishing head grades. Securing additional higher-grade surface Mineral Resources within Ergo's current footprint may also offset the impact of diminishing head grades on Ergo. 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.
4. Social licence to operate 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. **Strategic focus areas** 	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.

Key risk	Mitigating actions
5. Mining legislation, regulatory authorities and changes DRDGOLD, like other mining companies in South Africa, is subject to extensive mining legislation and regulations. 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. This revision has however, not fully addressed concerns raised on the 2017 draft. On 27 September 2018, the Mining Charter was gazetted superseding all other charters including the Draft Mining Charter III. **Strategic focus areas** 	DRDGOLD monitors changes and engages with government and regulators to ensure compliance. The Group also maintains close relationships with authorities at regional and national level so that any issues can be addressed speedily. 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.

AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions
6. Environmental legislation, regulatory authorities and changes 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. 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. 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. **Strategic focus areas**	The Group has funds invested and financial guarantees in place to adequately fund our rehabilitation obligations. 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. 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.

Key risk	Mitigating actions
7. Power supply 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. Future power supply security and relevant cost implications, therefore remain a risk and may have major implications for our operational process. **Strategic focus areas**	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. We have embarked on a long-term project to assess and evaluate the feasibility of alternative power-generation technologies.
8. Increased crime 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. **Strategic focus areas**	DRDGOLD maintains close relationships with leaders in the communities surrounding our operations. The Group's security service provider and in-house security managers increase staff complements as required. Surveillance equipment allows for continuous monitoring of properties by security personnel.

AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES *continued*

Key risk	Mitigating actions
9. Gold theft 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. **Strategic focus areas**	Steps are taken to monitor high-risk areas and to minimise the opportunity for illegal activities. Sophisticated access control systems have also been introduced to identify material on a person leaving high-risk areas.
10. Extreme weather 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. **Strategic focus areas**	The Group has policies and procedures in place to ensure health and safety compliance and a safe working environment is created for all employees. 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.

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
Optimally and sustainably exploiting large surface gold resource	Exploit our 7.3Moz surface gold Mineral Resource sustainably, to enable DRDGOLD to provide value to as many stakeholders for as long as possible.	• Seek out opportunities through co-operation or acquisitions that are suitable for the expansion or roll-out of our business model • 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 • Expand our Tailings Deposition Facility by approximately 800Mt within the next four years	Acquisition of Far West Gold Recoveries effective 31 July 2018, is expected to increase our Mineral Reserves by approximately 82%. Continued to invest financial capital in our drilling programme which resulted in an increase of 10% of Ergo's Mineral Reserves. Daggafontein was evaluated as an additional Tailings Deposition Facility. 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. 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.	Mineral Resource acquisitions	**Acquired Far West Gold Recoveries which is expected to add approximately 2.7Moz to Mineral Reserves[1].**		• Successful commissioning of Phase 1 of Far West Gold Recoveries • Continue our investment in tonnage and grade verification • Further studies to inform our decision regarding the expansion of our Tailings Deposition Facility
				Mineral Reserve conversion	**Converted 0.48Moz to Mineral Reserves increasing Ergo's Mineral Reserves by 10%**	Converted 1.6Moz of Mineral Resources to Mineral Reserves increasing our Mineral Reserves by 62.5%	
				Total economic value distributed	**R2 333 million[LA]**	R2 260 million[LA]	
				Share price, in comparison to gold index	**Outperformed the JSE Gold Index**	Underperformed against the JSE Gold Index	

[LA] Limited assurance

[1] 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

OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
Controlling costs and maximising margins, enabling our business to generate cash	Ensure full value is realised from our product by focusing on consistent volumes and managing costs.	• Contain our cash operating costs within budget and below mining inflation • Contain our cash operating cost per tonne within budget and below mining inflation • Stable, predictable volume throughput of 2.1Mt/month • Generate positive free cash flow to distribute to our shareholders and invest in other capitals to ensure the sustainable business of DRDGOLD	Contained our cash operating costs per tonne to R89, by achieving the following: • 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 • Volume throughput decreased slightly from 25.0Mt in FY2017 to 24.3Mt All-in sustaining costs (AISC) margin increased to 5.5% from 3.2% in the prior year. 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.	Total cash operating cost	**R2 159.7 million**	R2 087.9 million	We will focus on the following cost saving initiatives: • Plant efficiencies and reagents consumption: ◦ 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 ◦ saving on reagent consumption and related costs through plant efficiencies by enhancing the Ergo plants electronic monitoring systems ◦ treatment of material from 4L50 at a rate of 450 000tpm is expected to result in greater plant stability and therefore efficiency ◦ treating higher grade material using the refurbished ball mills reclaimed from Crown will reduce transportation costs and increase efficiencies in the Ergo plant • Potable water consumption: ◦ optimising the operation of the Central Water Distribution System and other water investments made, therefore reducing our potable usage even further
				Cash operating cost per tonne (R/t)	**R89/t**	R84/t	
				Operating margin	**14.3%**	11.0%	
				AISC margin	**5.5%**	3.2%	
				Tonnes throughput	**24.3Mt**	25.0Mt	
				Free cash flow generated/(utilised)	**R93.4 million**	(R45.1 million)	

[LA] *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
 Using technologies that enhance operating efficiencies and minimise impact on environment	Improve gold recovery and operational efficiencies through continued research and development.	• Operate and monitor the plant efficiently to enable a stable plant	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. 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.	Recovered gold	**0.193g/t**	0.171g/t	• Continue our focus on improving plant efficiency and recoveries through the partnership with the Wits School of Chemical Engineering and other initiatives

OUR STRATEGY *continued*

Strategic focus area	What do we do	Strategic targets	What we achieved in FY2018	Performance indicators	2018	2017	2019 priorities
Restoring mining footprint, limiting burden on natural resources, and limiting impact of ongoing operations on environment and communities	We manage the use of potable water and power in our operation, we reduce dust emissions through our extensive vegetation programme.	• Decrease and maintain, the use of external potable water to 10% of total water used • Maintain dust exceedances to below 1% for the entire monitoring network by maintaining our vegetation programme (50ha per annum) on our tailings deposition facilities • Complete the vegetation programme of the Crown complex by 2024 • Decrease our reliance on Eskom power supply and invest in alternative power generation technologies by 2025	We achieved a 38% reduction in potable water as a result of the following: • 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 • Increase in consumption of the Rondebult waste water treatment works from 386Mℓ to 938Mℓ • Increase in TCTA water consumption 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). 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.	Potable water sourced externally Potable water used as a percentage of total water used Total dust exceedances Electricity consumption	**3 377Mℓ[LA]** **12% of total water used** **7[LA] exceedances (0.6%)** **383 151 MWh[LA]**	5 490Mℓ[LA] 20% of total water used 5[LA] exceedances (0.4%) 376 723MWh[LA]	• 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 • Continue engaging with relevant stakeholders including communities through our Dust Forum to understand and address any key concerns they have • 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

[LA] *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: • 0 fatalities • Maintain RIFR and LRIFR below one standard deviation of the preceding five year rolling average • Offer competitive and market related remuneration to all our employees • Keep developing our people by offering training and other initiatives	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 accomodation for their families.	Safety measures Value distributed to employees – salaries, wages and other benefits	**Fatalities: 0[LA]** **LTIFR: 2.92[LA]** **RIFR: 1.55[LA]** **R417 million[LA]** **1 546 employee training sessions at a cost of R9.0 million**	Fatalities: 1[LA] LTIFR: 2.91[LA] RIFR: 1.53[LA] R412 million[LA] 1 371 employee training sessions at a cost of R9.6 million	• Continue to prioritise the wellbeing and safety of our employees • Roll out the Accelerated Capability Development Programme to the metallurgical section of our business • Commence with learnership programmes in metallurgy • Enter into wage negotiations to sign a new wage agreement in FY2020 • Restructure our policies on the Short-term and Long-term incentive schemes to align them with the latest developments in the industry

[LA] *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.	We focused on the following projects as part of our socio-economic development spend: • Broad-Based Agricultural Livelihood Project • Community based consortium to assist us in the Crown complex vegetation programme In FY2018, 721 learners took advantage of our maths and science teaching programme and 170 learners took advantage of our accountancy teaching programme. We finalised our five year SLP after consultations with Johannesburg and Ekurhuleni municipalities, effective January 2018 to December 2022.	Total socio-economic development spend	**R25.1 million**[LA]	R25.0 million[LA]	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. Pursue infrastructure developments as part of the LED requirements in the new SLP.

[LA] *Limited assurance*

SECTION 4

VALUE CREATION

WE AIM TO OPTIMISE OUR USE OF FINANCIAL CAPITAL BY CONCENTRATING ON AREAS OF THE BUSINESS THAT ENABLE US TO CONTROL COSTS, MAXIMISE MARGINS AND, ULTIMATELY, GENERATE CASH.

OUR CAPITALS

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

NATURAL CAPITAL

FINANCIAL CAPITAL

Our financial capital is the money we generate from the sale of our product (gold bars) and receive from our providers of capital (shareholders).

We aim to optimise our use of financial capital by concentrating on areas of the business that enable us to control costs, maximise margins and, ultimately, generate cash. Delivering financial value is what qualifies us as a business and enables us to pursue integrated, sustainable value-add.

HIGHLIGHTS

Rise in all-in sustaining costs margin to
5.5%

Free cash inflow
R93.4m

Operating profit increased 38% to
R355.2m

Headline earnings
1.7cps

CFO REVIEW

MANAGING THE TRADE-OFFS BETWEEN CAPITALS

It has been an excellent year from a financial capital perspective with gold production increasing by 10% and all-in sustaining costs per kilogram decreasing by 5% in comparison to the prior year, enabling us to generate free cash flow of R93.4 million. As a result, we extended our 10-year dividend paying history with the declaration of a 5cps interim dividend.

With the funds at our disposal, and with minimal external debt, we run our operation and transform the other capital resources in an integrated manner to make our business sustainable and to fulfil our mandate to all our stakeholders. For example:

- Our investment in the centralised water management plan (manufactured capital) has enabled us to save more than R21 million a year (financial capital) and decrease our use of potable water by 38% (natural capital)
- We have also invested in starting up a new reclamation site, known as 4L50 (manufactured capital) that is expected to result in greater plant stability, and thus, efficiency (financial capital)
- Cost savings (financial capital) of between R2 million and R2.5 million a month are expected from our investment in a zinc precipitation system (manufactured capital) to complete the final stage of gold recovery, saving us time and consuming less reagents
- Two 60 000tpm ball mills (manufactured capital) have been moved from the decommissioned Crown site (natural capital) to target higher grade sand material in the foreseeable future to generate higher yields (financial capital)

Total economic value distributed increased by 3% year-on-year and we were able to make an economic contribution to various stakeholders, including shareholders, suppliers, employees and communities. Consequently, as a business, we continue to add value and distribute to the South African economy.

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.

Riaan Davel
Chief Financial Officer
24 October 2018

VALUE-ADDED STATEMENT

	2018 Rm	2018 %	2017 Rm	2017 %
VALUE ADDED				
Sale of precious metals	**2 490**	**98**	2 340	98
Income from investments	**38**	**2**	40	2
Income from disposal of property, plant and equipment	**–**	**–**	13	–
Total value added	**2 528**	**100**	2 393	100
VALUE DISTRIBUTED				
Suppliers				
Paid to suppliers for materials and services	**1 838**	**73**	1 764	74
Employees				
Salaries, wages and other benefits	**417**LA	**16**	412LA	17
Community				
Total socio-economic development spend	**25**LA	**1**	25LA	1
Government				
Current taxation	**7**	**–**	2	–
Providers of capital				
Dividends to ordinary shareholders	**42**	**2**	51	2
Interest on borrowings	**4**	**–**	6	–
Total economic value distributed	**2 333**LA	**92**	2 260LA	94
Re-invested in the Group	**195**	**8**	133	6
Total value added	**2 528**	**100**	2 393	100

LA Limited assurance

FINANCIAL CAPITAL *continued*

KEY PERFORMANCE INDICATORS

		2018	2017
Gold production	kg	4 679	4 265
	oz	150 423	137 114
Gold sold	kg	4 653	4 268
	oz	149 604	137 211
Cash operating costs	R per kg	458 866	489 549
	US$ per oz	1 118	1 122
All-in sustaining costs	R per kg	505 622	530 930
	US$ per oz	1 258	1 216
Average gold price received	R per kg	534 344	548 268
	US$ per oz	1 300	1 254
Operating profit	Rm	355.2	256.8
Operating margin	%	14.3	11.0
All-in sustaining cost margin	%	5.5	3.2
Headline earnings	Rm	7.0	0.8
	SA cps	1.7	0.2
Dividend declared	cps	5	5

GOLD PRODUCTION

While throughput decreased slightly to 24.3Mt (FY2017: 25.0Mt), the average yield was 13% higher at 0.193g/t (FY2017: 0.171g/t) and consequently, gold production was 10% higher at 4 679kg (FY2017: 4 265kg). The main contributor to the higher yield is higher grade sand material reclaimed at the Knights plant and an improved plant call factor at the Ergo plant.

CASH OPERATING COSTS

Cash operating costs decreased 6% to R458 866/kg (FY2017: R489 549/kg). The main contributing factors were the increased gold production, realisation of the cost benefit after the clean-up of the Crown legacy sites were completed in the prior year and specific investments in cost-saving initiatives, for example, water.

ALL-IN SUSTAINING COSTS

All-in sustaining costs decreased by 5% to R505 622/kg (FY2017: R530 930/kg) due to an increase in production and a decrease in cash operating costs per kilogram.

DIVIDEND DECLARED

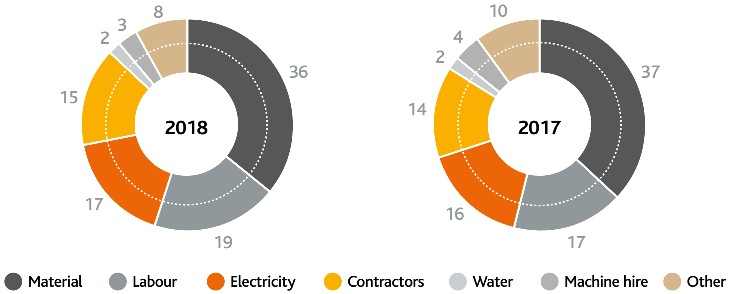
We declared a total dividend of 5cps during the year (FY2017: 5cps). We decided to not declare a final dividend in light of the investment required in the first phase of Far West Gold Recoveries. We believe that Far West Gold Recoveries will start contributing to our bottom-line in the second half of FY2019. This, however, has not changed our strategy to return surplus cash to shareholders.

FINANCIAL CAPITAL *continued*

SUMMARISED GROUP STATEMENT OF PROFIT OR LOSS

	2018 Rm	2017 Rm
Revenue	**2 490.4**	2 339.9
Cost of sales	**(2 347.7)**	(2 307.9)
Gross profit from operating activities	**142.7**	32.0
Administration expenses and general costs	**(90.7)**	(69.4)
Other income	**–**	12.9
Finance (expenses)/income – net	**(19.6)**	(12.2)
Profit/(loss) before tax	**32.4**	(36.7)
Income tax	**(25.9)**	50.4
Profit for the year	**6.5**	13.7

OPERATING COSTS (%)



REVENUE

Revenue increased by 6% due to an increase in gold sold by 9% to 4 653kg, offset by a decrease in the average gold price received of 3% to R534 344/kg.

COST OF SALES

Cost of sales is mainly made up of materials, labour, electricity, contractors and depreciation and has remained stable at R2 347.7 million from R2 307.9 million in FY2017. This can be attributed to the completion of the Crown clean-up in FY2017 as well as a decrease in the consumption of potable water by 38%, with investments made in gland service infrastructure, and the Central Water Distribution System. These decreases have been offset by inflationary increases.

ADMINISTRATION EXPENSES AND GENERAL COSTS

Included in administration expenses and general costs is R9 million of costs related to the acquisition of Far West Gold Recoveries and an increase of R7.2 million in the long-term incentive expense due to the continued amortisation of the long-term incentive liability over the vesting period.

INCOME TAX

For deferred tax purposes, the Group applies a forecast weighted average tax rate considering the expected timing of the reversal of temporary differences.

The forecast weighted average deferred tax rate increased from 18.6% to 20.3% because of an increase in forecast profitability of Ergo.

FINANCIAL CAPITAL *continued*

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

	2018 Rm	2017 Rm
Property, plant and equipment	**1 452.7**	1 497.6
Investments in rehabilitation obligation funds	**244.0**	227.7
Other non-current assets[1]	**37.4**	13.8
Inventories	**233.0**	180.3
Trade and other receivables	**91.2**	114.3
Cash and cash equivalents	**302.1**	253.7
Total assets	**2 360.4**	**2 287.4**
Equity	**1 267.3**	1 302.4
Provision for environmental rehabilitation	**553.4**	531.7
Deferred tax liability	**163.7**	140.5
Post-retirement and other employee benefits	**40.6**	39.0
Finance lease obligation	**14.7**	16.8
Trade and other payables	**303.3**	251.8
Other current liabilities	**17.4**	5.2
Total equity and liabilities	**2 360.4**	**2 287.4**

[1] *Includes financial assets of R28.7 million and deferred tax asset of R8.7 million*

INVESTMENTS IN REHABILITATION OBLIGATION FUNDS

The use of these funds in the environmental rehabilitation trust and the Cell Captive are restricted and may only be used for environmental rehabilitation activities within the DRDGOLD group of companies. The increase in these investments is due to interest earned.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes additions of R126.1 million, offset by depreciation of R168.0 million. Management invested R44.7 million in growth capital, related mainly to the commissioning of two ball mills at Ergo. Most of the other additions related to the completion of the zinc precipitation plant and the commissioning of a new reclamation site, 4L50.

CASH AND CASH EQUIVALENTS

The Group generated R48.4 million of cash flows (FY2017: outflow of R98.1 million) mainly due to strong cash inflows from operations.

Included in cash and cash equivalents is restricted cash of R131.4 million (FY2017: R108.8 million).

PROVISION FOR ENVIRONMENTAL REHABILITATION

The provision for environmental rehabilitation increased mainly due to the unwinding of the provision of R45.6 million and the change in estimate, which was debited to the related assets of R3.9 million. The increase was offset by environmental rehabilitation payments incurred during the year of R24.9 million and a change in estimate of R2.9 million, which was credited to the income statement.

The decommissioning and restoration liabilities are funded by a combination of funds that have been set aside in an environmental rehabilitation trust fund as well as environmental guarantees issued by Guardrisk Insurance Company Limited to the DMR amounting to R427.3 million (FY2017: R427.3 million).

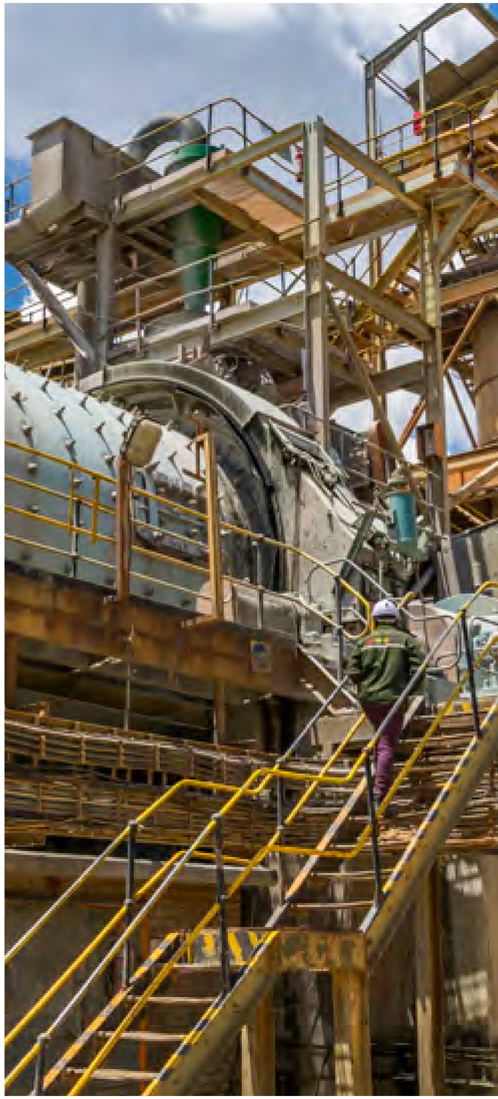
FINANCE LEASE OBLIGATION

The Group has minimal external debt and therefore remained unleveraged at 30 June 2018.

Subsequent to year end, DRDGOLD secured a R300 million revolving credit facility with ABSA Bank Limited (acting through its corporate and investment banking division), replacing the R100 million overdraft facility. The funding will be used mainly for the Far West Gold Recoveries project.

TRADE AND OTHER PAYABLES

The Group has a healthy working capital position with a current ratio of 2:0 for FY2018 (FY2017: 2.1).



FINANCIAL CAPITAL *continued*

SUMMARISED GROUP STATEMENT OF CASH FLOWS

	2018 Rm	2017 Rm
Net cash flows from operating activities	**233.8**	51.6
Net cash flows from investing activities	**(140.4)**	(96.7)
Net cash flows from financing activities	**(45.0)**	(53.0)
Net (decrease)/increase in cash and cash equivalents	**48.4**	(98.1)
Cash and cash equivalents at the beginning of the year	**253.7**	351.8
Cash and cash equivalents at the end of the year	**302.1**	253.7
Included in net cash flows from operating activities:		
Working capital changes	**14.6**	(117.8)
Change in trade and other receivables	**22.2**	(57.6)
Change in other non-current assets	**(27.4)**	–
Change in inventories	**(28.2)**	(14.8)
Change in trade and other payables	**48.0**	(45.4)

NET CASH FLOWS FROM OPERATING ACTIVITIES

Free cash inflow[1] was R93.4 million in comparison with free cash outflow of R45.1 million in the previous financial year. The increase in free cash flow was mainly due to a strong operational performance which generated R233.8 million in comparison to R51.6 million in the previous year.

[1] *Cash flow from operating activities less cash flow from investing activities*

WORKING CAPITAL CHANGES

Working capital changes generated a cash inflow of R14.6 million in comparison with a cash outflow of R117.8 million in the previous year mainly as a result of a decrease in gold debtors and an increase in trade and other payables before year end. This was offset by an increase in consumable stores at year end and payments made under dispute to the Ekurhuleni Municipality.

CONCLUSION

We achieved an improved financial performance for the year largely driven by good production results and containment of costs. The generation of free cash flow remains our key financial objective and enables us to distribute value to all our stakeholders, including our employees and shareholders. We continue to invest in manufactured capital to help us manage recoveries and costs and are encouraged by the prospect of growing our capacity and life of mine into the future.

OUTLOOK

We will continue to pursue our strategy of optimally exploiting our large surface gold resource, controlling costs and maximising margins to enable our business to generate cash. We have rigorously addressed costs for the longer term by investing in manufactured capital during FY2018 and expect returns on this investment during FY2019 and onwards.

Our long-term strategy remains to be an unhedged gold producer and to keep borrowings to a minimum. However, to mitigate the liquidity risk of introducing borrowings to our balance sheet with the Phase 1 development of Far West Gold Recoveries, we traded a zero-cost collar to provide price protection against a possible decrease in the rand gold price while the borrowings will be in place. As a result, DRDGOLD has committed 50 000oz of 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.

During FY2019, we are planning gold production of between 148 000oz and 154 000oz at cash operating costs of approximately R490 000/kg at Ergo.

Our most significant financial capital trade off will be the commissioning of Phase 1 of the Far West Gold Recoveries which involves the upgrade of the Driefontein 2 plant to process tailings from the Driefontein 5 reclamation site at a rate of 500 000tpm. Production is expected to start in the third quarter of FY2019, to ultimately contribute to our bottom line by second half of FY2019.

MANUFACTURED CAPITAL

Ergo has the technology and infrastructure to recover gold from low-grade tailings material on a 24/7/365 basis.

HIGHLIGHTS

- Central Water Distribution System resulted in a 38% potable water saving
- Successful commissioning of the 4L50 reclamation area
- Successful refurbishment and commissioning of two ball mills
- Commissioning of the zinc precipitation process in preference to electrowinning

MANAGING THE TRADE-OFFS BETWEEN CAPITALS

By continuously upgrading, expanding and better using our technology and analysis tools, we increase our manufactured capital. In turn, a more stable plant enables us to generate better efficiencies and enhance financial capital.

Our Central Water Distribution System continued to deliver water savings in potable water of 38% in FY2018 compared to FY2017. By investing financial capital in sustainable and growth capital projects, for instance the new 4L50 reclamation area, the conversion of the electrowinning circuit and the installation of two refurbished ball mills from the decommissioned Crown plant, in the short term, we increase financial capital in the long term through cost savings, improved plant utilisation, and improved ability to reclaim and rehabilitate areas that require milling, therefore enhancing natural capital.

By spending financial capital on tonnage and grade verification, and studies to increase our tailings deposition facility in the medium term, we potentially unlock financial capital in the long term by enabling us to mine more gold resources for longer and deliver on our strategy.

REVIEW OF OPERATIONS

As one of the world's largest surface gold tailings retreatment operations, the majority of the material treated by the Ergo plant – currently around 1.2Mtpm – is delivered via two feeder lines from the Elsburg (incorporating the 4L50 area) tailings complex, Van Dyk and Ezekiel reclamation sites. A further 0.6Mtpm is delivered from the City Deep area (including 4L2, 3L42 and externally sourced sand).

The Ergo plant uses flotation, fine-grind and a combination of high-grade and low-grade CIL metallurgical processes to recover gold from slurry. Most of Ergo's reclamation activities involve the reclamation of slime. Monitor guns, operated by trained individuals, direct high-pressure water jets at targeted areas. The slime is dislodged and mixed with water and the resulting slurry is pumped to a metallurgical treatment plant for processing.

The Ergo plant has a treatment capacity of 1.8Mtpm based on 92% availability. Vast quantities of material is delivered monthly to the plant and, as each old dump or dam is depleted, others are brought on stream.

MANUFACTURED CAPITAL *continued*

TAILINGS DEPOSITION FACILITY

We invested approximately R4.1 million in tonnage and grade verification during FY2017, which resulted in a 56.8% increase in our Measured Mineral Resource and a 62.5% increase in Mineral Reserves. The drilling programme continued into FY2018 and evaluation was undertaken on the Daggafontein, Grootvlei and Rooikraal tailings dams to verify grades, the position of the bases and samples for metallurgical testwork were collected. The existing Brakpan/Withok Tailings Deposition Facility will be able to accommodate the life-of-mine (LoM) material. In previous Annual Integrated Reports, we indicated our intention to increase the capacity of our Tailings Deposition Facility. Daggafontein has been evaluated as an additional tailings deposition facility. We will continue with our tonnage and grade verification programme, to determine the next steps in the possible future expansion of our operations.

ERGO SAND MILLS

Two ball mills salvaged from the redundant Crown plant were relocated and commissioned after their complete refurbishment at the Ergo plant. These mills now give the Ergo plant the ability to receive sand material from the legacy reclamation sites to the north of the Ergo plant in an area commonly referred to as the Benoni Cluster.

Not only will these mills make a relatively high grade material contribution to the Ergo plant, it also allows systematic reclamation and treatment of previously untreatable coarse sand material through the Ergo plant, eliminating the very high transportation costs should these materials have been treated further west at our City Deep milling and pumping station. The reclamation of these remnant sites makes a significant contribution to the rehabilitation effort in the Benoni cluster area. The ball mills are also available to treat third party material if available.

ZINC PRECIPITATION

The electrowinning process to recover gold is being replaced with zinc precipitation. Although this may appear as technology regression, the mineralogical make up and process choices at the Ergo plant results in extremely high base metal concentrations. During electrowinning, these base metals need to be suppressed by very high levels of reagents, notably cyanide and caustic soda. Zinc precipitation is insensitive to the levels of base metals we encounter and obviates the need for the excesses in cyanide and caustic soda. All in all, zinc precipitation will result in a more cost effective and efficient process with reduced harmful reagents. The zinc precipitation conversion was commissioned during the first quarter of FY2019.

RESEARCH AND DEVELOPMENT

The Ergo strategy to achieve optimal exploitation of its gold resource requires a research and development team and the use of available technology. The Board has determined that investment in research and development will continue as we focus on increasing and optimising the volume to be treated, and the recovery of gold. Investment in research is a key strategic focus area as the Group works to find ways of extracting every possible particle of gold.

PARTNERSHIP WITH WITS SCHOOL OF CHEMICAL AND METALLURGICAL ENGINEERING

In line with the partnership with the University of the Witwatersrand School of Chemical and Metallurgical Engineering (Wits), Ergo invested approximately R1.2 million for the year to fund appropriate research projects by post-graduate students with a view to improving Ergo's operating efficiencies as well as the evaluation of alternative process options. Over a period of five years, Ergo will contribute funding of R6.0 million to Wits.

ALTERNATIVE POWER GENERATION

Power consumption currently accounts for 16% of our operational costs. High annual tariff increases in conjunction with the high consumption can be planned and managed,

MANUFACTURED CAPITAL *continued*

however inconsistent supply or the lack thereof can have a crippling effect on our operations. In FY2017, we therefore embarked on a project to evaluate whether or not we could produce our own power as an alternative to Eskom supply. The project included the evaluation of technology options, capital and operating costs, regulatory requirements, base load assessments and possible funding options. Further evaluation is however necessary to identify suitable projects which will provide reliable alternative supply solutions to Eskom.

We still believe that this initiative and project will mitigate one of our major risks (sustainable and affordable power supply) and we are therefore in the process of engaging and reassessing various experts to assist us further.

INFORMATION AND COMMUNICATION TECHNOLOGY

Advanced information and communication technology is used in plant operations, and to reduce power and water consumption. Plant operation, pump stations and pipelines are monitored continuously to minimise downtime and to avoid security breaches, including theft and damage. Operators control, divert and halt slurry feed as necessary so that managers can make informed decisions about switching feeds between reclamation sites in order to reach production targets.

ERGO PLANT ELECTRONIC MONITORING SYSTEM

Our core Ergo plant's electronic monitoring system provides management with continuous information on every facet of the plant's performance. Prompt interpretation of this information has resulted in faster, better identification and remediation of challenges, and a consequent improvement in plant efficiency.

OUR PRODUCT: DORÉ BARS

Ergo produces crude bullion (approximately 85% gold, 7% to 8% silver, some copper and other elements) at its own smelter. The resulting doré bars are transported to Rand Refinery Proprietary Limited (Rand Refinery) where silver and other elements are removed, the gold purified to 99.9% and refined into bars that meet the standards of the London Bullion Market Association. Rand Refinery then sells the gold, on DRDGOLD's behalf, at the afternoon dollar price fixed by the London Metal Exchange. DRDGOLD does not deal in conflict gold.

OUTLOOK

As indicated in our strategic targets, we intend to optimally exploit our large surface Mineral Resources by continuing with our exploration and resource verification programme, which could lead towards increasing our tailings deposition facility, and in turn, increase Ergo's life significantly.

We aim to maintain over 2Mtpm and produce between 148 000oz and 154 000oz of gold per annum.

We will continue investing in research and development opportunities in the long-term, which will provide a return not only in financial capital, but also manufactured and natural capital.

HUMAN CAPITAL

DRDGOLD invests substantially in developing our people to provide them with market-related skills and to ensure that we run our business efficiently and cost-effectively with our stakeholders' interests in mind.

HIGHLIGHTS

HDSAs increased to **70%** from 68% in prior year

Women in mining remained consistent **at 20%**

Women in core positions increased to **12%** (FY2017:11%)

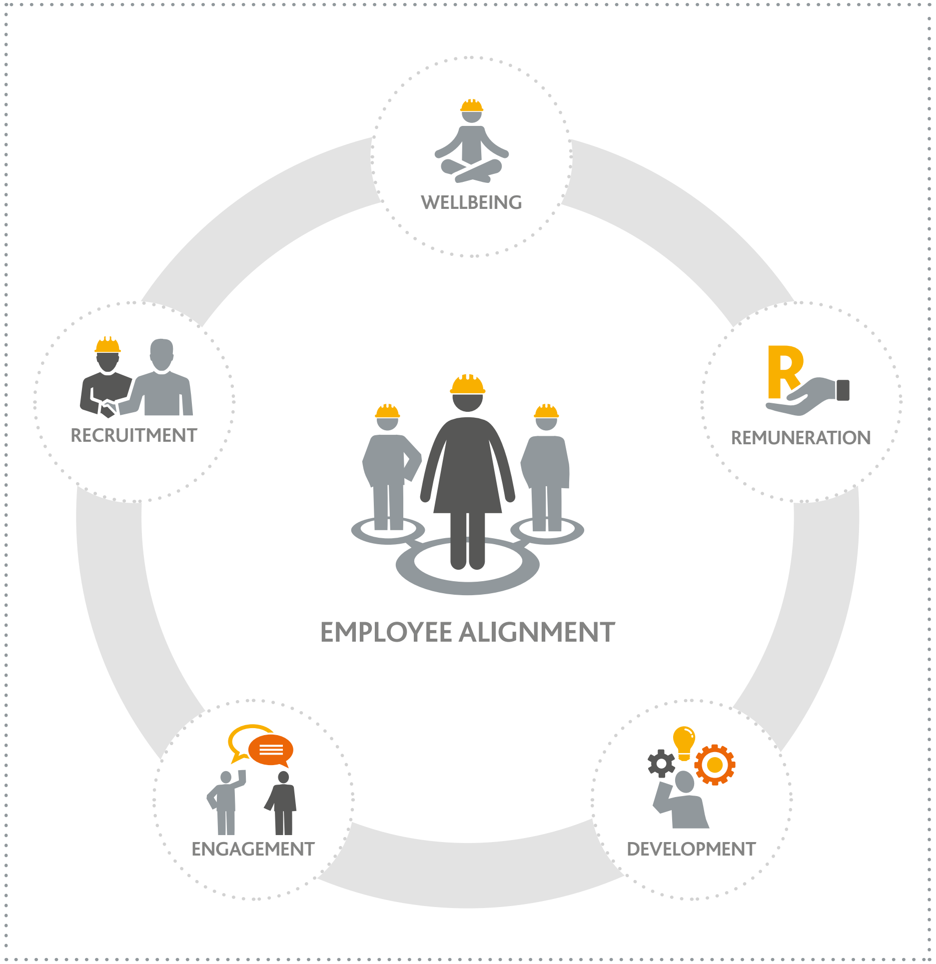
1 546 employee training sessions at a cost of **R9m**

MANAGING THE TRADE-OFFS BETWEEN CAPITALS

As our employees and their wellbeing are important to us, we invest financial capital in various initiatives including but not limited to an increase in their abilities (ensuring our manufactured capital is used in an efficient and effective manner) but also to ensure that our employees have the appropriate aptitude to create a safe environment and avoid health hazards. We strive to ensure that employees reach their full potential. Personal goals of employees are aligned with the strategic objectives of the company and, as a result, we achieve sustainable benefits in respect of all our capitals. During the year, we provided financial assistance to qualifying employees to enable them to own their own homes, consequently improving their wellbeing and that of their families.

OUR PEOPLE

During FY2018, our primary focus was on aligning our employees' personal goals with the strategic objectives of the Group and recognising every person's contribution to the success of DRDGOLD. We provided permanent employment for 878 (FY2017: 850) people while our main service providers employed an additional 1 426 (FY2017: 1 365) employees at our operations.



HUMAN CAPITAL *continued*

WHAT WE DO		WHY WE DO IT	HOW WE DO IT

WELLBEING	**Best Life**	• Value importance of employee wellbeing
		• Social issues affect performance
		• Indebtedness affects focus
			• Free access to professional services such as social workers and psychologist
			• Access to new on-site financial clinics
			  • planning and payment – assist with personal budgets, event planning, wills and insurance family support
			  • provide – assist with home loan application and vehicle financing
			  • protect – offer unfortunate event planning, wills and family support
			  • prosper – savings and retirement planning

WELLBEING	**Home ownership**	• Ergo does not provide traditional mine accommodation to employees
		• Employees should be given the opportunity to provide accomodation for their families
		• In line with Mining Charter
			• R75 000 interest free, purchase price discounted home loan to qualifying employees
			• Qualifying factors:
			  • for first time home owners
			  • loan approved by registered credit provider
			  • category 4 to 9 employment band

EMPLOYEE DEVELOPMENT	**Training initiatives**	• Increase job satisfaction and productivity • Increase wellbeing of employees • Align with our SLP	• Training initiatives focused on skills essential to our business • Give employees opportunity to gain experience in acting roles • Assist employees with tuition fees for formal qualifications • R13 million set aside for reskilling of employees for future downscaling and retrenchments in accordance with our SLP
EMPLOYEE DEVELOPMENT	**Talent management**	• Retain skilled staff in key positions • Equip employees for future leadership roles	• Employees identified as part of talent pool • Critical positions identified • Mentors/coaches appointed • Quarterly performance discussions between protégés and mentors/coaches • Address gaps in individual development plans

EMPLOYEE DEVELOPMENT	**Communication and Baobab programme**	• Create an environment where employees are committed to a positive contribution to the success of the Group
		• Align employees with Group's overall strategic objective of maximising value from existing assets
			• Daily text messages on topics such as:
			  • production
			  • health and safety
			  • congratulatory or motivational messages from management
			• Introduction of Baobab programme at Ergo plant, focusing on and addressing:
			  • teamwork
			  • connectivity to core business
			  • accountability
			  • empowerment
			  • productivity

HUMAN CAPITAL *continued*

REMUNERATION

DRDGOLD offers competitive remuneration packages and profit share incentives to our employees and makes use of independent annual surveys to ensure that guaranteed packages are fair, competitive and are market-related.

In FY2018, the average gross basic salary for entry level employees was R10 620 per month compared to R9 655 in FY2017.

The industrial relations climate remains constructive and we do not anticipate mining industry wage negotiations to have any effect on our workforce or our operations. A one-year extension of the 2016/17 wage agreement was reached with the majority union (the National Union of Mineworkers) as well as with the United Association of South Africa (UASA) in April 2018: for Cat 4-5 employees an increase of 10%, Cat 6-9 employees 9% and Cat 10-15 7%. This excludes DRDGOLD from the two-year wage negotiation cycle of the gold mining industry.

RECRUITMENT

DRDGOLD places significance in the hiring, development and retention of HDSAs, particularly women. The total percentage of women at our operations has remained constant at 20%, from FY2017. The total percentage of HDSAs increased from 68% in FY2017 to 70% in FY2018.

As part of our objective to align employees with the goals of the Group, our recruitment process ensures that the right person and with the right skillset are matched to the job requirements.

HOUSING

FY2018 saw the first group of home owners who qualified for assistance of R75 000. The assistance is provided to all employees who qualify as per the rules of the scheme. The housing agreement was a collaboration between Ergo management and labour representatives who saw the importance of employees owning their own homes. Our focus has always been to move away from employer provided housing to empowering our employees to make a sound investment by purchasing a home.

The target population for assistance is largely employees who do not qualify for a Reconstruction and Development Programme (RDP) home because they earn above the stated threshold. But these employees do not qualify for a mortgage bond with banking institutions that would allow them to purchase a home. The housing assistance will be used in conjunction with an approved mortgage bond.

To date, five employees have qualified for housing assistance and the funds have been paid over into their bond accounts. One of the challenges of the scheme is that applicants must be approved for finance by a bank. This involves us educating employees about the importance of financial wellness and having a positive payment profile to be able to qualify for a mortgage bond. This is done via our financial wellness clinics.

We look forward to receiving more applications in FY2019 and will continuously engage with labour representatives to seek ways of ensuring that more employees realise the dream of owning their own house.

FUTURE HUMAN RESOURCE DEVELOPMENT PROGRAMMES

We are currently implementing an Accelerated Capability Development Programme within the operations. The programme is up and running in the engineering disciplines and will be rolled out to the metallurgical disciplines once its efficacy has been achieved in the engineering disciplines. This programme addresses two main fields: safety and competence building. It facilitates the development of a competent workforce using the existing system of planned task

		2018	2017
Permanent employees		878	850
Specialist service providers		1 426	1 365
Employee turnover	%	6	17
Human rights incidents		1	–
Union affiliation (in the collective bargaining unit)			
NUM	%	59	59
AMCU	%	21	19
UASA	%	11	13
Non-union	%	9	9
Training and development			
Employee training	Rm	9.0	9.6
Training days		5 063	6 673
Number of employee training sessions		1 546	1 371
Contributions made to future reskilling fund	Rm	5.7	5.7
Women in mining			
Women in management	%	16	15
Women in core disciplines	%	12	11
Total women in mining	%	20	20
Employee home loans assistance	Rm	0.3	–
Value distributed to employees – salaries, wages and other benefits	Rm	417[LA]	412[LA]
Salaries as a % of operating cost	%	17	17

[LA] *Limited assurance*

HDSA AS A PERCENTAGE OF TOTAL EMPLOYEES

	2018			2017		
	Male	Female	HDSA%	Male	Female	HDSA%
Top management	3	–	33	3	–	33
Senior management	2	1	33	2	1	33
Middle management	31	6	41	35	11	43
Junior management	273	44	74	265	39	72

HUMAN CAPITAL *continued*

observation. Line managers can now ensure that employees are fully competent in the tasks they are given by conducting planned task observation and assessing competence of the individual to undertake a task.

This helps ensure we have fewer incidents caused by a lack of knowledge and competence to undertake the specific task.

The results of the planned task observations and assessments are stored electronically and give each line manager the ability to track performance against set standards. It also enables the operations to quantify, to some degree of certainty, the competency levels of their teams.

This system supports theoretical (classroom) training as it affords employees the opportunity to physically demonstrate that they understand what was being taught and that they are capable of performing to the required standard.

This programme recognises that while classroom training is vitally important, a vast amount of learning takes place through hands-on experience.

HEALTH AND SAFETY

DRDGOLD considers our people to be our most valuable asset. We continue to focus our health and safety campaigns on creating a workplace where all our employees return safely to their families at the end of every work day.

HEALTH AND SAFETY MANAGEMENT

We realise the shortcomings of the public health care system in South Africa and the consequent negative effect on the wellbeing of our employees. All permanent employees are required to be members of a private medical aid scheme. The Group subsidises two-thirds of the total member contribution. During FY2018, the Group contributed R33.6 million (FY2017: R35.3 million) to private medical aids on behalf of employees. In addition, we employ a part-time health practitioner, three permanent nurses and retain the services of a private medical emergency response team to ensure our people receive quality medical treatment at our operations. We recognise the importance of treating injuries as part of our duty of care and, therefore, several employees are trained in different levels of first aid.

HEALTH AND SAFETY ACTIVITIES

Our health strategy aims to reduce and ultimately eliminate health threats through regular monitoring of our permanent and contracted employees. All our operational sites are monitored monthly for hazards and risks, which are ranked in terms of severity, duration of exposure and probability of a negative outcome. All visitors to our sites are made aware of safety hazards and emergency procedures through our induction process. Community members, including illegal miners, are made aware of the hazards of accessing mine dumps through safety signs at all of our reclamation and deposition sites.

As part of our daily risk assessments, weekly safety topics, monthly contractors meetings and annual inductions, the following health and safety campaigns were launched during FY2018:

Managerial procedure training

All employees are required to attend procedure training as part of the annual induction process.

This training is facilitated and employees are communicated to in a language they can understand. Employees are found competent by means of a short questionnaire.

DRDGOLD is a signatory to the Mine Health and Safety Council, a national public entity including representatives of government, employers and organised labour. Focused on improving health and safety in mining, the body provides advice to the DMR on occupational health and safety legislation, as well as research outcomes.

Workplace safety pledge

Creating a safe working environment is recognised as a collaborative effort between managers and workers. A workplace safety pledge was introduced and launched on 1 February 2018 at the Ergo plant and subsequently rolled out to the other plants within the Group. Employees were given the opportunity to put their handprint onto a wall, near the entrance to the plant, to serve as a constant reminder to everyone to work safely every day. Similarly, a pledge was signed off by management and a copy is displayed in the workplace.

HUMAN CAPITAL *continued*

REVIEW OF OUR SAFETY PERFORMANCE

	2018	2017
Number of fatalities	0[LA]	1[LA]
Reportable injuries	9	9
RIFR	1.55[LA]	1.53[LA]
Lost time injury	17	17
LTIFR	2.92[LA]	2.91[LA]
Minor injuries*	23	42
Part-time health and safety representatives	128	118
Ratio of part-time health and safety representatives to one employee	1:20	1:21
Section 54 notices	–	2
Section 55 notices	1	5

[LA] *Limited assurance*

* *In FY2018, a new methodology was introduced for the classification and reporting of minor injuries which forms the basis of a new baseline going forward. Although FY2018 has ended with the same number of LTIs and reportable injuries as FY2017, the injury frequency rates are slightly higher, as a result of manhours*

HEALTH PERFORMANCE

As part of our strategy to educate and empower employees with knowledge, a number of health-related topics were addressed in FY2018 through pamphlets and medical surveillance. The following topics were part of this ongoing initiative:

- How to do self-breast exam
- Men and heart disease
- Health hazards during a drought
- Listeriosis
- Healthy food on-the-go
- Protect yourself from flu
- High blood pressure and salt in-take

	2018	2017
Medical examinations performed	3 645	3 786
Employees tested for HIV	173	193
Employees counselled for HIV	173	236
NIHL cases reported	1	4
Number of TB cases reported	7	13
Cases of silicosis and asbestosis reported	2	–

HUMAN CAPITAL *continued*

NOISE-INDUCED HEARING LOSS

NIHL is caused by repeated or prolonged exposure to sounds at or above 85 decibels (db(A)). At our operations, noise can reach 109.7db(A). Although there are 33 areas with noise levels above 85db(A), we do not operate equipment or machinery measuring more than 107db(A). The industry milestone, to be achieved by 2024, was reached by DRDGOLD in FY2016. Any excessively noisy equipment is immediately reported to an engineer for corrective action. Hearing protection is issued to all employees and visitors to our plants. The use of protective equipment is covered during our induction programme and signage is displayed at demarcated noise zones and entrances to the plants, indicating where hearing protection must be worn.

All cases of NIHL are referred to Rand Mutual Assurance, a private insurance company for occupational injuries.

SILICOSIS AND DUST

One case of silicosis and one case of asbestosis was reported in FY2018 (FY2017: 0) to the Medical Bureau for Occupational Diseases and both are still pending an outcome.

We await the outcome of the asbestosis case reported in FY2014 from the Medical Bureau for Occupational Diseases.

There was an increase in over-exposure to silica dust in FY2018. Our silica reduction strategy is still enforced and employees are continually reminded to damp down equipment before working on it to prevent dust liberation.

A silica dust awareness campaign, in the form of awareness training on the effects silica has on the lungs and the remedial actions to prevent silicosis, was initiated at all the operations. The training consisted of a short video from the Mine Health and Safety Council and a presentation provided by the occupational hygienist and company doctor.

The table below indicates the status of claims:

	Number of cases	Cases concluded	Pending cases
Reported in FY2016	4	3	1
Reported in FY2017	4	–	4
Reported in FY2018	1	–	1

The status of the cases reported in FY2017 remain unchanged in FY2018

OUTLOOK

DRDGOLD will continue to prioritise the wellbeing and safety of our employees. During FY2019, the focus on our people's safety and competence will be enhanced by the Accelerated Capability Development Programme, implemented through on the job learning.

Towards the end of FY2019, we will commence with wage negotiations to sign a new wage agreement in FY2020.

SOCIAL AND RELATIONSHIP CAPITAL

We strive to build healthy communities in the areas where our operations are located in parts of Johannesburg and Ekurhuleni – through local economic growth and development initiatives. DRDGOLD remains committed to educational support through projects that will benefit our neighbouring communities.

HIGHLIGHTS

Total social – economic development spend of **R25.1m**[LA]

90.7% of our total discretionary spend was with BBBEE companies

488 community members on learnerships

721 learners benefited from our maths and science programmes

[LA] *Limited assurance*

MANAGING THE TRADE-OFFS BETWEEN CAPITALS

Our future existence is dependent on our social licence to operate and one of our strategic focus areas is to support our neighbouring communities. We therefore invest financial capital in projects that we believe will improve the quality of life in our neighbouring communities by alleviating poverty and improving youth education.

These projects include:

- Broad-based agricultural livelihoods programme
- Crown complex rehabilitation vegetation programme
- Math, science and accounting teaching programme

Through our maths, science and accountancy extra classes, we assist our country in addressing the shortage of critical skills needed to develop our economy, thus investing in the creation of future human capital.

By spending financial capital to assist the Wits School of Chemical and Metallurgical Engineering we potentially unlock financial capital in the future by enabling us to collaborate on research projects to improve gold recoveries.

SOCIAL LICENCE TO OPERATE

Our investment in communities is guided by our current SLP which ended in December 2017 and was developed in compliance with the Mineral and Petroleum Resources Development Act (MPRDA). We finalised our five year SLP after consultations with Johannesburg and Ekurhuleni municipalities, effective January 2018 to December 2022. Progress made toward our SLP commitments is reviewed and monitored monthly.

Acceptance by communities who can be affected by our mining activities upholds our social licence to operate and can be withdrawn at any time. To mitigate the risk of unrest, we continue to engage with our surrounding communities and respond to their concerns and commitments.

We use South African companies to supply our consumables, and to conduct off-site repairs and on-site services.

All procurement of goods and services is in line with the national promotion of BBBEE companies and the Mining Charter. During FY2018, our total discretionary spend was 90.7% with BBBEE companies, compared to 85.5% in the previous year.

BROAD-BASED AGRICULTURAL PROJECT

The broad-based agricultural livelihoods programme was launched three years ago in the communities of Tsakane, Geluksdal and Daveyton, adjacent to our Tailings Deposition Facility. The focus of the project is on empowering individuals, households,

SOCIAL AND RELATIONSHIP CAPITAL *continued*

existing micro-farmers and co-operatives to produce vegetables and crops at their homes to, firstly, address food security challenges and, secondly, to enable them to enter the economic mainstream by selling excess produce. By the end of FY2018, the programme had benefited 877 households with more than 61 training sessions (covering the eight key topics of the low-cost organic crop production methodology used) with seven learning groups. Over 90 organic food producers are selling and earning an income from their urban farming business, and 16 entrepreneurs are actively expanding their farming businesses production and income generation and market supply.

CROWN COMPLEX VEGETATION PROGRAMME

A consortium was established in October 2017 and consists of nine local companies that represent areas including Langlaagte, Diepkloof, Meadowlands, Orlando West, Orlando East, Riverleigh, Pennyville and Ormonde. The consortium currently employs 33 community members from the abovementioned areas. Their current project entails, the establishment of new side slope vegetation on the Crown tailings dam and to irrigate until the vegetation is self-sustainable. Ergo currently supplies all the material for the vegetation establishment but it is expected that the consortium will supply the material in the future once it becomes a commercially viable business.

Project	Outcome	Area	2018 R	2017 R
Vegetation rehabilitation	Local youth employment	Soweto and Geluksdal	2 518 065	2 112 316
Crown Complex Consortium	Local community development	Local communities around Crown Complex area	2 137 856	–
Enterprise development	Developing small business initiatives	Geluksdal	6 758	127 764
Crown logistics	Established employee transport co-operative	Ekurhuleni and Johannesburg	440 089	470 103
Broad-based livelihoods	Local economic development	Tsakane	1 570 000	2 746 305
Kopano Ke Matla	Local economic development	Meadowlands, Soweto	–	759 075
Lindelani poultry project	Develop small business initiatives	Lindelani (Benoni)	–	72 925
Geluksdal Primary School	Tiling of classrooms	Geluksdal	–	449 993
Bopanang Primary School	Painting of classrooms	Soweto	–	38 275
Spillage clean-up	Temporary employment of Elsburg community members to clean spillage	Ekurhuleni	–	189 200
Metallurgical research at Wits University	Metallurgical research	Braamfontein, Johannesburg	1 200 000	–
Other	Other		–	4 750
Total			7 872 768	6 970 006

SOCIAL AND RELATIONSHIP CAPITAL *continued*

EDUCATING OUR COMMUNITIES

BURSARIES

Three former bursary students who graduated at the end of the 2017 academic year are now serving internships within the DRDGOLD operations. A total of R640 965 was spent on bursaries during FY2018 (FY2017: R719 834).

MATHS, SCIENCE AND ACCOUNTANCY

Our maths, science and accounting teaching programme have been welcomed wholeheartedly by principals, teachers and learners at supported schools. More and more learners are attempting to bridge any perceived gaps in their education, particular in maths and science as these subjects are key to achieving university entrance and success thereafter.

In regular quarterly meetings with the relevant principals of the schools we support, DRDGOLD has received tremendous gratitude for the efforts of our teachers. Their passion and drive is inspirational. Some even gave up their weekends to assist learners who are unable to attend extracurricular sessions.

Although the year-end results were still lower than we would have liked, our month-on-month reports reflect an increase in averages in our pre- and post-test results.

LEARNERSHIPS

In line with the national strategy to eliminate the shortage of skills, we provide artisan training for our youth, and learnerships (a structured learning programme leading to a lifelong skill) were given to 488 community members during FY2018 (FY2017: 476).

We also assisted 192 community members complete their trade tests to obtain a national certificate successfully (FY2017: 265).

	2018 R	2017 R
Maths, science and accountancy	1 111 751	990 369
Adult education and training	2 029 267	2 373 333
National diploma (N1 and N2 courses)	428 360	602 310
Artisan training	3 338 059	2 642 734
Bursaries	640 965	719 834
Total	**7 548 402**	**7 328 580**

WITS SCHOOL OF CHEMICAL AND METALLURGICAL ENGINEERING PARTNERSHIP

To assist universities with the research and development of new technologies, in FY2017 DRDGOLD entered into a partnership with the Wits School of Chemical and Metallurgical Engineering and committed a funding of R1.2 million per year over the next five years. The school will be assisting us with both short-term and long-term research projects which include improving gold recoveries and ways to treat lower grade material in a profitable manner. Improved gold recoveries is a key enabler to growing our reserves and extending our LoM. While some of the work will be directed at our operations, most of the research will be on open projects and will be made available to the entire gold mining industry.

SOCIAL AND RELATIONSHIP CAPITAL *continued*

CORPORATE SOCIAL INVESTMENT

DRDGOLD has focused its CSI programme on initiatives that benefit the communities surrounding operations within the Johannesburg and Ekurhuleni municipalities. Ideally, these initiatives will have a positive impact on the communities affected by the Group's operations and leave a lasting legacy. Legitimate stakeholders are consulted to understand their interests and concerns.

	2018 R	2017 R
Blankets and clothing	20 000	276 137
Heritage Day youth celebration	12 261	–
Women's Day celebration	3 150	–
Jerusalem creche: security donation	6 504	–
Sallies Hostel creche: tables and chairs	15 160	–
Bertha Gxowa Hospital medical equipment	118 972	–
Compass: cash donation for food	30 000	20 000
Walking Tall feeding scheme: cash donation	45 000	
Alexandra: a community fundraising initiative	38 750	73 250
Matla a Bana: emergency comfort packs for victims of abuse	23 987	9 354
SAME foundation: donation towards hospital antenatal unit refurbishment	–	50 000
Vision 4 change: assistance to Geluksdal Primary School children with visual eye problems	56 360	–
Total	**370 144**	**428 741**

OUTLOOK

During FY2018, we finalised our five-year (January 2018 to December 2022) SLP after consultations with the Johannesburg and Ekurhuleni municipalities to ensure that the projects we implement are in line with the municipalities' LED requirements.

As the broad-based agricultural livelihoods programme on the East Rand has proved to be so successful, in 2018 we have upscaled this initiative to ensure more participants move from subsistence to small-scale commercial farming over the next five years.

The Johannesburg municipality is also interested in introducing the broad-based agricultural livelihoods programme on the West Rand.

On the East Rand, infrastructure development initiatives are also being considered as part of the LED requirements in the new SLP.

NATURAL CAPITAL

Rehabilitation, one of DRDGOLD's core activities, removes pollution sources which helps clean and redevelop our areas of operation. We also undertake concurrent rehabilitation of all of our tailings facilities to reduce as far as possible negative environmental impacts experienced by surrounding communities.

HIGHLIGHTS

38% decrease in externally sourced potable water

Dust emissions stable at **0.58%**

R51.6m spent on rehabilitation activities, up from R41.9m in FY2017

35ha of our tailings deposition facilities vegetated

191ha of land rehabilitated lodged for clearance for redevelopment

MANAGING THE TRADE-OFFS BETWEEN CAPITALS

By investing financial capital in our Central Water Distribution System in FY2017, we have been able to reduce our potable water consumption by 38%, enhancing our contribution towards the natural capital of South Africa, in the conservation of this scare resource.

By performing concurrent rehabilitation and vegetation on our tailings storage facilities and investing financial capital in the short and medium term, we decrease dust emissions and improve the quality of life of those living within our areas of influence. This means that, in addition to investments we make in social and economic capital, we seek to preserve, protect and even improve the state of the footprint on which we operate (in many instances an inherited legacy) in order to also yield a natural dividend.

By enlisting a community-based consortium to undertake the vegetation programme at our Crown complex we have invested in our social capital to enhance our natural capital.

By spending financial capital on tonnage and grade verification and on studies to increase our Tailings Deposition Facility in the short term, we potentially unlock financial capital in the long term by enabling DRDGOLD to mine more gold Mineral Resources for longer, delivering on our strategy and ensuring that more land is rehabilitated and released for development, to contribute to our natural capital.

NATURAL CAPITAL *continued*

Environmental management is a key aspect during the project planning phase of new reclamation sites as prevention is more effective than mitigation. Before we embark on any new mining projects, we undertake an external environmental impact assessment and EMP for the proposed projects. These reports are discussed and reviewed by our stakeholders during a public participation process. Through this process, we are able to identify, address and minimise the effects of our activities on the environment, and identify the potential impacts our activities may have on surrounding communities and the receiving environment.

Our environmental management systems and policies have been designed in compliance with South Africa's National Environmental Management Act 107 of 1998 and associated regulations. Internal and external audits are recorded in a database to ensure compliance.

Our EMP encompasses all of the Ergo sites into one operation and assesses the environmental impacts of mining at reclamation sites, plants and tailings deposition facilities. It also outlines the closure process, including financial provisions. We are, therefore, able to systematically audit and monitor our activities. Regulation 55 audits, in terms of the requirements of the MPRDA Act 28 of 2002, are undertaken by independent consultants and submitted to the DMR as required.

The Group actively manages and monitors the consumption of natural resources (including potable water and energy). At monthly management meetings, consumption is analysed and trends interpreted to identify excessive use and to investigate discrepancies.

DRDGOLD's environmental management spend in FY2018 was R51.6 million (FY2017: R41.9 million).

An amount of R3.8 million (FY2017: R7.1 million) was spent on dust monitoring and suppression.

No fines of monetary value or significant non-monetary sanctions for non-compliance with environmental laws and regulations were imposed on the Group in FY2018.

ENVIRONMENTAL MANAGEMENT EXPENDITURE

	2018 Rm	2017 Rm
Tailings complex (vegetation, dust suppression and cladding, among others)		
Crown complex	10.0	13.7
Brakpan/Withok	12.0	10.6
Daggafontein	3.6	2.3
Rooikraal	0.2	–
Reclamation sites (vegetation and dust suppression, among others)		
Crown sites	11.1	9.3
Rehabilitation insurance expense	5.7	1.7
Historic spillage clean-ups	2.6	2.8
Ergo sites	0.3	0.7
Demolition of plant and infrastructure	6.1	0.8
Total	**51.6**	**41.9**

NATURAL CAPITAL *continued*

OUR PRIORITIES

WATER AND WASTE WATER MANAGEMENT

We are pleased to report that our efforts to reduce reliance on potable water have paid off during FY2018. Potable water utilised for mining related activities has reduced by 38% to 3 377Mℓ[LA] Total water used has increased by 6% to 29 437Mℓ[LA].

	2018		2017	
	Mℓ	%	Mℓ	%
Potable water sourced externally	3 377[LA]	12	5 490[LA]	20
Rondebult waste water	938	3	386	1
Surface water extracted	3 484	13	3 280	12
Water recycled in process	20 894	69	18 500	67
TCTA water (AMD)	744	3	92	–
Total water used	**29 437[LA]**	**100**	**27 748[LA]**	**100**

[LA] *Limited assurance*

For more information, see www.drdgold.com/investors-and-media/media-releases/2012

During the past two years, our strategy to reduce reliance on potable water was implemented by investing in a number of projects:

CENTRALISED WATER DISTRIBUTION SYSTEM

The Central Water Distribution System was commissioned during the last quarter of FY2017 to store and distribute water emanating from the Rondebult waste water treatment works, treated AMD water from TCTA and recycled water from our Brakpan/Withok Tailings Deposition Facility. The centrally located water facility allows us to distribute water more efficiently throughout the operations. We expect that, due to more water being available from this facility, we will further reduce requirements for potable water from Rand Water. Further improvements have been initiated and implemented to increase pumping capacity from the Brakpan/Withok Tailings Deposition Facility so that more recycled water can be utilised from the Central Water Distribution System. The Central Water Distribution System is performing as anticipated with significant reductions in potable water utilised.

During the year we completed the upgrade of the Knights water pipeline distribution network which has resulted in additional recycled water being used in the circuit.

GLAND SERVICE INFRASTRUCTURE

The Group installed gland service infrastructure at the Ergo plant in October 2016 which has allowed for the use of recycled process water for gland service requirements, and consequently replaced the usage of potable water. This initiative has resulted in a reduction of approximately 70Mℓ a month of potable water use. Not only is this more environmentally sustainable but it has resulted in ongoing cost savings.

RONDEBULT WASTE WATER TREATMENT WORKS

The filtration plant at the Rondebult waste water treatment works operated by the East Rand Water Care Company was installed in FY2015. The Rondebult waste water treatment works was designed to provide Ergo with 10Mℓ of recycled water a day for use in reclamation activities. Rondebult, which supports a bird sanctuary in its maturation ponds, has been accredited as a "Green Drop" facility by the Department of Water and Sanitation as it upholds the highest standards in waste water discharge. We were able to use 938Mℓ of this water in FY2018 in comparison with 386Mℓ in FY2017.

TCTA PROCESSED ACID MINE DRAINAGE WATER

The TCTA pump station and plant, extracts and treats AMD water to a non-potable standard before releasing it into the environment. DRDGOLD secured the right to use up to 30Mℓ of treated AMD water a day from the TCTA facility[1] for our operations, as a further strategy to source non-potable water for mining related activities. During FY2018, 744Mℓ of treated AMD water, from TCTA was utilised within the operation.

GOUDKOPPIES WASTE WATER TREATMENT WORKS

Ergo has the option of entering into an agreement with Johannesburg Water to begin its second waste water treatment project at the Goudkoppies waste water treatment works, using similar infrastructure to the Rondebult waste water works but with a view to providing 20Mℓ a day through a 7 000m long, 500mm diameter pipeline to the Crown tailings complex. This option has currently been put on hold until the project is financially viable for Ergo, due to the capital requirements. Should Ergo at any point exercise this option it is expected that this water will replace the potable water currently used in the vegetation programme and supplement water required for reclamation.

These projects demonstrate the Group's commitment to reduce its reliance on limited potable water resources currently under strain across South Africa.

[1] *Refer to www.drdgold.com for details on our views of AMD and the agreement with TCTA*

NATURAL CAPITAL *continued*

DUST SUPPRESSION

Dust fall-out has reduced steadily in recent years due to our rehabilitation programmes and mitigation measures. We achieved positive results for dust monitoring and containment – of the 1 188 measurements, seven exceedances (0.6%) were recorded over the entire operation. The monitoring reports are sent to regulators, municipalities, and interested and affected parties.

Only two reportable exceedances were captured in FY2018 within our monitoring network as two monitoring sites exceeded the residential dust exceedance limits twice within the 12-month period. A full investigation was undertaken, and presented at our quarterly dust forum, to establish the cause of the exceedances. It was determined that the exceedances were primarily caused by ongoing residential developments or vehicle movement on unpaved surfaces in close proximity to the monitoring points. This was evident from observation of the red soil colour of the material collected within the dust buckets.

REHABILITATION

In accordance with South African mining legislation, all mining companies are required to rehabilitate the land on which they work to a determined standard for alternative use. DRDGOLD's business involves the reclamation of previously discarded material deposited, in many cases, by other companies, most of which are no longer in business. As a result, we deal with legacy environmental issues. Nevertheless, we take our environmental responsibilities seriously and are steadily rehabilitating land previously sterilised by mine residue.

DRDGOLD has spent more than R353 million on various rehabilitation activities (including controlling dust) in the five years preceding FY2018.

In FY2018, we vegetated a total of 5ha (FY2017: 16ha) at the Crown Complex and used a new community established consortium consisting of nine local companies that represent areas including Langlaagte, Diepkloof, Meadowlands, Orlando West, Orlando East, Riverleigh, Pennyville and Ormonde. The consortium currently employs 33 community members from the abovementioned areas. Their current project entails the establishment of new side slope vegetation on the Crown tailings dam and to irrigate until the vegetation is self-sustainable. Ergo currently supplies all the material for the vegetation establishment but it is expected that the consortium will supply the material in the future once it becomes a commercially viable business. In the FY2018, we spent R2 million on the vegetation programme undertaken by the consortium. We are on track to complete this programme by 2024 and it could be accelerated if additional water is secured.

Concurrent rehabilitation is ongoing on active tailings facilities with 22ha (FY2017: 14ha) of side slope cladding completed at the Brakpan/Withok Tailings Deposition Facility and 8ha (FY2017: 5ha) at the Daggafontein Tailings Facility.

In FY2016, a decision to complete the recovery of material from a number of legacy reclamation sites and to close the Crown plant was made. The clean-up of the legacy sites has proved more difficult and more costly than expected as the result of us having to mechanically lift residual material from these legacy sites. At the end of FY2018, significant progress has however been made on these legacy sites. The Crown plant has been totally demolished and the land shaped and profiled.

DUST MONITORING

	2018	2017
Crown		
Total sites monitored	684	678
Exceedances	3	5
Percentage	0.44	0.74
ERPM		
Total sites monitored	231	230
Exceedances	1	–
Percentage	0.43	–
Ergo		
Total sites monitored	273	228
Exceedances	3	–
Percentage	1.10	–
Total dust exceedances	7[LA]	5[LA]

[LA] *Limited assurance*

NATURAL CAPITAL *continued*

During the current year, we completed the ramp-up of reclamation from the 4L50 slimes dam, which is the southern portion of the Elsburg tailings complex, bordering Boksburg and Germiston. Although the dump is still hydraulically reclaimed, a modified mining sequence has been implemented to improve the control of potentially contaminated storm water runoff. In essence, rather than mining the resource in large horizontal planes, mining now proceeds in sequential benches of up to 18m in height and approximately 75m to 100m in breadth.

A key feature of the 4L50 dump is that the top surface area has been extensively vegetated following its decommissioning as a tailings storage facility. The revised mining method limits the extent of disturbed tailings surface area, leaving the vegetation intact and significantly reducing the emissions of wind-borne dust.

We have submitted five land clearance applications covering approximately 191ha to the NNR for the release of completely rehabilitated sites from regulatory control in FY2018. We await final radiation land clearance certificates from the NNR, thus releasing this land back to landowners for development. We are currently in the process of final rehabilitation and remediation on a further 205ha within the city of Johannesburg, which will be submitted for land clearance in the near future and thus released back for economic development.

ENERGY CONSUMPTION

As Eskom generates electricity primarily from coal-fired power stations, our indirect emissions are significant although, as with our use of materials, we strive continuously to reduce consumption.

Our electricity consumption remained stable year-on-year as did our volume through-put, demonstrating that our strategy of sizing pumps for maximum efficiency, using variable speed drives, soft starts, and continuously monitoring consumption is effective in optimising electrical power consumption. Power factor correction equipment has been designed and will be commissioned at the Brakpan/Withok tailings pump station in FY2019. This will not necessarily improve our consumption but will assist in stabilising the local power grid. Around-the-clock pipeline and minute-by-minute power use monitoring worked well in FY2018 and the operation did not experience load shedding.

DRDGOLD is investigating the possibility of producing our own power through alternative sources of energy, including solar and gas fired power plants. This is a long-term project and we are still in the early stages of research. If successful, this project will mitigate one of our major risks – sustainable and affordable power supply.

ENERGY CONSUMPTION AND EMISSIONS

		2018	2017
Electricity consumption	MWh	**383 151[LA]**	376 723[LA]
Diesel consumption[1]	litres	**1 053 196[LA]**	918 369[LA]
Natural gas consumption	Gj	**107 859[LA]**	101 212[LA]
CO_2e emissions[2]			
Scope 1	tonnes CO_2e	**8 578[LA]**	8 184[LA]*
Scope 2	tonnes CO_2e	**363 993[LA]**	376 723[LA]
Scope 3	tonnes CO_2e	**107**	119
Total	tonnes CO_2e	**372 678[LA]**	385 026[LA]*
Nitrogen oxides (NOx) emissions	tonnes	**1 731**	1 703
Sulphur oxides (SOx) emissions	tonnes	**3 158**	3 105
Volatile organic compounds (VOC) emissions	tonnes	**5**	5
Carbon monoxide emissions	tonnes	**14**	14
Particulate emissions	tonnes	**119**	118

[1] *Diesel consumption is higher in FY2018 due to increased machine use for the remediation of the old Crown reclamations sites which are undergoing final rehabilitation*

[2] *The Greenhouse Gas (GHG) Protocol – a partnership between the World Resources Institute and the World Business Council for Sustainable Development to tackle climate change – distinguishes emissions in terms of direct (Scope 1: from owned or controlled sources) and indirect (Scope 2: consumption of purchased electricity, heat or steam and Scope 3: other emissions, including extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled, electricity-related activities not covered in Scope 2, such as transmission and distribution losses, outsourced activities and waste disposal, among others). The global warming potential of the GHG emissions is expressed as carbon dioxide equivalent (CO_2e)*

* *Restated, refer to page 70*

[LA] *Limited assurance*

LOAD CURTAILMENT

In terms of our load curtailment agreement with Eskom, we are alerted when the national grid is under pressure and load shedding is imminent. This allows the operations team to take certain non-essential equipment off line and reduce consumption by 10% to 20%, as required to prevent a complete power outage. In return, DRDGOLD is not part of the area load shedding schedule and is, therefore, able to maintain uninterrupted tonnage to the plant.

Gold extraction efficiency may be marginally affected during load curtailment but the risk of total plant shutdown, associated interruptions and potential damage to equipment and the process are reduced.

NATURAL CAPITAL *continued*

PRIMARY MATERIAL CONSUMPTION (TONNES)

	2018	2017
Cyanide consumption*	8 566[LA]	8 981[LA]
Steel (grinding)	4 416	4 001
Hydrochloric acid[1]	4 036	3 480
Caustic soda[1]	7 596	5 058
Lime[1]	50 332	45 760
Carbon	1 006	1 392

** Cyanide use is regulated in terms of Section 9 of the Mine Health and Safety Act, 1996 (Act No 29 of 1996), and DRDGOLD conducts regular internal and external compliance audits. Consumption decreased in FY2018 due to increased monitoring measures on cyanide usage and increased maintenance schedules on auto titrators*

[1] Increased use of hydrochloric acid as a result of increased strength needed in the system to make up for poor dilute started off with in the system. Consequently, increased caustic soda consumed to neutralise the acid wash column. Increase in lime as a result of minerology change in material processed

[LA] Limited assurance

OUTLOOK

In the coming year, we will continue to focus on ensuring that our operations have as little impact on surrounding communities as possible. We hope to achieve this by systematically removing pollution sources (historic sand and slime dams we reclaim), by continuing to vegetate the Crown tailings complex, and by increasing the cladding programme to the exposed side slopes of the Brakpan/Withok Tailings Deposition Facility.

We have made great strides with the ongoing rehabilitation activities at our Crown and CMR sites and will continue with the final rehabilitation and remediation on 205ha within the city of Johannesburg, which will be submitted for land clearance in the near future and ultimately released for economic development.

We hope to attain five land clearance certificates covering approximately 191ha from the NNR for the release of completely rehabilitated sites.

In the medium term, we plan to release more previously sterilised land, which has been rehabilitated, for development and, in the long term, leave a self-sustaining, contained super-tailings deposition facility.

We will continue to drive our decline in consumption of potable water to below 10% by using water in manner that fully optimises the Central Water Distribution System and other water investments made.

We are still fully committed to the long-term project of evaluating whether or not we can produce our own power as an alternative to Eskom's power supply.

MINERAL RESERVES AND MINERAL RESOURCES

Our manufactured capital includes the volume of gold we recover by embracing innovation and technology – DRDGOLD's annual production target is 148 000oz to 154 000oz from a Surface Mineral Resource of 7.3Moz.

HIGHLIGHTS

R2m
spent on drilling programme

Increase in Mineral Reserves from
3.0Moz to 3.3Moz

4L50
commissioned

Gold Surface Mineral Resources	7.3Moz
Gold Mineral Reserves	3.3Moz

DRDGOLD's consolidated Ergo operation covers an area of approximately 62km from east to west and 25km from north to south, near the original city of Johannesburg, on the central and eastern Witwatersrand of South Africa. The flagship metallurgical plant, Ergo, is some 50km east of Johannesburg in Brakpan, the Knights plant is in Germiston, and the milling and pump stations are located at City Deep.

As one of the world's largest surface gold tailings retreatment operations, the majority of the material treated by the Ergo plant – currently around 1.2Mtpm – is delivered via two feeder lines from the Elsburg tailings complex (incorporating the 4L50 area), Van Dyk and Ezekiel reclamation sites. A further 0.6Mtpm is delivered from the City Deep area (including 4L2, 3L42 and externally sourced sand).

The Ergo plant uses flotation, fine-grind and a combination of high-grade and low-grade CIL metallurgical processes to recover gold from slurry. Most of Ergo's reclamation activities involve the reclamation of slime. Monitor guns, operated by trained individuals, direct high-pressure water jets at targeted areas. The slime is dislodged and mixed with water and the resulting slurry is pumped to the metallurgical treatment plant for processing.

The Ergo plant has treatment capacity of 1.8Mtpm based on 92% availability. Vast quantities of material is delivered monthly to the plant and, as each old dump or dam is depleted, others are brought on stream.

GEOLOGICAL SETTING, MINERALISATION AND DEPOSIT TYPE

Ergo's surface deposits are the waste products of the processing of gold and uranium ores of the Witwatersrand Supergroup carried out since the 1890s.

The deposits consist of gold, uranium and sulphur-bearing sand dumps and slimes dams, and the composition reflects the major constituents of the Witwatersrand Basin: quartz (70%-80%), mica (10%), chlorite and chloritoid (9%-18%) and pyrite (1%-2%). Au, U3O8, Zr and Cr may be minor constituents averaging <100ppm each. Deposits possess structure determined by the geometry, material source and processing plants in which the original ores were processed.

MINERAL RESERVES AND MINERAL RESOURCES *continued*

DRDGOLD GROUP STRUCTURE AND ASSOCIATE LICENCES

DRDGOLD LIMITED

100% | 100%

DRDGOLD ERGO	ERPM EAST RAND PROPRIETARY MINES LIMITED
GP 158 MR GP 184 MR GP 185 MR GP 186 MR GP 187 MR GP 10007 MR GP 10044 PR	Underground assets: GP 150 MR GP 151 MR (underground only) GP 243 PR
Transferred surface assets from ERPM: GP 151 MR	Agreement to sell ERPM lapsed on 31 March 2018. Refer to page 67 for further details

LEGAL ASPECT AND PERMITTING

Mining Rights and Prospecting Rights held are listed under the Ergo Mining Proprietary Limited and East Rand Proprietary Mines Limited subsidiaries. DRDGOLD has numerous Surface and Prospecting Rights and ownership of the surface rights and mine dumps vests in various legal entities.

Ownership of the surface rights and mine dumps vest in various legal entities. DRDGOLD and its subsidiaries own the rights to some of the properties that have dumps. In other cases, agreements are in place with the landowners to mine the dump material and rehabilitate the land for other uses. The details of the related surface rights are not material for the purpose of this report. The necessary agreements are in place for all properties in the LoM plan. There are currently no legal actions/impediments that would prevent operations of any of the current mineral rights.

MINERAL RESERVE AND SURFACE MINERAL RESOURCES RECONCILIATION

	Tonnes Mt	Grade Au g/t	Au ounces Moz
Mineral Reserves at 30 June 2017	299.21	0.31	2.99
Depletion of Reserves	(23.22)	0.33	(0.25)
Survey adjustments	(0.55)	–	0.06
New Mineral Reserves	56.76	0.26	0.48
Mineral Reserves at 30 June 2018	332.20	0.31	3.28

	Tonnes Mt	Grade Au g/t	Au ounces Moz
Mineral Resources at 30 June 2017	1 565.02	0.23	11.75
Excluded Mineral Resources*	(671.62)	0.19	(4.21)
Depletion of Resources	(23.22)	0.33	(0.25)
New Mineral Resources	10.97	0.29	0.11
Survey adjustment	(8.04)	0.29	(0.08)
Mineral Resources at 30 June 2018	873.11	0.26	7.33

** Exclusion of the Brakpan/Witbok Tailings Deposition Facility from Inferred Mineral Resources*

The figures contained in the table are rounded, which may result in minor computational discrepancies which are not deemed to be significant

SUMMARY

DRDGOLD's Mineral Reserves increased by 10% from 3.0Moz (299.2Mt @0.31g/t) in FY2017 to 3.3Moz (332.2Mt @0.31g/t) in FY2018 due to additional drilling performed on the Rooikraal Tailings Deposition Facility. Daggafontein has been evaluated as an additional tailings deposition facility. The current reserves reflect an operating life of 12 years.

DRDGOLD's Surface Mineral Resources decreased to 7.3Moz (873.1Mt @ 0.26g/t), in comparison to 11.8Moz (1 565.0Mt @ 0.23g/t) in FY2017. The decrease is attributable to the exclusion of the Brakpan/Withok Tailings Deposition Facility from Inferred Mineral Resources.

MINERAL RESERVES AND MINERAL RESOURCES *continued*

The Brakpan/Withok Tailings Deposition Facility is the current deposition site for retreated tailings and will remain so for the life of the Ergo operation. A decision was taken to exclude the Brakpan/Withok Tailings Deposition Facility from the active drilling programme as reprocessing of this material is unlikely in the foreseeable future.

FEASIBILITY STUDIES

DRDGOLD began a drilling programme and pre-feasibility study (PFS) in September 2016, aimed at re-evaluating its surface gold tailings. The PFS focused on tailings on the East Rand, to the east of the Ergo plant with the aim of adding these to the Mineral Reserves base.

This included the evaluation of 7L15, Grootvlei (6L16, 6L17 and 6L17A), 5A10, 5L27 and 4L3. As a result, Measured Mineral Resources from surface resources increased by 97% in FY2017 and Mineral Reserves by 67%.

The drilling programme continued in the current year and evaluation was undertaken on the Daggafontein, Grootvlei and Rooikraal tailings dams to verify grades, the position of the bases and collect samples for metallurgical testwork.

EVALUATION METHODOLOGY

Different methodologies are used for evaluation of surface and underground Mineral Resources and Mineral Reserves.

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 mining begins.

As material is removed for retreatment, the Mineral Resources and Mineral Reserves for each operation are adjusted accordingly. Continuous checks of modifying factors and ongoing surveys are conducted to monitor the rate of depletion and the accuracy of factors used in conversion.

Underground Mineral Resources were last estimated in FY2007 and no mining has taken place since 2008. However, the Mineral Resources are reviewed annually to ensure that the reported grade and tonnages are still current. Mineral Resources were estimated from sampling data from surface boreholes and underground face sampling. Estimation methods were standard statistical and geostatistical processes (ordinary kriging) common in the Witwatersrand at the time of estimation. A block model was then generated and used to overlay the potential mining areas, which are then evaluated for inclusion into a mine plan. Classification was based on sampling density and confidence in the estimation.

During FY2018 the ERPM Underground Mineral Resources were downgraded to Inferred Mineral Resources as a result of the uncertainties around its sale.

The entire process is reviewed by independent consultants to ensure that the accepted industry and deposit-type norms and procedures have been followed.

INDEPENDENT REVIEW

DRDGOLD's statements of Mineral Resources and Mineral Reserves are independently reviewed by Red Bush Geoservices Proprietary Limited (Red Bush) for compliance with the 2016 edition of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code), and the United States Securities and Exchange (SEC) Industry Guide 7.

Red Bush is an exploration, resource and mining consulting firm, which provides services and advice to the mineral industry internationally.

The review of DRDGOLD's Mineral Resources and Mineral Reserves estimation was conducted by Ms Kathleen Jane Body (Pr.Sci.Nat.) and Dr Steven Rupprecht (Pr. Eng). Ms Body and Dr Rupprechet have the appropriate qualifications, experience, competence and independence to be considered an independent Competent Person or qualified person in terms of the definitions included in the SAMREC Code, NI 43-101 and SEC Industry Guide 7.

Red Bush staff members carried out quality control analysis of the data during numerous site visits to the different surface operations. They reviewed the geological models, grade estimation techniques, the conversion from Mineral Resources to Mineral Reserves, and assessed the procedures and parameters used in the preparation of these Mineral Resources and Mineral Reserves statements.

COMPETENT PERSONS

The information in this Report, relating to Mineral Resources and Mineral Reserves, is based on information compiled by the Competent Persons who consent to the inclusion in this Report of the matters based

on information in the form and context in which it appears. The Competent Persons also confirm that these disclosures are in compliance with the SAMREC Code and Section 12.13 of the JSE listing requirements.

The designated Competent Person for the surface Mineral Resources in terms of the SAMREC Code, is Mpfariseni Mudau (BSc, MSc (Eng)) Pr. Sci. Nat. 400305/12, a geologist with 12 years' experience in mineral exploration and mineral resource estimation of precious metals. The Competent Person is recognised by the South African Council for Natural

Scientific Professions (SACNASP) located at Management Enterprise Building, Mark

MINERAL RESERVES AND MINERAL RESOURCES *continued*

Shuttleworth Street, Innovation Hub, Pretoria, 0087, Gauteng, South Africa. Mr Mudau is a director of RVN Group Proprietary Limited and contracted to EMO, a subsidiary of DRDGOLD. Mr Mudau is independent of DRDGOLD, its subsidiaries and related companies. The designated Competent Person, in terms of the SAMREC Code, responsible for compilation and reporting of DRDGOLD's Mineral Reserves and underground Mineral Resources (ERPM) is Mr Gary John Viljoen. Mr Viljoen is an independent contractor to DRDGOLD. He holds a Mine Surveyor's Certificate of Competency and has 25 years' experience in the mining industry and in working with the type of deposits mined. Mr Viljoen is a registered member of the South African Council of Geomatics (SACG) as a Professional Mine Surveyor and his membership number is GPr MS 0256. The Competent Person is recognised by SACG located at Unit 4, Heritage Park, off Lower Germiston Road, Rocherville, 2094, South Africa.

DRDGOLD has written confirmation from the Competent Persons that the information disclosed in terms of this Report is compliant with the SAMREC Code and, where applicable, the relevant paragraph 12 of the JSE Listings Requirements and Table 1 requirements and has confirmed that this report may be published in the form and context in which it is presented.

OTHER KEY ASSUMPTIONS

MINERAL RESOURCES

The assumption is that the current mining method is suitable for all dumps. No selective mining will take place – the entire dump is processed (including Inferred Mineral Resources).

No selective mining is the result of three conditions inherent in the operations:

- There is nowhere on the mining sites to dump the below average grade material
- The mining method is not conducive to selection and
- The operation is a rehabilitation exercise and all material must be removed from site and it is therefore most efficient to process all material even low-grade

Mineral Resource and Mineral Reserves are determined by the average grade of the dump which must be above or equal to the plant feed cut-off grade.

The assumption is that the current extraction process is suitable. Assumptions on cut-off per Mineral Resource area include working costs, the average plant recovery, the expected residue grade per Mineral Resource area, the required yield based on working cost and gold price, and the required head grade minimum based on the required yield and residue grade.

MINERAL RESERVES

In addition to the Mineral Resource assumptions, infrastructure must be in place or planned to access dumps and dispose of residues. The LoM includes Inferred

Source area/plant	Recovery %	Opex R/t	Estimated cut-off grade g/t
Ergo	48	54.26	0.200

Mineral Resources, which cannot be selected out during mining and some purchased sand. These constitute 5% of the tonnage included in the LoM and have been excluded from the Mineral Reserves declared.

The exclusion of the Inferred Mineral Resources and purchased sand does not have a material effect on the Mineral Reserves.

EXPLORATION

The Group did not incur any significant expenditure on activities for exploration properties during the year, and no expenditure on exploration properties is planned for FY2019.

Competent Persons	Title	Address	Qualifications	Years
Mpfariseni Mudau Pr.Sci.Nat. 400305/12	Director of RVN Group Proprietary Limited	Willowbrook Villas 21, Van Hoof St, Roodepoort, 1724	BSc, MSc (Eng)	12
Gary John Viljoen SAGC GPr MS0256	Independent contractor	Unit 65, Eden Village, 4 Brentwood Park Road, Benoni, 1505	Mine Surveyor's Certificate of Competency	25

DECLARATION

The gold price used for determination of Mineral Reserves and Mineral Resources under SAMREC is R550 411/kg (US$1 328/oz and R12.90/US$). For compliance with SEC, DRDGOLD's Form 20-F (to be filed with SEC) will also quote the Mineral Reserves using the three-year average gold price of R543 327/kg (US$1 240/oz and R13.63/US$).

All Mineral Resources declared in this Report are inclusive of Mineral Reserves.

DRDGOLD also confirms that the Group has the legal entitlements to the minerals reported without any known impediments. The directors are not aware of any legal proceedings or other material conditions that may have an impact on the Group's ability to continue operations other than those discussed in this Report.

MINERAL RESERVES AND MINERAL RESOURCES *continued*

EXPLORATION PROPERTIES

ERPM EXTENSIONS 1 AND 2

ERPM has a new order mining right covering an area of 1 252ha adjacent to Sallies mine, referred to as ERPM Extension 1. The estimated total Mineral Resource for ERPM Extension 1 is 37.4Mt at 7.08g/t containing 8.48Moz of gold.

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. ERPM Extension 2 is currently held under a new order prospecting licence. The total estimated Mineral Resource for Extension 2 is 28.6Mt at 9.06g/t containing 8.32Moz of gold. In line with the Group's strategy to exit underground mining operations, management committed to a plan to sell certain underground mining and prospecting rights held by ERPM, including the related liabilities, during the last quarter of the financial year ended 30 June 2014.

As at 30 June 2017, management concluded that the disposal was no longer highly probable. The last outstanding regulatory approval, being the approval under Section II of the MPRDA was not obtained by the extended cut-off date, 31 March 2018, as a result of circumstances beyond our control. Management decided not to extend the cut-off date further and accordingly the contract entered into to dispose of these underground mining and prospecting rights lapsed on 31 March 2018. Management, however is still committed to a plan of disposal.

SURFACE MINERAL RESOURCES as at 30 June 2018

	MEASURED				INDICATED			
	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz
Ergo and DRDGOLD (100%)								
Surface	322.20	0.307	99.00	3.28	340.40	0.253	89.06	2.77
Total Surface Mineral Resources as at 30 June 2018	322.20	0.307	99.00	3.28	340.40	0.253	89.06	2.77
Total Surface Mineral Resources as at 30 June 2017	299.21	0.311	93.03	2.99	386.00	0.249	96.31	3.10

	INFERRED				TOTAL			
	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz
Ergo and DRDGOLD (100%)								
Surface	200.51	0.199	39.94	1.28	873.11	0.261	228.00	7.33
Total Surface Mineral Resources as at 30 June 2018	200.51	0.199	39.94	1.28	873.11	0.261	228.00	7.33
Total Surface Mineral Resources as at 30 June 2017	879.80	0.200	176.26	5.67	1 565.02	0.234	365.60	11.75

MINERAL RESERVES AND MINERAL RESOURCES *continued*

UNDERGROUND MINERAL RESOURCES as at 30 June 2018

	MEASURED				INDICATED			
	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz
ERPM and DRDGOLD (100%)								
Underground	–	–	–	–	–	–	–	–
Total Underground Mineral Resources as at 30 June 2018	–	–	–	–	–	–	–	–
Total Underground Mineral Resources as at 30 June 2017	4.65	7.168	33.24	1.07	11.95	8.024	95.86	3.08

	INFERRED				TOTAL			
	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz
ERPM and DRDGOLD (100%)								
Underground	**177.22**	**6.824**	**1 209.38**	**38.88**	**177.22**	**6.824**	**1 209.38**	**38.88**
Total Underground Mineral Resources as at 30 June 2018	**177.22**	**6.824**	**1 209.38**	**38.88**	**177.22**	**6.824**	**1 209.38**	**38.88**
Total Underground Mineral Resources as at 30 June 2017	160.62	6.725	1 080.17	34.73	177.22	6.824	1 209.38	38.88

MINERAL RESERVES AND MINERAL RESOURCES *continued*

MINERAL RESERVES as at 30 June 2018

	PROVED Delivered to plant				PROBABLE Delivered to plant				TOTAL MINERAL RESERVES Delivered to plant			
	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz	Tonnes Mt	Grade g/t	Contents Au tonnes	Contents Moz
Ergo and DRDGOLD (100%) Surface	**68.03**	**0.303**	**20.59**	**0.66**	**264.17**	**0.308**	**81.30**	**2.61**	**332.20**	**0.307**	**101.89**	**3.28**
Total Mineral Reserves as at 30 June 2018	**68.03**	**0.303**	**20.59**	**0.66**	**264.17**	**0.308**	**81.30**	**2.61**	**332.20**	**0.307**	**101.89**	**3.28**
Total Mineral Reserves as at 30 June 2017	90.44	0.303	27.41	0.88	208.78	0.314	65.62	2.11	299.21	0.311	93.03	2.99

THREE-YEAR REVIEW

		2018	2017	2016
Summarised Group operating results				
Ore milled	t'000	**24 281**	24 958	24 842
Yield	g/t	**0.193**	0.171	0.180
Gold produced	kg	**4 679**	4 265	4 462
	oz	**150 423**	137 114	143 457
Gold sold	kg	**4 653**	4 268	4 455
	oz	**149 604**	137 211	143 232
Average price received	R/kg	**534 344**	548 268	546 142
	$/oz	**1 300**	1 254	1 165
Cash operating costs	R/kg	**458 866**	489 549	446 153
	$/oz	**1 118**	1 122	958
Sustaining capital expenditure	Rm	**81.3**	72.9	80.5
All-in sustaining costs	R/kg	**505 622**	530 930	499 425
	$/oz	**1 258**	1 216	1 072
Group performance indicators				
Operating margin	%	**14.3**	11.0	17.9
All-in sustaining cost margin	%	**5.5**	3.2	8.4
Headline earnings per share	cents	**1.7**	0.2	12.6
Return on equity	%	**0.6**	0.1	4.0
Asset and debt management				
Current ratio	times	**2.0**	2.1	1.9
Debt to equity ratio	to one	**0.01**	0.01	0.01
Interest cover[1]	times	**8.4**	5.3	11.5
Net asset value per share	cents	**294**	302	310
Market value and shareholder returns				
Market price per share	cents	**365**	415	853
Ordinary shares in issue		**431 429 767**	431 429 767	431 429 767
Market capitalisation	Rm	**1 574.7**	1 790.4	3 680.1
Price earnings ratio	times	**214.7**	2 262.6	67.5
Market/book ratio	times	**1.2**	1.4	2.7
Dividend declared per share	cents	**5**	5	62
Dividend yield	%	**1.4**	1.2	7.3

		2018	2017	2016
Group sustainability indicators				
Total economic value distributed	Rm	**2 333**[LA]	2 260[LA]	2 378[LA]
Value distributed to employees – salaries, wages and other benefits	Rm	**417**[LA]	412[LA]	421[LA]
Fatalities		**0**[LA]	1[LA]	0[LA]
LTIFR		**2.92**[LA]	2.91[LA]	2.68[LA]
RIFR		**1.55**[LA]	1.53[LA]	1.42[LA]
Cyanide consumption	tonnes	**8 566**[LA]	8 981[LA]	8 508[LA]
Scope 1 CO_2e emissions	tonnes	**8 578**[LA]	8 184[LA,*,2]	7 915[LA,*,2]
Scope 2 CO_2e emissions	tonnes	**363 993**[LA]	376 723[LA]	378 481[LA]
Total CO_2e emissions	tonnes	**372 678**[LA]	385 026[LA,*,2]	386 526[LA,*,2]
Electricity consumption	MWh	**383 151**[LA]	376 723[LA]	374 891[LA]
Diesel consumption	litres	**1 053 196**[LA]	918 369[LA]	1 082 105[LA]
Natural gas consumption	Gj	**107 859**[LA]	101 212[LA]	89 146[LA]
Potable water sourced externally	Mℓ	**3 377**[LA]	5 490[LA]	7 376[LA]
Total dust exceedances		**7**[LA]	5[LA]	22[LA]
Concurrent vegetation of tailings deposition facilities	hectares	**35**	35	36
Land rehabilitated and clearance from NNR	hectares	**0**[#]	90	62
Total socio-economic development spend	Rm	**25.1**[LA]	25.0[LA]	23.1[LA]
Exchange rates				
Average rate	R:US$	**12.8466**	13.5927	14.4989
Closing rate	R:US$	**13.7225**	13.0476	14.6800

1 *The basis of calculation of the interest cover has been revised to be consistent with that for the new revolving credit facility of R300 million covenant calculations. This has led to a restatement in the prior year figures, to allow comparability in the ratio going forward.*

2 *During FY2018, management performed a review of DRDGOLD's energy sources, which identified natural gas as an energy source used in the production process. This energy source was previously not included. As a result, DRDGOLD reported on natural gas consumption in FY2018 and the comparative periods, FY2016 and FY2017. Scope 1 CO_2e emissions and consequently total CO_2e emissions for these periods have therefore also been restated to include the emissions from natural gas consumption. The effect thereof is an increase of Scope 1 emissions of 5 015 tonnes in FY2016 and 5 694 tonnes in FY2017. Consequently, the total CO_2e emissions increased by the same amounts respectively for both periods.*

LA *Limited assurance*

* *Restated*

Applications in respect of 191ha of rehabilitated land had been lodged with the NNR for clearance for redevelopment.

IN THE FUTURE

IDENTIFYING FUTURE OPPORTUNITIES

DRDGOLD 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.

WHAT SETS US APART: OUR INVESTMENT CASE

Investing in DRDGOLD provides exposure to our portfolio of surface gold assets that we mine optimally and sustainably; our competitive advantage, including our knowledge and infrastructure to move vast quantities of material over long distances; human talent and our use of unique technology, creating long-term shareholder return.

DRDGOLD LIMITED

PEOPLE

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.

PLANET

We add value by cleaning up the historical mining footprint around Johannesburg in our retreatment of mine dumps.

PROFIT

As at 30 June 2018, we had minimal debt on our balance sheet, which provided us with the opportunity to expand our operations to the West Rand with the acquisition of Far West Gold Recoveries. We will continue to expand or invest in projects that will maximise gold recoveries and control our costs to ultimately contribute to profits.

VALUE WE ADD TO OUR STAKEHOLDERS

- Shareholders and investors – dividends, share price growth, exposure to gold market
- Employees – learning and development, safe working environment, job security, financial benefit
- Suppliers – part of a sustainable business, financial benefit
- Government – taxes, cleaner environment, better Johannesburg to live in
- Communities – improved quality of life, poverty alleviation, youth education

SECTION 5

AT DRDGOLD, WE BELIEVE THAT INTEGRITY AND GOOD CONDUCT ARE THE FOUNDATION OF OUR BUSINESS, AND WE ARE FULLY COMMITTED TO CONDUCTING BUSINESS ETHICALLY AND LEGALLY.

GOVERNANCE

DIRECTORS AND MANAGEMENT

NON-EXECUTIVE DIRECTORS

Geoff Campbell (57)

BSc (Geology)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

***Chairman:** Nominations Committee*

***Member:** Remuneration and Nominations Committee*

View biography

Johan Holtzhausen (72)

BSc, BCompt (Hons), CA (SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

***Chairman:** Audit and Risk Committee*

***Member:** Remuneration and Nominations Committee*

View biography

Edmund Jeneker (56)

Chartered Director (SA), B Hons, IEDP, M.Inst.D., SAIPA

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

***Chairman:** Social and Ethics Committee*

***Chairman:** Remuneration Committee*

***Member:** Remuneration and Nominations Committee*

***Member:** Audit and Risk Committee*

View biography

James Turk (71)

BA (International Economics)

INDEPENDENT NON-EXECUTIVE DIRECTOR

***Member:** Audit and Risk Committee*

***Member:** Remuneration and Nominations Committee*

View biography

Toko Mnyango (53)

Dip Juris, BJuris

INDEPENDENT NON-EXECUTIVE DIRECTOR

***Member:** Social and Ethics Committee*

View biography

EXECUTIVE DIRECTORS

Niël Pretorius (51)

BProc, LLB

CHIEF EXECUTIVE OFFICER

***Member:** Social and Ethics Committee*

View biography

Riaan Davel (42)

BCom (Hons), M Com, CA (SA)

CHIEF FINANCIAL OFFICER

View biography

DIRECTORS AND MANAGEMENT *continued*

MANAGEMENT

Reneiloe Masemene (37)

LLB, LLM

COMPANY SECRETARY, GROUP LEGAL COUNSEL AND PRESCRIBED OFFICER

View biography

Jaco Schoeman (44)

National Diploma (Analytical Chemistry), BTech (Analytical Chemistry)

OPERATIONS DIRECTOR: ERGO MINING OPERATIONS PROPRIETARY LIMITED

View biography

Henry Gouws (49)

National Higher Diploma (Extraction Metallurgy), MDP

MANAGING DIRECTOR: ERGO

View biography

Mark Burrell (56)

BCom Accounting, MDP

FINANCIAL DIRECTOR: ERGO

View biography

SUBSIDIARY NON-EXECUTIVES

Thulo Mogotsi Moletsane (50)

BA, LLB

NON-EXECUTIVE DIRECTOR: ERGO MINING OPERATIONS PROPRIETARY LIMITED

View biography

Charles Symons (64)

BCom, MBL, Dip Extractive Metallurgy

NON-EXECUTIVE DIRECTOR: ERGO MINING OPERATIONS PROPRIETARY LIMITED

Chairman: *Oversight Committee*

View biography

CORPORATE GOVERNANCE

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*

Designation	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee
NON-EXECUTIVE DIRECTORS			
GC Campbell	✓	✓	
J Turk	✓	✓	
EA Jeneker	✓	✓	✓
J Holtzhausen	✓	✓	
TVBN Mnyango	✓	✓	✓
EXECUTIVE DIRECTORS			
DJ Pretorius	✓	✓	✓
AJ Davel	✓	✓	✓
PRESCRIBED OFFICERS			
WJ Schoeman	✓		✓
R Masemene	✓	✓	✓

Key performance indicators

- Compliance with applicable laws, and adopted, standards and codes of good practice
- Set key performance measures and targets for value creation, as well as execute the approved strategy
- Appropriate appointment and delegation to management
- Stakeholder engagement and issues reports on the Company's activities and performance
- Governance and oversight of risk management
- Technology and information governance
- Governance of remuneration throughout the Company and ensure fair and responsible remuneration practices

COMMITTEE ATTENDANCE*

- ✓ AUDIT AND RISK COMMITTEE
- ✓ REMUNERATION AND NOMINATIONS COMMITTEE
- ✓ *SOCIAL AND ETHICS COMMITTEE*

** includes attendance by invitation*

CORPORATE GOVERNANCE *continued*

Our board of directors are committed to effective and ethical leadership and the highest standards of good corporate governance.

Every director, officer or employee representing us should respect the maxim 'do unto others as you would have them do to you'.

For more information, see www.drdgold.com/about-us/governance

OUR ETHICAL CULTURE

At DRDGOLD, we believe that integrity and good conduct are the foundation of our business, and we are committed to conducting business ethically and legally throughout our surface retreatment organisation. To this end, our people are the moral fibre of the organisation. They are expected to uphold the highest ethical and business standards at all times, even if maintaining such ethical standards results in a loss of business.

CODE OF CONDUCT

Our business has evolved and adapted in recent years in accordance with our People, Planet, Profit (P3) business philosophy.

We believe in disclosure and transparency and moral principles that govern our behaviour as outlined in our Code of Conduct, which outlines our values; how we aim to conduct our business; the way in which we behave; and the rights our business partners can expect in our dealings with them.

It is based on DRDGOLD's values of unity, integrity, commitment and accountability and describes the following fundamental principles that should govern our every day business conduct:

- Fair dealing and integrity in the conduct of our business
- Promoting a corporate culture that is non-secretarial, and
- Socially and environmentally responsible behaviour

The Code of Conduct is available on the DRDGOLD website, distributed to all new employees and included in the induction video, which all employees are subjected to on an annual basis.

WHISTLEBLOWING HOTLINE

A whistleblowing mechanism is in place to assist with the identification of possible unethical behaviour. This is in the form of a anonymous hotline facilitated through Deloitte. The security department is also open to informants and other persons and opens cases. In some of these cases, cases were opened with the police, employees were dismissed and some further investigated.

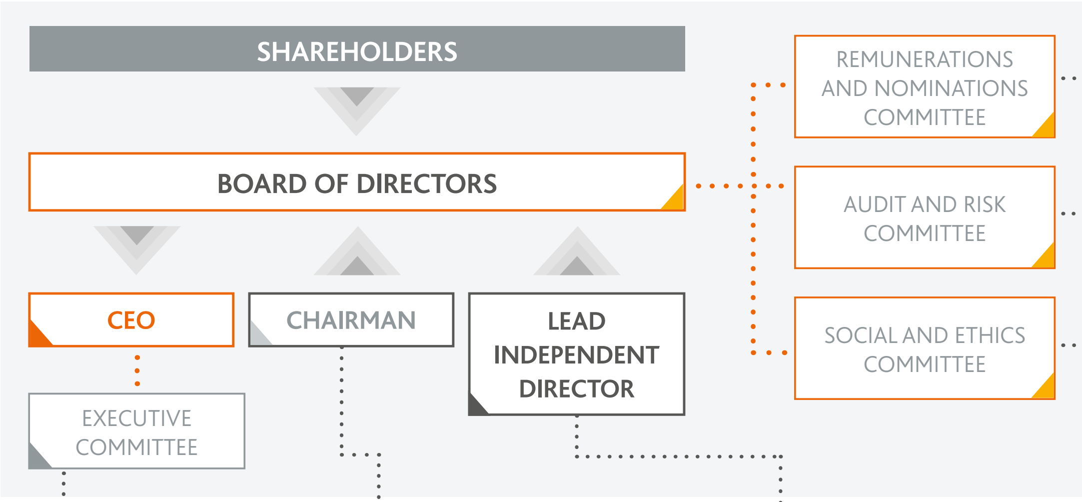
Posters are put in the workplace to remind employees of the importance of ethical behaviour and the existence of the hotline and procedures to follow should they witness unethical conduct.

FINES AND INCIDENCES OF CORRUPTION

DRDGOLD did not receive any significant fines of monetary value or non-monetary sanctions for non-compliance, and was not involved in any incidences of corruption in FY2018.

CORPORATE GOVERNANCE *continued*

GOVERNANCE STRUCTURE



EXECUTIVE COMMITTEE

Primary functions:

- Execute the approved strategy of the Board
- Make key decisions affecting the business and affairs of the Company subject to the Board approved delegation of authority framework
- Develop and monitor budgets to report to the Board

CHAIRMAN OF THE BOARD

Primary functions:

- Lead the Board of directors in the objective and effective discharge of its governance roles and responsibilities
- Chair all Board meeting using appropriate and robust processes that ensure the Board focuses and achieves its tasks
- Encourage collegial and mutually respectful atmosphere amongst the directors

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Primary functions:

- Leads in the absence of the chairman
- Act as an intermediary between the chairman and other directors of the Board
- Deals with shareholder concerns where contact through normal channels has failed to resolve concerns
- Chair discussions and decision making of the Board on matters where the chairman has a conflict of interest
- Lead the performance appraisal of the chairman
- Strengthens the independence of the Board

AUDIT AND RISK COMMITTEE

Primary functions:

- Ensures that internal and externally issued reports comply with legal requirements and/or meet the legitimate and reasonable information needs of material stakeholders
- Assist the Board with the governance and oversight of risk management
- Assist the Board with IT governance and risks
- Oversight of internal and external assurance processes

REMUNERATION AND NOMINATIONS COMMITTEE

Primary functions:

- Support the Board with the governance of remuneration throughout the Group and ensure fair and responsible remuneration practices
- Asses the Board composition and identify appropriate candidates for appointment to the Board

SOCIAL AND ETHICS COMMITTEE

Primary functions:

- Ensure the Group's ethics are effectively managed
- Monitor the Group's overall responsible corporate citizenship performance including relevant activities in the workplace, economy, society and the environment

CEO FUNCTION

Leads and supervises the committee in executing the functions delegated to it by the Board. CEO cannot be the chairman of the Board and is prohibited from being a member of the Audit and Risk Committee.

Each committee has a minimum of three members as recommended by King IV. The composition of each committee is also aligned with the King IV recommendations.

CORPORATE GOVERNANCE *continued*

BOARD COMPOSITION

The Nominations Committee continues to play an active role in assessing the Board composition and identifying appropriate candidates for appointment to the Board.

RACE AND GENDER DIVERSITY POLICY

DRDGOLD supports the principles and aims of race and gender diversity at Board level. In this regard, and as required by the JSE Listings Requirements, the Board has approved a Race and Gender Diversity Policy.

The Board appointed Mrs Toko Mnyango on 1 December 2016. Details of her appointment were duly announced on SENS, and her particulars are included on page 74 of this report and on the website, www.drdgold.com/about-us/directors-officers-and-executives

The Board currently has an aggregate complement of seven directors, and of whom two are black persons within the meaning ascribed thereto in terms of the BEE Act.

The Company has set itself a voluntary target of 30% in respect of both gender and race diversity, as contemplated in paragraphs 3.84(i) and (j) respectively of the JSE Listings Requirements.

In respect of the gender diversity component as envisaged in paragraph 3.84(i) of the JSE Listings Requirements, there is one woman, who is also black within the meaning ascribed thereto in the BEE Act. On this basis, DRDGOLD's percentage delivers 14.3% against a target of 30% towards gender diversity.

In respect of the race diversity component as envisaged in paragraph 3.84(i) of the JSE Listings Requirements, there are two black people within the meaning ascribed thereto in the BEE Act. On this basis, DRDGOLD's percentage delivers 28.6% against a target of 30% towards race diversity.

To address the above towards meeting its voluntary targets, the Company has embarked upon a process in terms of which we ensure that members of the Board is reflective of the diversity at a level commensurate with the targets.

NOMINATION, ELECTION AND APPOINTMENT OF MEMBERS TO THE GOVERNING BODY

In compliance with JSE and NYSE requirements, the policy for appointments to the Board is both formal and transparent. The Remuneration and Nominations Committee identifies and interviews, and then recommends shortlisted candidates to the Board. The Board duly deliberates and appoints the most suitable person(s) until shareholders are able to confirm the appointment at the first annual general meeting (AGM) following the appointment.

CORPORATE GOVERNANCE *continued*

In accordance with DRDGOLD's Memorandum of Incorporation (MOI), which was adopted at the 2012 AGM, all directors are subject to retirement by rotation and to re-election by shareholders.

The names of the directors submitted for re-election are accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their re-election.

INDEPENDENCE

The Board comprises of two Executive Directors and five independent Non-executive Directors. Three of the independent Non-executive Directors have served on the Board for longer than nine years. The Non-executive Chairman of the Board, Geoff Charles Campbell, who is categorised as independent, has been on the Board since 2002, and fulfilled the role of Chairman since 2006.

James Turk has been a member of the Board since 2004 and Edmund Abel Jeneker since 2007. The Chairman does not serve on the Audit and Risk Committee. The Board is of the view that the extensive experience of each of these Directors far outweighs the potential downside of the length of their service.

The Board is comfortable that the current composition of the Board and the Board committees contributes to effective collaboration as well as a balanced distribution of power so that no individual has the ability to dominate decision making and no undue reliance is placed on any individual. Declarations of all interests and related parties are obtained prior to any Board meeting.

EXECUTION OF THE DUTIES OF THE BOARD

The Board fully appreciates that it's first and foremost accountable for the application of the corporate governance principles and practices at DRDGOLD. It also understands that its key functions are to set the strategic direction of the Group, to approve appropriate policies and plans to give effect to the approved strategy, to delegate implementation of the afore to management and adequately monitor management's performance and to ensure accountability through reporting and the principle of transparency.

ATTENDANCE BY DIRECTORS AT BOARD MEETINGS HELD DURING FY2018

Director	Designation	29 Aug 2017	25 Oct 2017	8 Feb 2018	3 May 2018
DJ Pretorius	Chief Executive Officer	✓	✓	✓	✓
AJ Davel	Chief Financial Officer	✓	✓	✓	✓
GC Campbell	Independent Non-executive Chairman	✓	✓	✓	✓
JA Holtzhausen	Independent Non-executive	✓	✓	✓	✓
EA Jeneker	Independent Non-executive	✓	✓	✓	✓
J Turk	Independent Non-executive	✓	✓	✓	✓
TVBN Mnyango	Independent Non-executive	✓	✓	✓	✓

✓ *Includes attendance through teleconference or video conference facilities*

CORPORATE GOVERNANCE *continued*

EXECUTION OF THE DUTIES OF THE BOARD

Key performance indicators	Action points
Compliance with applicable laws, adopted standards and codes of good practice	• Group legal counsel, headed by the Company Secretary, is appointed who monitors changes and developments, through attendance of seminars and conferences and subscriptions to law journals • Consider the recommendations of King IV and evaluate its application across the Group. Disclosure on the application thereof can be found on the company's website www.drdgold.com/about-us/governance • Discussions of the impact of new legislation at Board meetings • Use of a comprehensive compliance checklist • There were no material or repeated regulatory penalties, sanctions or fines for non compliance • No adverse compliance inspections by environmental regulators • New code of ethics approved during FY2018
Set key performance measures and targets for value creation, as well as execute the approved strategy	• Continually evaluates the general viability of the business and its status as a going concern • Reviewed the liquidity and solvency of the Company on a continuous basis • Executed the approved strategy • Approved the acquisition of assets from Sibanye-Sillwater in FY2018 • Approved the FY2019 budget
Appropriate appointment and delegation to management	• Formal delegation captioned in an authority framework that is reviewed on a regular basis • Appointment of CEO for the effective management and day to day running of the business • Appointment of a Company Secretary on a permanent basis, with a wealth of experience and qualification to provide support and guidance at all times to the Board
Stakeholder engagement and issues reports on the Company's activities and performance	• Performed with the assistance from the Audit and Risk Committee • Integrated and sustained stakeholder communication programme in place • Internal finance team led by the CFO who is evaluated by the Audit and Risk Committee • Integrity of reporting maintained with assistance from internal and external auditors • External service provider and Group legal counsel in place to assist with adherence to JSE listing rules and other legal requirements

CORPORATE GOVERNANCE *continued*

EXECUTION OF THE DUTIES OF THE BOARD *continued*

Key performance indicators	Action points
Governance and oversight of risk management	• Performed with assistance from the Audit and Risk Committee • Approved the integrated risk management strategy • Comprehensive risk management process in place • Risk tolerance and appetite levels set and reviewed • Internal audit assists management in evaluating the process for managing key operational, financial and compliance risk • Internal risk officer in place to monitor and review the Group risk register and submits a risk report at each Audit and Risk Committee meeting
Technology and information governance	• IT governance charter in place to set out policies, procedures and performance metrics which work together with the IT governance framework • IT governance framework in place to standardise business processes across the Group • Annual update received on IT risks, including business continuity, back ups and offsite storage and security of network and information. All risks presented were deemed to be within tolerance levels and not considered material
Governance of remuneration throughout the Company and ensure fair and responsible remuneration practices	• Performed with the assistance from the Remuneration and Nominations Committee • More information available in the remuneration report

CORPORATE GOVERNANCE *continued*

EVALUATION OF THE BOARD

Annually a Board performance evaluation process is conducted by an external party on the performance and effectiveness of the Board as a whole, the committees, the chairman and the Company Secretary. The evaluation is performed through interviews and questionnaires, which directors and management complete.

The 2018 review indicates that the Board is satisfied with the overall effectiveness and functioning of the procedures and processes in place to ensure that the company is compliant and very effective in dealing with its legal and regulatory responsibilities.

SOCIAL AND ETHICS COMMITTEE

The Board is satisfied with the quality of and on-going refinements to integrated reporting on sustainability and the environment.

AUDIT AND RISK COMMITTEE

The Risk Committee continues to function effectively with the Audit Committee. The Board remains satisfied that the combined committee provides independent guidance to the integrity of the Company's reporting.

REMUNERATION AND NOMINATIONS COMMITTEE

The combined Remuneration and Nominations Committee continues to be effective.

OUR COMPANY SECRETARY

The role of the Company Secretary is key to ensure that we comply with relevant laws, regulations and applicable codes of good practice and keep the Board informed and updated of their legal responsibilities. Her primary responsibilities include the following:

- Provide guidance to the directors about their duties, responsibilities and powers
- Ensuring all shareholder, Board and committee minutes of meetings are properly recorded in accordance with the Companies Act
- Reporting to the Board on any failure to comply with the Group's MOI
- Making directors aware of laws relevant or affecting the Group
- Drafting the Board Charter and terms of reference of the Board committees
- Drafting the Gender Diversity Policy of the Company
- Ensuring dispatch to shareholders of the annual financial statements in accordance with the law

In August 2018, the Group appointed an independent facilitator to evaluate the performance of the Board and Company Secretary during the remainder of the financial year. Questionnaires were completed and interviews were conducted with each director. The questionnaires included a section on the performance of the Company Secretary. The report states that the Company Secretary is effective in the performance of her duties. The Board is satisfied that Ms Masemene proved to be competent, qualified and experienced as the Company Secretary of DRDGOLD. The Board confirms that Ms Masemene is not a director of DRDGOLD and that there is an arm's length relationship between her and the Board, which is based only on professionalism.

CORPORATE GOVERNANCE *continued*

DETAILED COMMITTEE REPORTS

AUDIT AND RISK COMMITTEE

Chairman: JA Holtzhausen

Other members: EA Jeneker and J Turk

Purpose of the committee: To assist the Board in ensuring the integrity of financial and non-financial reporting and the internal control environment of the Company, monitor the risk management performance on behalf of the board and ensure that the Company implements its risk management framework

Roles and responsibilities:

- External auditors, audit process and financial reporting
- Internal audit
- Integrated reporting and assurance model
- Oversee the development and annual review of a policy and plan for risk management
- Ensure that risk management assessments are performed on a continuous basis
- Ensure that reporting on risk management assessment is complete, timely, accurate and accessible
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensure that continuous risk monitoring by management takes place

Key activities include:

- Meet each quarter with the external auditors, the Group's manager: Risk and Internal Audit, and the CFO
- Review 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.
- Reviews the annual and interim financial statements prior to their approval by the Board members
- Make recommendations to appoint, reappoint or remove the external auditor and the designated external audit partner, in terms of the JSE Listing Requirements as well as determining their remuneration and terms of engagement
- Pre-approve all audit and non-audit services provided by the external auditors

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 aim to review, evaluate and improve the effectiveness of risk management, internal controls and corporate governance processes.

KPMG Inc was reappointed by shareholders at the 2017 AGM to perform DRDGOLD's external audit function. 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 and Risk Committee and, where necessary, to the chairman of the Board and the CFO. 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. In terms of the JSE Listings Requirements, the Audit and Risk Committee is satisfied that appropriate financial reporting procedures are in place and are operating.

An important aspect of risk management is the transfer of risk to third parties to protect the Group 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. Most of these policies are held through insurance companies operating in the UK, 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 and resulted in substantial insurance cost savings for the Group.

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 each financial year, in conformity with IFRS and the Companies Act. The AFS includes amounts based on judgments and estimates made by management.

The directors are of the opinion that the Group financial statements fairly present the financial position as at 30 June 2018 and the financial performance and cash flows for the year then ended, and deal with all significant matters.

The directors have reviewed the Group's business plan and cash flow forecast for the year ending 30 June 2019. On the basis of this

CORPORATE GOVERNANCE *continued*

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 financial and capital resources 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. The Audit and Risk Committee is satisfied that KPMG and Mr Riegert Stoltz, the designated auditor, are independent of DRDGOLD, and the Group is satisfied with the quality of service.

Evaluation

For the year under review, the Audit and Risk Committee members were all satisfied with the overall functioning of the committee. The Board was also satisfied that the committee members, collectively, have the requisite academic qualifications and/or experience in, *inter alia*, economics, finance, accounting, law, corporate governance, commerce, industry and human resources management as required by Section 94(5) of the Companies Act read with Regulation 42 thereof.

In terms of the Companies Act and the JSE Listings Requirements, the Audit and Risk Committee considered and was satisfied about the adequacy of the expertise and experience of the CFO, Riaan Davel.

ATTENDANCE BY MEMBERS AT THE AUDIT AND RISK COMMITTEE MEETINGS HELD DURING FY2018

Director	29 Aug 2017	25 Oct 2017	8 Feb 2018	3 May 2018
EA Jeneker	✓	✓	✓	✓
J Turk	✓	✓	✓	✓
JA Holtzhausen	✓	✓	✓	✓

√ Includes attendances through teleconference or video conference facilities

REMUNERATION AND NOMINATIONS COMMITTEE

Chairman (Nominations): GC Campbell

Chairman (Remuneration): EA Jeneker

Other members: JA Holtzhausen and J Turk

Purpose of the Remunerations Committee: To assist the Board to ensure the Company remunerates directors and executives fairly and responsibly and the disclosure of directors and executive remuneration is accurate, complete and transparent.

Purpose of the Nominations Committee: To assist the Board to ensure that the Board has the appropriate composition to execute its duties effectively.

Roles and responsibilities of the Remunerations Committee:

- Determine and develop the Company's remuneration policy
- Determine the criteria necessary to measure the performance of executive directors
- Incentivise executive directors and senior management
- Oversee the general operation of the share option scheme or any other similar incentive schemes
- Apply the principles of good corporate governance and best practice in respect of remuneration matters

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.

Roles and responsibilities of the Nominations Committee:

- Ensure the establishment of a formal process for the appointment of directors
- Ensure that inexperienced directors are developed through a mentorship programme
- Ensure that directors receive regular briefings on changes in risks, laws and the appropriate contribution
- Drive an annual process to evaluate the Board, Board committees and individual directors
- Ensure that formal succession plans for the board, chief executive officer and senior management appointments are developed and implemented

Evaluation

For the year under review, the Remuneration and Nominations Committee members were all satisfied with the overall functioning of the committee.

CORPORATE GOVERNANCE *continued*

SOCIAL AND ETHICS COMMITTEE

Chairman: EA Jeneker

Other members: DJ Pretorius and TVBN Mnyango

Purpose of the committee: The committee is tasked with the day to day operational sustainability of the business, to ensure the Company conducts its business in an ethical, responsible and properly governed manner and to have oversight for reviewing and/or developing policies, governance structures and practices for sustainability.

Roles and responsibilities:

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

Key activities include:

- To monitor the Group's activities with regard to the 10 principles set out in the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act 55 of 1998 and the Broad Based Black Economic Empowerment Act 53 of 2003
- Records of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of the Group's activities and of its products or services
- Labour and employment
- Review and recommend the Group's Code of Ethics
- Review and recommend any corporate citizenship policies
- Review significant cases of employee conflicts of interests, misconduct or fraud, or any other unethical activity by employees of the Group

Evaluation

For the financial year under review, the Social and Ethics Committee members were all satisfied with the overall functioning of the committee.

ATTENDANCE BY MEMBERS AT SOCIAL AND ETHICS COMMITTEE MEETINGS HELD DURING FY2018

Director	24 Aug 2017	19 Oct 2017	8 Feb 2018	2 May 2018
EA Jeneker	✓	✓	✓	✓
DJ Pretorius	✓	✓	✓	✓
TVBN Mnyango	✓	✓	✓	✓

REMUNERATION REPORT

"The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term."

PRINCIPLE 14, KING IV

CHAIRMAN'S LETTER

It is with pleasure that I present the annual remuneration report for 2018 on behalf of the Remuneration Committee and the Board of directors.

This report focuses on two sections: Part A focuses on remuneration governance and policy and Part B focuses on remuneration of Executive Directors, prescribed officers, senior management, and fees paid to Non-executive Directors.

During the past year, the Remuneration Committee has continued to review the Remuneration Policy to ensure alignment with the principles of King IV and applied the principles where applicable. DRDGOLD is committed to ensuring full compliance as King IV is implemented, and acknowledges that King IV is in line with best practice and governance standards.

With regard to remuneration, we have focused on aligning remuneration with performance as a key principle of DRDGOLD's Remuneration Policy. Remuneration comprises short-term incentives and long-term incentives for executive management, prescribed officers and senior management, based on agreed performance indicators that in turn are aligned with the short- and long-term goals and strategies of the Group.

In this challenging corporate environment, the actions of executive management are crucial for the success of the Company and for the benefit of shareholders, but also all stakeholders. Specific successes in this regard, as mentioned in the report, relate to positive, free cashflow generation, stable operations resulting in increased gold production and lower costs per unit and also the successful acquisition of Far West Gold Recoveries, which is expected to increase the Mineral Reserves by approximately 82%.

In the 2017 financial year, our Remuneration Policy received more than 99% Advisory Vote from our shareholders. We recognise the challenges in regard to remuneration and acknowledge the feedback received from institutional shareholders and proxy advisors in the interests of good corporate governance and remuneration best practice.

Edmund Jeneker
Chairman: Remuneration Committee
24 October 2018

PART A – REMUNERATION GOVERNANCE AND POLICY

REMUNERATION GOVERNANCE

The Remuneration Committee consists of only Independent Non-executive Directors and oversees DRDGOLD's Remuneration Policy, its implementation and ensuring remuneration best practice within the Group. The CEO and CFO are standing invitees to the meetings. They have no vote at the meetings and are not present when their remuneration is discussed.

The Remuneration Committee held four meetings during the financial year ending 30 June 2018 with attendance as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Edmund Jeneker (Chairman)	4/4
Geoffrey Campbell	4/4
James Turk	4/4
Johan Holtzhausen	4/4

All the members are independent non-executive directors

REMUNERATION REPORT *continued*

REMUNERATION POLICY

OUR REMUNERATION POLICY IS ALIGNED WITH STRATEGY

DRDGOLD is committed to remunerating fairly, responsibly and transparently in order to promote the achievement of strategic objectives and positive outcomes, resulting in rewards aligned with the attraction and retention of human capital, and aligned with shareholder interests.

While remuneration differentiation is based on objective and fair compensable factors, DRDGOLD pays equally for work of equal value. Remuneration is therefore fairly and equitably distributed within occupational levels. We will continue to ensure that competitive reward strategies are in place to facilitate the recruitment and retention of high-performing staff at all levels in support of good corporate governance and to safeguard stakeholders' interests. Each element of our remuneration structure is aligned with stakeholder value and appropriately linked to achieving our business strategy and goals.

CURRENT YEAR DEVELOPMENTS

The following are developments which occurred during the year affecting remuneration going forward:

- On 9 April 2018, Ergo signed a one-year wage extension settlement on the current agreement with the National Union of Mineworkers (NUM) and UASA for a wage increase, averaging 8.2%, effective from 1 July 2018 to 30 June 2019
- 10% per annum for categories 4 to 5
- 9% per annum for categories 6 to 9
- 7% per annum for categories 10 to 16

The Remuneration Committee approved an annual increase for all prescribed officers and senior management of 6%.

NON-EXECUTIVE REMUNERATION

DRDGOLD focuses on rewarding Non-executive Directors fairly for their contribution to the performance of the Group. Non-executive Directors' fees are benchmarked annually against mining South African and non-South African industry Non-executive Director fees to ensure that they remain competitive.

Non-executive Directors are paid fixed retainers made up of a base fee and committee fee.

In addition, Non-executive Directors are reimbursed for travel expenses on official business where necessary, as well as other direct business-related expenses. They do not participate in the short- or the long-term incentive schemes as participation could be seen to compromise their independence and the impartiality of their oversight role.

KEY ELEMENTS OF THE REMUNERATION POLICY

There are three main elements that make up DRDGOLD's reward approach, as follows:

REWARD ELEMENT 1

GUARANTEED PAY – REMUNERATION STRATEGY

The guaranteed package is determined by the need to attract and retain the skills and competencies required in the organisation. Job grades, reflecting the level of responsibility and conceptual complexity of job roles, are established through the application of the Paterson methodology, which is used throughout the South African mining sector. In applying the above, benchmarking is measured annually by 21st Century to compare the fairness and market competitiveness of guaranteed packages at the different job levels.

During FY2019, we also enlisted PricewaterhouseCoopers (PwC) to perform a benchmarking exercise on the remuneration of category 19 and above employees as well as the current short-term and long-term incentive schemes. Benchmarking is based

REMUNERATION STRUCTURE

Level	Total guaranteed package and benefits	Short-term incentive	Long-term incentive
Non-executive Directors	Board retainer and committee fees	Not applicable	Not applicable
Executive management (CEO and CFO)	Guaranteed cost to Group	Performance bonus	Cash-settled phantom share plan
Senior management	Guaranteed cost to Group	Performance bonus	Cash-settled phantom share plan
Middle and junior management	Guaranteed basic salary and Group contributions to pension and medical aid	Profit share bonus	Not applicable
Unionised and non-unionised employees	Guaranteed basic salary and Group contributions to pension and medical aid	Profit share bonus	Not applicable

REMUNERATION REPORT *continued*

on South African national and industry companies. We believe these organisations are our competitors for sought-after skills, and therefore deemed to be a reasonable, relevant and defensible selection from which key skills could be gained or to whom key skills could be lost.

Within a range applicable to the job level, individual remuneration is decided with reference to compensable factors, which are neither arbitrary nor discriminatory in terms of the Employment Equity Regulations and the Employment Equity Act.

REWARD ELEMENT 2

SHORT-TERM INCENTIVE REMUNERATION STRATEGY

The CEO and CFO participate in an annual short-term incentive scheme. Payments and awards in terms of this scheme are premised on two distinct components: the Group's ability to pay awards, considering its financial and operating performance, and the performance of the CEO and CFO, based on their individual key performance indicators (KPIs). KPIs are designed to reward performance in terms of short-term goals, most notably net free cash flow, production, costs, share price performance, internal controls over financial reporting, and safety and in terms of longer-term integrated sustainability goals, most notably resource optimisation, growth and strategic development, sustainability, environmental practice and social value. In terms of performance standards relating to, *inter alia*, safety and compliance, the incentive award is treated as a negative incentive, in the event of breaches or transgressions (in other words, it will cause the award, if any, to reduce).

In view of the fact that we pursue integrated or overlapping value creation, the Remuneration Committee does not allocate specific or fixed percentages to individual key performance areas or KPIs, electing instead to consider performance as a whole, determine which KPIs were met and which were not, and then determine an award which, in its view, is fair to both the Group and the individual.

In applying the above, the performance of the CEO and CFO was measured as follows:

SHORT-TERM GOALS

		Measure	
Key performance indicator	**Description**	**FY2018**	**FY2017**
Net free cash flow	Free cash inflow of R93.4 million compared to free cash outflow of R45.1 million in FY2017	✓	✗
Production	10% increase in gold produced compared to a 4% decline in gold produced in FY2017	✓	✗
Costs	Both cash operating costs and all-in sustaining costs per kilogram improved from FY2017	✓	✓
Share price	Outperformed the index of gold stocks	✓	✗
Internal controls over financial reporting	No material non-compliance	✓	✓
Safety	No trends giving rise to negative incentive	✓	✓

LONG-TERM GOALS

		Measure	
Key performance indicator	**Description**	**FY2018**	**FY2017**
Resource optimisation	Expected increase in Mineral Reserves by approximately 82% resulting from acquisition of Far West Gold Recoveries	✓	✓
Growth and strategic development	• Three projects completed at Ergo with cost savings and efficiencies estimated going forward • Acquisition of Far West Gold Recoveries from Sibanye-Stillwater completed	✓	✓
Sustainability	• Reduction in externally sourced potable water of 38% • 191ha rehabilitated land lodged for clearance for redevelopment	✓	✓
Environmental practice	Dust emissions stable at 0.58% of all samples taken through continuous vegetation and dust suppression	✓	✓
Social value	• Poverty alleviation: urban farms established for 877 families • Youth education: almost 891 learners at eight schools participating in mathematics, science and accountancy programmes	✓	✓

✓ **Achieved** ✗ **Not achieved**

REMUNERATION REPORT *continued*

Short-term incentives awarded to the CEO and CFO are capped at 100% of their guaranteed pay for on-target performance.

For the year ended 30 June 2018, the annual short-term incentive payment, as a percentage of guaranteed pay in respect of FY2018, was as follows:

- CEO: 80% (FY2017: 0%)
- CFO: 80% (FY2017: 0%)

SHORT-TERM INCENTIVE FOR SENIOR MANAGEMENT – REMUNERATION STRATEGY

The short-term incentive for all employees in jobs graded 19 (Paterson DU) and above is funded by corporate performance against measures and modifiers in the business strategy. It is decided annually in advance and paid *pro-rata* to target short-term incentive measures and individual achievement against agreed goals (the performance rating in terms of the performance management system).

A pool-based incentive scheme, based on modified free cash flow, has been adopted because it drives a strong teamwork culture with all participants working primarily towards a single goal, maximising free cash flow which is an easy measure to understand, influence and maximise. Consistently increasing free cash flow should translate into an increasing share price, thereby aligning participant and shareholder interests.

To drive strategic initiatives, the short-term incentive pool is modified by up to 20% for isolated non-achievements of targets and up to 50% for systemic or repetitive non-compliance. The modifiers are approved in advance by the Remuneration Committee. These strategic initiatives and their measures are assessed and approved by Exco at the beginning of each financial year to ensure that current strategies are driven in that year. These strategic modifiers and their weightings are communicated to participants at the beginning of each financial year to ensure understanding and compliance.

The Group performance measures for all senior employees were set out by the Remuneration Committee and the weightings for FY2018 are as follows:

- Environmental: 4%
- Safety: 4%
- Social development: 4%
- Labour development: 4%
- Transformation: 4%

A further modifier to the short-term incentive scheme for senior employees will reduce the cash pool by up to an additional 15% if certain production targets are not met. This provides flexibility between 96% and 100% of production budgets as indicated below:

- 0%–95.99%: 15%
- 96%–96.99%: 12%
- 97%–97.99%: 9%
- 98%–98.99%: 6%
- 99%–99.99%: 0%

In addition, senior managers individual key performance ratings should meet the following criteria in order for the short-term incentive payment to be made:

- A: Rating 3 or more – 100% of the *pro-rata* pool allocation will be paid
- B: Rating 2 < 2.99 – only 25% of the *pro-rata* pool allocation will be paid
- C: Rating less than 2 – no allocation will be paid
- Short-term incentives for senior management are capped at 100% of their total guaranteed package

Governance and administration

- The Remuneration Committee has the authority to amend, in part or in its entirety, or withdraw the incentive scheme, at any time and will review the incentive scheme each year to ensure that the correct strategies of DRDGOLD are being driven by the incentive scheme
- Short-term incentive payments are made after DRDGOLD's provisional results have been signed off by the external auditors

REWARD ELEMENT 3

LONG-TERM INCENTIVE FOR KEY EXECUTIVES AND SENIOR MANAGEMENT REMUNERATION STRATEGY

Long-term incentives are designed to retain key staff and allow for an opportunity to earn rewards determined with reference to the share price performance of the Group through so-called "phantom" shares. It is indirectly the shareholders' reward of key executives and senior management staff through the value the market places on the DRDGOLD shares.

On 4 November 2015, the 2012 share-option scheme was substituted by a simplified phantom share scheme aimed primarily at retaining key executives and senior members of management. Provided that, over the period during which the benefits in terms of this scheme vest, participants are substantially in compliance with their key duties, a retention benefit calculated with reference to the share price performance of DRDGOLD will become payable to the participating members on certain fixed dates.

REMUNERATION REPORT *continued*

In line with King IV recommendations, vesting of the phantom shares is measured over the three, four and five-year vesting periods subject to individual performance and service conditions. The scheme has a finite term of five years hence no top-up awards are made when the shares vest. In order for individuals to receive a settlement payment of vested phantom shares, they are required to be in active service and not under notice of resignation at the settlement payment date in order to receive such settlement payments.

The service conditions are as follows:

- **Dismissal and resignation** – all shares forfeited
- **Retrenchment and retirement** – Board has discretion to allow vesting and payment of shares that would vest in the 12 months following the last day of service
- **Death** – Board has discretion to allow vesting and payment to the estate for shares that would vest in the 12 months following the date of death

Executive management

In terms of the revised phantom share scheme, the CEO and CFO will receive the following long-term retention awards (as shown in the following table), being the equivalent value of DRDGOLD shares, as at the vesting date, each year:

	November 2018 Number	November 2019 Number	November 2020 Number
CEO	464 602	696 903	1 161 504
CFO	261 007	391 510	652 516

Senior management

An allocation of 16 899 966 phantom shares were made to senior management on 4 November 2015. The allocation of shares is as per the rules of the revised phantom share scheme, which are the same as the rules for the CFO and CEO as mentioned above.

The Remuneration Committee has the authority to amend, in part or in its entirety, or withdraw the long-term incentive scheme at any time.

The Remuneration Committee reviews the incentive scheme each year in order to ensure that the strategies of DRDGOLD are being driven by the incentive scheme.

EXECUTIVE EMPLOYMENT CONTRACTS

Executive Directors have minimum term employment contracts with DRDGOLD. Following expiry, such minimum period service agreements may be terminated upon notice of up to three months, provided that such termination is otherwise substantively and procedurally fair.

Other than accumulated retrenchment entitlements, there are no lump sum payments on termination, loss of office awards, automatic entitlement to short- and long-term incentives other than in terms of the Group's approved share incentive plans.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The current fees payable to Non-executive Directors, which were approved by the shareholders at the AGM on 30 November 2017, are as follows:

Non-executive Director's role	Annual retainer Rand fee
Chairperson of the Board*	1 388 518
Lead independent director*	640 261
Board member*	617 119
Audit and Risk Committee chairperson#	30 856
Audit and Risk Committee member	30 856
Remuneration and Nominations chairperson#	23 142
Remuneration and Nominations member	23 142
Social and Ethics chairperson#	23 142
Social and Ethics member	23 142

** The chairman of the Board, lead independent director and other non-executive directors receive committee fees*

 # The chairperson of the sub-committees receive fees as both chairman and member

NON-BINDING ADVISORY VOTES ON THE REMUNERATION POLICY

In line with King IV, the remuneration policy and implementation are tabled for separate non-binding advisory votes by the shareholders at the DRDGOLD AGM.

DRDGOLD welcomes feedback from shareholders and, in the event that less than 75% support for the remuneration policy is achieved at the AGM, we welcome the opportunity to discuss with shareholders who are invited to send their reasons in writing. DRDGOLD will then arrange further engagement with them in this regard.

Fees for Non-executive Directors are considered annually and there were no increases between FY2015 and FY2017. On 30 November 2017, a 6% increase effective from 1 December 2017 was approved at the AGM. No fee increases are proposed for FY2019.

***Ad-hoc* work rates**	Rand fees
Daily fee	23 142
Hourly rate	3 086
Half-day fee for participating by telephone in special board meetings	11 571

REMUNERATION REPORT *continued*

PART B: IMPLEMENTATION REPORT OF REMUNERATION POLICY FOR FY2018

TOTAL GUARANTEED PAY OUTCOMES

Executive Directors	Movement %	2018 R'000	2017 R'000
CEO	6.5	6 104	5 731
CFO	6.5	3 429	3 220

Average salary increases	2018 %	2017 %
Prescribed officers (July each year)	6	6
Senior management (January each year)	6	6
Middle and junior management (July each year)	8.2	8.2
Unionised and non-unionised (July each year)	8.2	8.2
Consumer Price Index	4.6	5.1

TOTAL REMUNERATION

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Amounts R'000	2018			
Directors/prescribed officers	Total remuneration paid during the year[1]	Short-term incentives related to this cycle	Long-term incentives paid in this cycle	Total remuneration related to this cycle
EXECUTIVE DIRECTORS				
DJ Pretorius	6 104	4 697	–	10 801
AJ Davel	3 429	2 639	250	6 318
	9 533	7 336	250	17 119
NON-EXECUTIVE DIRECTORS				
GC Campbell	1 446	–	–	1 446
J Turk	655	–	–	655
EA Jeneker	805	–	–	805
J Holtzhausen	718	–	–	718
TVBN Mnyango	651	–	–	651
	4 275	–	–	4 275
PRESCRIBED OFFICERS				
WJ Schoeman	3 308	2 013	250	5 571
R Masemene	2 402	808	124	3 334
	5 710	2 821	374	8 905
Total	19 518	10 157	624	30 299

[1] Total remuneration paid during the year includes encashed leave

REMUNERATION REPORT *continued*

Amounts R'000	2017			
Directors/prescribed officers	Total remuneration paid during the year[1,2]	Short-term incentives related to this cycle[2]	Long-term incentives paid in this cycle	Total remuneration related to this cycle
EXECUTIVE DIRECTORS				
DJ Pretorius	5 731	–	–	5 731
AJ Davel	3 220	–	560	3 780
	8 951	**–**	**560**	**9 511**
NON-EXECUTIVE DIRECTORS				
GC Campbell	1 536	–	–	1 536
J Turk	655	–	–	655
EA Jeneker	767	–	–	767
J Holtzhausen	684	–	–	684
TVBN Mnyango	361	–	–	361
	4 003	**–**	**–**	**4 003**
PRESCRIBED OFFICERS				
CM Symons[3,4]	232	–	559	791
WJ Schoeman	3 050	–	921	3 971
R Masemene	2 371	–	426	2 797
	5 653	**–**	**1 906**	**7 559**
Total	**18 607**	**–**	**2 466**	**21 073**

[1] *Total remuneration paid during the year includes encashed leave*

[2] *No short-term incentives accrued relating to the 2017 cycle*

[3] *Service period concluded on 31 July 2016*

[4] *Includes pension scheme contributions of Rnil (FY2017: R28 263)*

REMUNERATION REPORT *continued*

DRDGOLD PHANTOM SHARE SCHEME

	2018						
Directors/prescribed officers	Opening balance Number	Granted Number	Vested Number	Proceeds R	Average exercise price R/share	Forfeited/lapsed Number	Closing balance Number
EXECUTIVE DIRECTORS							
DJ Pretorius	2 323 009	–	–	–	–	–	2 323 009
AJ Davel	1 390 536	–	(85 503)	250 077	2.92	–	1 305 033
	3 713 545	**–**	**(85 503)**	**250 077**		**–**	**3 628 042**
PRESCRIBED OFFICERS							
WJ Schoeman	1 407 636	–	(102 603)	125 039	1.22	–	1 305 033
R Masemene	838 688	–	(42 228)	123 508	2.92	–	796 460
	2 246 324	**–**	**(144 831)**	**248 547**		**–**	**2 101 493**
Total	**5 959 869**	**–**	**(230 334)**	**498 624**		**–**	**5 729 535**

DIRECTORS' SERVICE CONTRACTS

Service contracts have been concluded with executive directors as well as the Non-executive Directors. Contracts with the Executive Directors are minimum-term contracts (the Group undertakes not to terminate service before a fixed date, after which it continues indefinitely), whereas agreements with Non-executive Directors are fixed-term contracts (they expire unless expressly renewed).

Details of the service contracts are set out in the following table.

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

Director	Title	Year first appointed	Unexpired term of service contract as at 30 June 2018
DJ Pretorius	Chief Executive Officer	2008	12 months
AJ Davel	Chief Financial Officer	2015	12 months
GC Campbell	Non-executive Chairman	2002	16 months
J Turk	Non-executive Director	2004	4 months
EA Jeneker	Non-executive Director	2007	16 months
TVBN Mnyango	Non-executive Director	2016	5 months
J Holtzhausen	Non-executive Director	2014	22 months

SECTION 6

AT DRDGOLD, WE BELIEVE THAT INTEGRITY AND GOOD CONDUCT ARE THE FOUNDATION OF OUR BUSINESS, AND WE ARE FULLY COMMITTED TO CONDUCTING BUSINESS ETHICALLY AND LEGALLY.

OTHER REPORTING AND ADMINSTRATION DETAILS

GRI CONTENT INDEX

The G4 guidelines of the Global Reporting Initiative (GRI) have been adopted as the basis for this report. DRDGOLD has reported in accordance with the "core" option. Management acknowledges the newly effective GRI Standards and will make a transition thereto in the compilation of our FY2019 report. KPMG has provided limited assurance (LA) on selected information – see the Independent Assurance Statement on pages 104-106.

GENERAL STANDARD DISCLOSURES		PAGE
STRATEGY AND ANALYSIS		
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	CHAIRMAN'S LETTER	4
	CEO'S STRATEGIC REVIEW	5
ORGANISATIONAL PROFILE		
G4-3: Report the name of the organisation	ABOUT THIS REPORT	3
G4-4: Report the primary brands, products and services	WHO WE ARE	7
	WHAT WE DO	8
	INTRODUCING FAR WEST GOLD RECOVERIES	12
G4-5: Report the location of the organisation's headquarters	ADMINISTRATION AND CONTACT DETAILS	110
G4-6: Report the number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	WHO WE ARE	7
	WHERE WE OPERATE	10
	LOOKING WEST	11
G4-7: Report the nature of ownership and legal form	WHO WE ARE	7
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	OUR OPERATING ENVIRONMENT	21
	MANUFACTURED CAPITAL	46

GENERAL STANDARD DISCLOSURES		PAGE
ORGANISATIONAL PROFILE continued		
G4-9: Report the scale of the organisation, including:	WHO WE ARE	7
	WHAT SETS US APART: OUR MINING RESULTS IN REHABILITATION	9
• Total number of employees	LOOKING WEST	11
• Total number of operations	INTRODUCING FAR WEST GOLD RECOVERIES	12
• Net sales (for private-sector organisations) or net revenues (for public-sector organisations)	OUR BUSINESS MODEL	16
• Total capitalisation broken down in terms of debt and equity (for private-sector organisations)	HUMAN CAPITAL	47
	FINANCIAL CAPITAL	39-43
	MANUFACTURED CAPITAL	44-46
• Quantity of products or services provided	THREE-YEAR REVIEW	70

GRI CONTENT INDEX *continued*

GENERAL STANDARD DISCLOSURES		PAGE
ORGANISATIONAL PROFILE continued		
G4-10: Report the composition of the workforce, including: • Total number of employees by employment contract and gender • Total number of permanent employees by employment type and gender • Total workforce by employees and supervised workers, and by gender • Total workforce by region and gender • Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed or by individuals other than employees or supervised workers, including employees and supervised employees of contractors • Any significant variations in employment numbers	HUMAN CAPITAL	47-52
G4-11: Report the percentage of total employees covered by collective bargaining agreements	HUMAN CAPITAL	49
G4-12: Describe the organisation's supply chain	OUR BUSINESS MODEL	14-20
	OUR OPERATING ENVIRONMENT	21-22
	CREATING VALUE FOR STAKEHOLDERS	24
	FINANCIAL CAPITAL	39
	SOCIAL AND RELATIONSHIP CAPITAL	53-56
	WHAT SETS US APART: OUR INVESTMENT CASE	72

GENERAL STANDARD DISCLOSURES		PAGE
ORGANISATIONAL PROFILE continued		
G4-13: Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings and expansions • Changes in the share capital structure and other capital formation, maintenance and alteration operations (for private-sector organisations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	CEO'S STRATEGIC REVIEW	5
	WHO WE ARE	7
	WHERE WE OPERATE	10
	AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES	25 and 28-29
	INTRODUCING FAR WEST GOLD RECOVERIES	12
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	CEO'S STRATEGIC REVIEW	5
	AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES	29
	NATURAL CAPITAL	57
G4-15: List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	ABOUT THIS REPORT	3
	CEO'S STRATEGIC REVIEW	5
	WHO WE ARE	7
	OUR OPERATING ENVIRONMENT	22
	AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES	28-29
	HUMAN CAPITAL	48-50
	SOCIAL AND RELATIONSHIP CAPITAL	53
	MINERAL RESERVES AND MINERAL RESOURCES	65
	CORPORATE GOVERNANCE	81
	REMUNERATION REPORT	87-89

GRI CONTENT INDEX *continued*

GENERAL STANDARD DISCLOSURES		PAGE
ORGANISATIONAL PROFILE continued		
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	CEO'S STRATEGIC REVIEW	5
	OUR OPERATING ENVIRONMENT	22
	AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES	28
	HUMAN CAPITAL	49-50
G4-17: a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	ABOUT THIS REPORT	3
	WHO WE ARE	7
	ANNUAL FINANCIAL STATEMENTS 2018	www.drdgold.com/investors-and-media/annual-reports/2018
G4-18: a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organisation has implemented the reporting principles for defining report content	ABOUT THIS REPORT	3
G4-19: List all the material aspects identified in the process for defining report content	ABOUT THIS REPORT	3
	OUR BUSINESS MODEL	15-20
	CREATING VALUE FOR STAKEHOLDERS	23-24
	OUR STRATEGY	31

GENERAL STANDARD DISCLOSURES		PAGE
ORGANISATIONAL PROFILE continued		

G4-20: For each material aspect, report the aspect boundary within the organisation, as follows:
• Whether the aspect is material within the organisation
• If the aspect is not material for all entities within the organisation (as described in **G4-17**), select one of the following two approaches and report either:
  • The list of entities or groups of entities included in **G4-17** for which the aspect is not material
  • The list of entities or groups of entities included in **G4-17** for which the aspect is material
• Any specific limitation regarding the aspect boundary within the organisation
	ABOUT THIS REPORT	3

	OUR BUSINESS MODEL	16-20
	AN ANALYSIS OF OUR RISKS AND OPPORTUNITIES	25-30
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows: • Whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material, and describe the geographical location where the aspect is material for the entities identified • Any specific limitation regarding the aspect boundary outside the organisation	ABOUT THIS REPORT	3
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G4-22: Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	NATURAL CAPITAL	61
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G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	ABOUT THIS REPORT	3
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G4-24: Provide a list of stakeholder groups engaged by the organisation	CREATING VALUE FOR STAKEHOLDERS	23-24
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	OUR BUSINESS MODEL	14
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G4-26: Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagements was undertaken specifically as part of the report preparation process	CREATING VALUE FOR STAKEHOLDERS	23-24
G4-27: Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting, and report the stakeholder groups that raised each of the key topics and concerns	OUR OPERATING ENVIRONMENT	21-22
	HUMAN CAPITAL	49
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G4-28: Reporting period (such as fiscal or calendar year) for information provided	ABOUT THIS REPORT	3
G4-29: Date of the most recent previous report	ABOUT THIS REPORT	3
G4-30: Reporting cycle (such as annual or biennial)	ABOUT THIS REPORT	3
G4-31: Provide the contact point for questions regarding the report or its contents	ABOUT THIS REPORT	3

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G4-32: a. Report the "in accordance" option the organisation has chosen b. Report the GRI content index for the chosen option c. Report the reference to the external assurance report	ABOUT THIS REPORT	3
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G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	DIRECTORS AND MANAGEMENT	74-75
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G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	HUMAN CAPITAL	47 and 49
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INDEPENDENT ASSURANCE STATEMENT

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT ON SELECTED SUSTAINABILITY KEY PERFORMANCE INDICATORS

TO THE DIRECTORS OF DRDGOLD LIMITED

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described below, and presented in the 2018 Integrated Annual Report of DRDGOLD Limited (DRDGOLD) for the year ended 30 June 2018 (the Report). This engagement was conducted by a multidisciplinary team including social, environmental, carbon and assurance specialists with relevant experience in sustainability reporting.

Subject Matter

We have been engaged to provide a limited assurance conclusion in our report on the selected KPIs set out in Table 1 below and marked with a 'LA' on the relevant pages in the Report. The selected sustainability KPIs described below have been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines, supported by DRDGOLD's internally developed guidelines (collectively referred to as DRDGOLD's reporting criteria).

TABLE 1: SCOPE OF THE KPIs PREPARED FOR THE 2018 REPORTING PERIOD

Category	Selected sustainability KPIs	Coverage/reporting boundary
Natural capital	Total water used Portable water sourced externally Electricity consumption Diesel consumption Natural gas consumption Scope 1 CO_2e emissions Scope 2 CO_2e emissions Total CO_2e emissions Total dust exceedances Cyanide consumption	Ergo Mining Proprietary Limited (Ergo), the reclamation operation owned and managed by DRDGOLD
Human capital	Fatalities Lost Time Injury Frequency Rate (LTIFR) Reportable Injury Frequency Rate (RIFR)	
Social capital	Rand value spent on socio-economic development projects (Total socio-economic development spend)	
Financial capital	Total economic value distributed and Value distributed to employees – salaries, wages and other benefits	DRDGOLD Limited Annual Financial Statements

We have been engaged to provide a limited assurance conclusion in our report on the selected KPI data, prepared for the 2016 and 2017 reporting periods, as set out in Table 2 below and marked with a 'LA' within the Report. The selected sustainability KPIs described below has been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines, supported by DRDGOLD's internally developed guidelines (collectively referred to as DRDGOLD's reporting criteria).

TABLE 2: SCOPE OF ADDITIONAL KPI DATA, PREPARED FOR THE 2016 AND 2017 REPORTING PERIOD, TO BE DISCLOSED IN THE REPORT

Category	Selected sustainability KPIs	Coverage/reporting boundary
Natural capital	Natural gas consumption	Ergo Mining Proprietary Limited (Ergo), the reclamation operation owned and managed by DRDGOLD

INDEPENDENT ASSURANCE STATEMENT *continued*

We have been engaged to provide a limited assurance conclusion in our report on the selected KPI data, restated for the 2016 and 2017 reporting periods, as set out in Table 3 below and marked with a 'LA*' within the Report. The selected sustainability KPIs described below has been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines, supported by DRDGOLD's internally developed guidelines (collectively referred to as "DRDGOLD's reporting criteria").

TABLE 3: SCOPE OF RESTATED KPI DATA, PREPARED FOR THE 2016 AND 2017 REPORTING PERIODS

Category	Selected sustainability KPIs	Coverage/reporting boundary
Natural capital	Scope 1 CO_2e emissions Total CO_2e emissions	Ergo Mining Proprietary Limited (Ergo), the reclamation operation owned and managed by DRDGOLD

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the selected sustainability KPIs in accordance with DRDGOLD's reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability KPIs and for ensuring that those criteria are publicly available to the Report users.

INHERENT LIMITATIONS

Greenhouse gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services Proprietary Limited applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected sustainability KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of DRDGOLD's use of its reporting criteria as the basis of preparation for the selected sustainability KPIs, assessing the risks of material misstatement of the selected sustainability KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability KPIs.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response

INDEPENDENT ASSURANCE STATEMENT *continued*

to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process
- Inspected documentation to corroborate the statements of management in our interviews
- Conducted interviews with relevant key personnel and data owners to understand data collection and report preparation processes, as well as the associated key controls
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected sustainability KPIs
- Undertook site visits to Ergo, which was the central site, to complete the abovementioned procedures
- Evaluated whether the selected sustainability KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at DRDGOLD

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether DRDGOLD's selected sustainability KPIs have been prepared, in all material respects, in accordance with DRDGOLD's reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and evidence we have obtained and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability KPIs, as set out in Tables 1, 2 and 3, included in the Subject Matter section above are not prepared, in all material respects, in accordance with DRDGOLD's reporting criteria.

EMPHASIS OF MATTER

We draw attention to footnote 2, disclosed on page 70 of the Report, which indicates that the Scope 1 CO_2e emissions and Total CO_2e emissions KPI data, as set out in Table 3, for 2016 and 2017 have been restated. As explained in the footnote, during the 2018 financial year, management performed a review of DRDGOLDS's energy sources, which identified natural gas as an energy source used in the production process. This energy source was previously not disclosed. Consequently, DRDGOLD have now reported on natural gas consumption at 30 June 2018 and for the comparative periods, 30 June 2017 and 30 June 2016. Our limited assurance conclusion is not modified in respect of the matter emphasised.

OTHER MATTER

The maintenance and integrity of the DRDGOLD website is the responsibility of DRDGOLD's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of presentation on the DRDGOLD Website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability KPIs to the Directors of DRDGOLD in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than DRDGOLD, for our work, for this report, or for the conclusion we have reached.

KPMG Services Proprietary Limited
Per PD Naidoo
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

GLOSSARY OF TERMS AND ABBREVIATIONS

Term/abbreviation	Description
All-in sustaining costs margin	All-in sustaining costs margin is calculated as the difference between revenue and all-in sustaining costs, expressed as a percentage of revenue
All-in sustaining costs per kilogram	All-in sustaining costs are a measure on which guidance is provided by the World Gold Council and include cash operating costs of production, plus movement in gold in process on a sales basis, corporate administration expenses and other (costs)/income, the accretion of rehabilitation costs and sustaining capital expenditure. Costs other than those listed above are excluded. All-in sustaining costs per kilogram are calculated by dividing total all-in sustaining costs by kilograms of gold produced
AFS	Annual Financial Statements
AGM	Annual general meeting
AISC	All-in sustaining costs
AMCU	Association of mineworkers and construction union, a labour union
AMD	Acid mine drainage
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
Cash operating costs per kilogram	Cash operating costs are operating costs incurred directly in the production of gold and include labour costs, contractor and other related costs, inventory costs and electricity costs. Cash operating costs per kilogram are calculated by dividing cash operating costs by kilograms of gold produced
CEO/CFO	Chief Executive Officer/Chief Financial Officer
CIL	Carbon in leach: a process for extracting gold from slurry material
CIP	Carbon in pulp: a process for extracting gold from slurry material
CO_2e	Carbon dioxide equivalent emissions
Competent Person	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

Term/abbreviation	Description
Cut-off grade	The minimum in-situ grade of ore blocks for which the cash operating costs per ounce, excluding overhead costs, are equal to a projected gold price per ounce
CPP	Central processing plant
CSI	Corporate social investment
$/oz	US dollar per ounce
db(A)	Decibel
Depletion	The decrease in the quantity of ore in a deposit or property resulting from extraction or production
Deposition	Deposition is the geological process by which material is added to a landform or land mass. Fluids such as water and wind, as well as sediment flowing via gravity, transport previously eroded sediment, which, at the loss of enough kinetic energy in the fluid, is deposited, building up layers of sediment. Deposition occurs when the forces responsible for sediment transportation are no longer sufficient to overcome the forces of particle weight and friction, creating a resistance to motion
DMR	Department of Mineral Resources
Doré	Unrefined gold and silver bullion bars consisting of approximately 90% precious metals which will be further refined to almost pure metal
DRDGOLD	DRDGOLD Limited
Dust exceedances %	Calculated percentage of total number of exceedances over number of total sites monitored
DWS	Department of Water and Sanitation
EBDA	Ergo Business Development Academy NPC
EMP	Environmental management plan
ERGO	Ergo Mining Proprietary Limited, an operating company owned by DRDGOLD, which includes the Crown, City Deep, Knights and Brakpan sites from 3 July 2012
ERPM	East Rand Proprietary Mines Limited, wholly-owned by DRDGOLD
FFG	Flotation and fine-grind
FPR	Financial Provisioning Regulations

GLOSSARY OF TERMS AND ABBREVIATIONS *continued*

Term/abbreviation	Description
GHG	Greenhouse gas emissions
Grade	The amount of gold contained within auriferous material generally expressed in ounces per tonne or grams per tonne of ore
GRI	Global Reporting Initiative
g/t	Grams per tonne
HDP	Historically disadvantaged person
HDSA	Historically disadvantaged South African
HR	Human resources
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IWUL	Integrated water use licence
JSE	Johannesburg Stock Exchange Limited
King IV	King Report on Governance for South Africa 2016
KPI	Key performance indicator
KPMG	KPMG Inc., auditors for DRDGOLD and KPMG Services (Proprietary) Limited, sustainability assurance providers for DRDGOLD
LA	Limited assurance
LED	Local economic development
LoM	Life of Mine. Number of years that the operation is planning to mine and treat ore, taken from the current mine plan
LTIFR	Lost time injury frequency rate
Metallurgical Plant	Processing plant used to treat ore and extract the contained metals

Term/abbreviation	Description
Mineral Reserve	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
Mineral Resource	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
Mining Charter	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
MOI	Memorandum of Incorporation
Moz	Million ounces
Mt	Million tonnes
MPRDA	Mining and Petroleum Resources Development Act 28 of 2002
NEMA	National Environmental Management Act

GLOSSARY OF TERMS AND ABBREVIATIONS *continued*

Term/abbreviation	Description
NIHL	Noise-induced hearing loss
NNR	National Nuclear Regulator
NOM	Notice of meeting
NUM	National Union of Mineworkers, a labour union
NYSE	New York Stock Exchange
Operating margin	Calculated by dividing Operating Profit by revenue and expressed as a percentage of revenue
oz/t	Ounces per ton
Ounce/oz	One troy ounce which equals 32.1507 grams
Pay-limit	The minimum *in-situ* grade of ore blocks or sites for which cash operating costs, including all overhead costs, are equal to a projected gold price per ounce
Rand Refinery	Rand Refinery Proprietary Limited
RDP	Reconstruction and Development Programme
Refining	The final purification process of a metal or mineral
Rehabilitation	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
RIFR	Reportable injury frequency rate
PwC	PricewaterhouseCoopers
PFS	Pre-feasibility study
RTSF	The Regional Tailings Storage Facility and Return Water Dam which forms part of Phase 2 of Far West Gold Recoveries project

Term/abbreviation	Description
Samrec Code	The South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, including the guidelines contained therein
SEC	United States Securities and Exchange Commission
SENS	JSE's Stock Exchange News Service
Slimes	The tailings discharged from a processing plant after the valuable minerals have been recovered
SLP	Social and Labour Plan
Sibanye Gold Limited	Sibanye-Stillwater
t'000	Tonnes in thousands
Tailings	Finely ground rock from which valuable minerals have been extracted, may still include mineral particles
Tailings dam	Dams or dumps created from residue after the economically recoverable metal has been extracted from tailings material, also known as tailings deposition sites/facilities
TCTA	Trans-Caledon Tunnel Authority
Tonnage/tonne	Quantities where the metric tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material *in-situ* or quantities of ore and waste material mined, transported or milled
Tpm	Tonnes per month
TSF	Tailings Storage Facility
UASA	UASA – The Union, formerly named United Association of South Africa, a labour union
Yield	The amount of recovered gold from production generally expressed in ounces or grams per tonne or tonne of ore

ADMINISTRATION AND CONTACT DETAILS

DRDGOLD LIMITED

(Incorporated in the Republic of South Africa)
(Registration Number: 1895/000926/06)

OFFICES

Registered and corporate
1 Sixty, Jan Smuts Building
2nd Floor, North-Tower
160 Jan Smuts Avenue
Rosebank, 2196
Johannesburg
South Africa
(PO Box 390, Maraisburg, 1700)
South Africa
Tel: +27 (0) 11 470 2600
Fax: +27 (0) 86 524 3061

OPERATIONS

Ergo Mining Proprietary Limited
PO Box 12442
Selcourt 1567
Springs, South Africa
Tel: +27 (0) 11 742 1003
Fax: +27 (0) 11 743 1544

East Rand Proprietary Mines Limited
PO Box 2227
Boksburg, 1460
South Africa
Tel: +27 (0) 11 742 1003
Fax: +27 (0) 11 743 1544

DIRECTORS

Geoff Campbell*
Independent Non-executive Chairman [2#]

Niël Pretorius
Chief Executive Officer [3]

Riaan Davel
Chief Financial Officer

Johan Holtzhausen
Independent Non-executive Director [1#,2]

Edmund Jeneker
Independent Non-executive Director [1,2#,3#]

James Turk**
Independent Non-executive Director [1,2]

Toko Mnyango
Independent Non-executive Director [3]

COMPANY SECRETARY

Reneiloe Masemene

INVESTOR AND MEDIA RELATIONS

James Duncan
R&A Strategic Communications
Tel: +27 (0) 11 880 3924
Fax: +27 (0) 11 880 3788
Mobile: +27 (0) 79 336 4010
E-mail: james@rasc.co.za

United Kingdom/Europe
Phil Dexter
St James's Corporate Services Limited
Suite 31, Second Floor
107 Cheapside
London EC2V 6DN
United Kingdom
Tel: +44 (0) 20 7796 8644
Fax: +44 (0) 20 7796 8645
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

DRDGOLD's ordinary shares are listed on the JSE and on the NYSE, in the form of American Depositary Receipts (ADRs). The company's shares are also traded on the Regulated Unofficial Market on the Frankfurt Stock Exchange, and the Berlin and Stuttgart OTC markets.

SHARE TRANSFER SECRETARIES

South Africa
Link Market Service South Africa Proprietary Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein, 2001
Johannesburg
South Africa
Tel: +27 (0) 11 713 0800
Fax: +27 (0) 86 674 2450

United Kingdom (and bearer office)
Link Asset Services
The Registry PXS
34 Beckenham Road
Beckenham BR3 4TU
United Kingdom
Tel: +44 (0) 20 8639 3399
Fax: +44 (0) 20 8639 2487

Australia
Computershare Investor Service Proprietary Limited
Level 2
45 St George's Terrace
Perth, WA 6000
Australia
Tel: +61 8 9323 2000
Tel: 1300 55 2949 (in Australia)
Fax: +61 8 9323 2033

ADR depositary
The Bank of New York Mellon
101 Barclay Street
New York 10286
United States of America
Tel: +1 212 815 8223
Fax: +1 212 571 3050

GENERAL

JSE sponsor
One Capital

Auditor
KPMG Inc.

Attorneys
ENSAfrica Inc.
Malan Scholes
Mendelow Jacobs
Skadden, Arps, Slate, Meagher and Flom (UK) LLP

Bankers
ABSA Capital
Standard Bank of South Africa Limited

Website
www.drdgold.com

** British*
*** American*

Committee memberships during FY2018

 # Denotes committee chairman
1 Member of the Audit and Risk Committee
2 Member of the Remuneration and Nominations Committee
3 Member of the Social and Ethics Committee

DRDGOLD LIMITED

www.drdgold.com

ANNUAL FINANCIAL STATEMENTS 2018

BRINGING COMMERCIAL, SOCIAL AND ENVIRONMENTAL BENEFITS TO THE HISTORICAL MINING AREAS

DRDGOLD LIMITED

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OTHER INFORMATION

The preparation of the consolidated and company annual financial statements for the year ended 30 June 2018 were prepared under the supervision of the Group's Chief Financial Officer: Mr AJ Davel CA (SA).

The financial statements have been audited in compliance with the applicable sections of the Companies Act of South Africa.

DIRECTORS' REPORT

The directors have pleasure in submitting this report and the consolidated financial statements of DRDGOLD Limited and its subsidiaries ("DRDGOLD" or the "Company" or the "Group") for the year ended 30 June 2018.

SIGNIFICANT EVENTS

West Rand Tailings Retreatment Project ("FWGR")

The acquisition of the surface gold assets associated with Sibanye Gold Limited trading as Sibanye-Stillwater ("Sibanye-Stillwater") WRTRP was completed on 31 July 2018, to be known going forward as Far West Gold Recoveries ("FWGR").

This acquisition is expected to increase our gold reserves by approximately 82% and we have already embarked on the first phase of its planned two-phase development.

Phase 1 involves the upgrading of the Driefontein 2 plant to process tailings from the Driefontein 5 dump at a rate of between 400 000 and 600 000tpm and depositing the residue on the Driefontein 4 tailings dam. First production is expected in the first quarter of calendar year 2019.

Short term price protection

DRDGOLD wishes to reaffirm its long-term strategy to remain an unhedged gold producer and to keep borrowings to a minimum. However, the development of the first phase of FWGR will necessitate medium term borrowings that will introduce some liquidity risk to the Group. To mitigate this liquidity risk, management traded a zero-cost collar to provide price protection against a possible decrease in the Rand gold price while the borrowings will be in place.

As a result, DRDGOLD is committing 50 000 ounces of gold under a zero-cost collar with a floor of R565 000/kg and a ceiling of just under R609 000/kg, spread equally over the next nine months, which will be settled in cash at the end of each month.

Mineral Resources and Mineral Reserves (excluding WRTRP)

DRDGOLD's Mineral Resources from surface decreased by 38% from 11.8Moz (1 565.0Mt @ 0.23g/t Au) in FY2017 to 7.3Moz (873.1Mt @ 0.26g/t Au) in FY2018 mainly due to the exclusion of the Brakpan/Withok tailings deposition facility from Inferred Mineral Resources. The Brakpan/Withok tailings deposition facility is the current deposition site for retreated tailings and will remain so for the life of the Ergo operation. A decision was taken to exclude the Brakpan/Withok tailings deposition facility from the active drilling programme as reprocessing of this material is unlikely in the foreseeable future.

Mineral Reserves increased by 10% from 3.0Moz (299.2Mt @ 0.31g/t Au) in FY2017 to 3.3Moz (332.2Mt @ 0.31g/t Au) in FY2018 due to additional drilling performed on the Rooikraal tailings deposition facility.

REVIEW OF OPERATIONS

The performance of our operations is reviewed in the financial capital section of the Integrated Report 2018.

DIRECTORATE

Rotation of directors

In accordance with the provisions of the company's Memorandum of Incorporation (MOI), Mr J Holtzhausen, and Mr D J Pretorius will retire at the forthcoming annual general meeting. Mr J Holtzhausen and Mr D J Pretorius are eligible and have offered themselves for re-election.

Directors' interest in shares

None of the directors' immediate families and associates held any direct shareholding in the company's issued share capital. No director held or acquired any shares in the Company as at 30 June 2018 other than outlined below.

There were no changes in the directors' interest in shares between reporting date and the date of the approval of the financial statements other than outlined below.

	2018		2017	
	Beneficial direct	**Beneficial indirect**	**Beneficial direct**	**Beneficial indirect**
Executive directors				
D J Pretorius [(1)]	**659,688**	**-**	5,108	-
A J Davel [(2)]	**-**	**-**	-	-
Non-executive directors				
G C Campbell	**200,000**	**-**	200,000	-
J Turk	**-**	**243,000**	-	243,000
	859,688	**243,000**	205,108	243,000

(1) The increase was due to shares acquired in the open market. 30 500 shares were acquired in the open market subsequent to reporting date.

(2) Acquired 100 000 shares in the open market subsequent to reporting date.

SHAREHOLDERS

At reporting date the Company does not have a controlling shareholder and its directors provide strategic direction on behalf of its shareholders. DRDGOLD has a primary listing on the JSE Limited (JSE) and a secondary listing on the New York Stock Exchange Limited (NYSE). The Company's shares are also traded on the Regulated Unofficial Market on the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets. The Company's shares were delisted from the Marché Libre Paris effective 30 May 2018.

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented in the shareholders' information section in the annual financial statements.

DIVIDENDS

DRDGOLD's dividend policy is to return excess cash over and above the predetermined cash buffer to its shareholders. Dividends are proposed by the Audit and Risk Committee and approved by the board of directors of DRDGOLD based on the quarterly management accounts presented to the board.

Details of the dividends declared by the company appears in note 20 to the consolidated financial statements.

GOING CONCERN

The directors believe that the Group has adequate resources to continue as a going concern for the foreseeable future.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and company annual financial statements of DRDGOLD Limited, comprising the statements of financial position at 30 June 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

The consolidated and company annual financial statements of DRDGOLD Limited, as identified in the first paragraph, were approved by the board of directors on 24 October 2018 and signed by:

J A Holtzhausen
Chairman: Audit and Risk Committee
Authorised director

A J Davel
Chief Financial Officer
Authorised director

COMPANY SECRETARY'S STATEMENT

I certify, in accordance with Section 88(2)(e) of the Companies Act of South Africa, that to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 June 2018, all such returns as are required of a public company in terms of the Companies Act, and that all such returns appear to be true, correct and up to date.

R Masemene
Company Secretary
24 October 2018

REPORT OF THE AUDIT AND RISK COMMITTEE

The legal responsibilities of the Audit and Risk Committee ("the Committee") of the DRDGOLD Limited Group are set out in the Companies Act. These responsibilities, together with the requirements of the JSE and compliance with appropriate governance and international best practice, are incorporated in the Committee's charter.

The members of the committee responsible for audit related matters were formally appointed by the shareholders at the Annual General Meeting ("AGM") held on 30 November 2017.

The biographical details of the committee's members are set out on page 74 of the 2018 Integrated Report and the members' fees are set out on page 91 of the same report.

DISCHARGE OF DUTIES FOR THE YEAR UNDER REVIEW

FINANCIAL STATEMENTS

The Committee has reviewed the Group's significant accounting matters which include:

- Impairment of Property, Plant and Equipment
- Provision for Environmental Rehabilitation;
- Legal proceedings; and
- Taxation matters

The Committee also considered the key audit matters included in the external audit report on pages 7 to 12.

The Committee has reviewed the Consolidated and Company financial statements, including the accounting policies, of the DRDGOLD Limited Group for the year ended 30 June 2018 and based on the information provided to the Committee, considers that the Group complies, in all material respects, with the requirements of the Companies Act, IFRS and the JSE Listings Requirements.

The Committee has recommended the financial statements to the board for approval. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming AGM.

CHIEF FINANCIAL OFFICER ("CFO") AND FINANCE FUNCTION

As required by the JSE Listings Requirement 3.84(g)(i), the Committee has satisfied itself that the CFO, AJ Davel, has the appropriate expertise and experience to fulfil the role and that he had performed appropriately during the year under review. The Committee is satisfied with the expertise and experience of the finance function and adequacy of its resources.

EXTERNAL AUDITORS

The Committee considered the matters set out in the Companies Act and the JSE Listings Requirements, and:

- is satisfied with the independence and objectivity of the external auditors;
- has considered and recommended the reappointment of the external auditor and the designated external audit partner;
- has approved the external auditor's fees and terms of engagement for the year ended 30 June 2017 and budgeted fees and terms of engagement for the financial year ended 30 June 2018; and
- has approved the non-audit related services performed by the external auditors in accordance with the policy established and approved by the board.

INTERNAL AUDITORS

The internal audit function is performed in-house, with the assistance of Pro-Optima Audit Services Proprietary Limited. Internal audits performed are aimed at reviewing, evaluating and improving the effectiveness of risk management, internal controls and corporate governance processes.

The Committee considered the effectiveness of the internal audit function, confirmed the audit plan for the 2018 financial year and reviewed the results of the internal audits conducted during the 2018 financial year.

Both the internal and external auditors have unrestricted access to the Committee, the Committee Chairman and the Chairman of the Board, ensuring that the auditors are able to maintain their independence.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under Section 404 of the Sarbanes Oxley Act of 2002, management assesses the internal controls surrounding the financial reporting process as at the end of each financial year.

Separate meetings are held with management and external and internal audit representatives to discuss any challenges and other matters that they wish to discuss. The head of internal audit and risk and the external auditors have unlimited access to the chairman of the Committee.

To the best of their knowledge, and based on the information and explanations given by management and the Group internal audit function as well as discussions with the independent external auditors on the results of their audits, the Committee is satisfied that the internal financial control environment continued to function effectively.

COMBINED ASSURANCE AND RISK MANAGEMENT

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. KPMG Inc issued an opinion over the Consolidated and Company financial statements as well as the effectiveness of internal control over financial reporting, while KPMG Services Proprietary Limited provided limited assurance on key sustainability information in our Integrated Report. The Group’s financial, operating, compliance and risk management controls are assessed by internal audit, overseen by the Committee. An independent review of our Mineral Reserves and Resources was conducted by Red Bush Geoservices Proprietary Limited.

The Committee considered combined assurance in responding to significant risks and material matters through the company’s operation, internal auditors, external auditors and other inspections.

The Committee is satisfied that an effective control environment exists for management decision making and external reporting.

SOLVENCY AND LIQUIDITY

The Committee is satisfied that the Board has adequately performed solvency and liquidity tests in terms of Section 46 of the Companies Act, as and when required during the year under review.

For the period under review, the Committee is satisfied that it has regulated its affairs in compliance with its mandate, and has discharged its duties and responsibilities in terms of the JSE Listings Requirements, the Companies Act and the King Code IV of Corporate Governance.

J A Holtzhausen
Chairman: Audit and Risk Committee
24 October 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of DRDGOLD Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of DRDGOLD Limited (the group and company) set out on pages 13 to 74, which comprise the consolidated and company statements of financial position at 30 June 2018, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of DRDGOLD Limited at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matters pertaining to the consolidated financial statements:

1. Provision for environmental rehabilitation

Refer to note 10 of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The group is engaged in the retreatment of surface gold tailings. The group has an obligation to close, restore and rehabilitate these gold tailing deposits and mining sites that are spread out over a large area due to the group's extensive surface mining footprint. Determining the provision for environmental rehabilitation requires management to make significant assumptions and estimates, with the assistance of an independent expert, in respect of: • The group's environmental management plans that are developed in accordance with current regulatory requirements, the planned method of rehabilitation as well as the life-of-mine plan, that in turn are used in estimating future environmental rehabilitation costs; and • Discount rates, inflation rates, discount periods, and the projected timing of cash flows over the expected life-of-mine used in the calculation of the net present value of the estimated rehabilitation costs. Due to the inherent uncertainty in estimating future environmental rehabilitation costs the valuation of the provision for environmental rehabilitation was considered a key audit matter.	Our audit work included the following procedures: • We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure that the provision for environmental rehabilitation was appropriately recognised and valued; • We assessed the independence, competence and capabilities of the group's environmental expert by obtaining an understanding of their professional qualification, experience and affiliations; • With the support of our own internal environmental specialists we challenged management's and the independent expert's assumptions by comparing these assumptions to external data sources and our own expectations based on our knowledge and experience of the industry; • We assessed whether the group's environmental rehabilitation provision is aligned to the group's life-of-mine plan, environmental management plans and the current applicable laws and regulations; • We challenged the timing of cash flows as well as the inflation rates and discount rates used by management in the calculation of the net present value of the estimated rehabilitation costs and compared the discount rates used to externally derived data; • We evaluated whether the accounting treatment applied in determining the provision for environmental rehabilitation and the related disclosures are in accordance with the applicable financial reporting framework.

2. Life of mine plan relating to the recoverable amount of the cash generating unit included in property, plant and equipment, the valuation of the provision for environmental rehabilitation and the valuation of the deferred tax liability

Refer to note 9, note 10 and 17.2 of the consolidated financial statements

Key audit matter	How the matter was addressed in our audit
Management makes use of experts in assisting them to evaluate geological and technical factors in determining the life-of-mine plan that also considers available proven and probable reserves as well as forecast production methods and volumes. Significant assumptions and estimates were used by management to determine the life-of-mine plan for its reserves, which are inherently uncertain and could materially change over time. These judgements, estimates and assumptions include reserves and resources estimates, production estimates and the related costs, forecast capital expenditure and economic factors such as future dollar gold prices, discount rates and foreign currency exchange rates as well as the impact of taxation specific to the gold mining industry. The recoverable amount of property, plant and equipment, the determination of the nature, quantum and timing of the provision for the rehabilitation obligation and the determination of the weighted averaged deferred tax rate is determined using estimated future cash flows based on the life-of-mine plan. The determination of the life-of-mine plan was considered a key audit matter due to the significant assumptions and estimates required to determine the life-of-mine plan as well as the resultant impact on the recoverable amount of the cash generating unit, the valuation of the provision for environmental rehabilitation and the valuation of the deferred tax liability.	Our procedures relating to the determination of the life-of-mine plan included: • We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure the life-of-mine assessment was appropriately performed and reviewed; • We compared the reserves assumptions used in the life-of-mine plan for the group to the reserves assessed by the external geological expert employed by the group to determine the estimates of proven and probable reserves. We further inspected and evaluated the significant changes in the declared reserves compared to what was previously reported and obtained relevant support to substantiate the changes; • We evaluated the objectivity, competence and capabilities of management's external geological expert. We further obtained an understanding of the work performed by the external geological expert and evaluated the appropriateness and conclusions reached; • We evaluated the assumptions and estimates used by management in the discounted cash flows by: ▪ inspecting that the life-of-mine used in the discounted cash flows was supported by the reserves assumptions from the external geological expert; ▪ comparing the assumptions used by management to externally derived data as well as our own assessments based on our industry knowledge and experience in relation to key inputs such as the spot and future dollar gold prices, foreign exchange rates, cost inflation, production costs, capital expenditure and discount rates. • We performed sensitivity analyses to consider the impact of changes in assumptions and estimates used in the life-of-mine assessment; • We assessed management's evaluation of tax uncertainties and judgements used in the forecasted weighted average tax rate; • We assessed the adequacy of the group's disclosures of significant accounting assumptions and estimates used to determine the recoverable amount of the cash generating unit, deferred tax liability and environmental rehabilitation provision.

We have identified the following key audit matter pertaining to the separate financial statements:

1. Impairment of investment in subsidiaries

Refer to note 7.2 of the separate financial statements.

Key audit matter	How the matter was addressed in our audit
The impairment of the net investment in subsidiaries resulted from the restructuring of wholly owned subsidiaries within the group. The group restructuring was performed to simplify the legal and inter-group debt structure, leading to all non-dormant entities being directly owned by the company. As part of the group debt restructure the investment in subsidiaries was assessed for impairment and impaired by R1 591 million. Due to the significance of the impairments and the potential resultant tax consequences for the company following the restructuring of the group we considered the impairment of investment in subsidiaries to be a key audit matter.	Our procedures relating to the impairment of investment in subsidiaries included: • We evaluated the design, implementation and operating effectiveness of management's internal controls over the restructuring transaction and resultant impairments; • We inspected the restructure and implementation agreement and through examination and enquiry gained an in-depth understanding of key terms of the restructuring process and the sequence of transactions and evaluated the appropriateness of the business rationale for the group restructuring; • We evaluated the restructuring transactions and considered the suitability of the basis of accounting in accordance with IFRS, including recalculating the amounts that were recorded and considered management's assessment of the required compliance with the Companies Act of South Africa. • We independently evaluated management's assessment and re-performed the calculations to determine if the resulting impairments were complete and accurate; • Together with our internal tax specialists, we evaluated the tax consequences of each of the transactions against management's and their external experts' assessment for appropriateness; • We assessed the adequacy of the company's disclosure of the restructuring and resultant impairments in accordance with the applicable financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Company Secretary's Statement and the Report of the Audit and Risk Committee as required by the Companies Act of South Africa and the Directors' Responsibility Statement and Approval, the Shareholder's information, administration and contact details and the Annual Integrated Report which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc has been the auditor of DRDGOLD Limited for 16 years.

KPMG Inc.
Registered Auditor

Per R Stoltz
Chartered Accountant (SA)
Registered Auditor
Director
31 October 2018

Suite 301,
Medforum Building,
Heunis Street Secunda,
2302

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
Revenue	4	**2,490.4**	2,339.9
Cost of sales	5.1	**(2,347.7)**	(2,307.9)
Gross profit from operating activities		**142.7**	32.0
Other income	5.2	**-**	12.9
Administration expenses and other costs	5.3	**(90.7)**	(69.4)
Results from operating activities		**52.0**	(24.5)
Finance income	6	**38.8**	40.0
Finance expense	7	**(58.4)**	(52.2)
Profit/(loss) before tax		**32.4**	(36.7)
Income tax	17.1	**(25.9)**	50.4
Profit for the year		**6.5**	13.7
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments	24.1	**0.6**	(0.3)
Total other comprehensive income for the year		**0.6**	(0.3)
Total comprehensive income for the year		**7.1**	13.4
Earnings per share			
Basic earnings per share (SA cents per share)	8	**1.5**	3.2
Diluted earnings per share (SA cents per share)	8	**1.5**	3.2

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

Amounts in R million	Note	2018	2017
ASSETS			
Non-current assets		**1,734.1**	1,739.1
Property, plant and equipment	9	**1,452.7**	1,497.6
Investments in rehabilitation obligation funds	11	**244.0**	227.7
Financial assets	24	**28.7**	8.8
Deferred tax asset	17.2	**8.7**	5.0
Current assets		**626.3**	548.3
Inventories	16	**233.0**	180.3
Trade and other receivables	14	**91.2**	114.3
Cash and cash equivalents	12	**302.1**	253.7
TOTAL ASSETS		**2,360.4**	2,287.4
EQUITY AND LIABILITIES			
Equity	20	**1,267.3**	1,302.4
Non-current liabilities		**772.4**	728.0
Provision for environmental rehabilitation	10	**553.4**	531.7
Deferred tax liability	17.2	**163.7**	140.5
Employee benefits	18	**40.6**	39.0
Finance lease obligation	9	**14.7**	16.8
Current liabilities		**320.7**	257.0
Trade and other payables	15	**303.3**	251.8
Employee benefits	18	**13.2**	-
Current tax liability		**4.2**	5.2
TOTAL LIABILITIES		**1,093.1**	985.0
TOTAL EQUITY AND LIABILITIES		**2,360.4**	2,287.4

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Amounts in R million	Note	Share capital	Available for sale and other reserves	Retained earnings	Total equity
Balance at 30 June 2016		**4,177.7**	**140.2**	**(2,978.3)**	**1,339.6**
Total comprehensive income					
Profit for the year				13.7	13.7
Other comprehensive income	24.1			(0.3)	(0.3)
Transactions with the owners of the parent					
Dividend on ordinary share capital	20			(50.6)	(50.6)
Available for sale and other reserves transferred to retained earnings			(140.2)	140.2	-
Balance at 30 June 2017		**4,177.7**	**-**	**(2,875.3)**	**1,302.4**
Total comprehensive income					
Profit for the year				6.5	6.5
Other comprehensive income	24.1			0.6	0.6
Transactions with the owners of the parent					
Dividend on ordinary share capital	20			(42.2)	(42.2)
Balance at 30 June 2018		**4,177.7**	**-**	**(2,910.4)**	**1,267.3**
Note		20			

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	13	**222.9**	21.5
Finance income received		**21.9**	23.8
Finance expenses paid		**(3.5)**	(3.7)
Income tax (paid)/received		**(7.5)**	10.0
Net cash inflow from operating activities		**233.8**	51.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(125.9)**	(110.6)
Proceeds on disposal of property, plant and equipment		**7.0**	20.5
Environmental rehabilitation payments	10	**(21.5)**	(11.6)
Other		**-**	5.0
Net cash outflow from investing activities		**(140.4)**	(96.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease obligation		**(2.8)**	(2.4)
Dividends paid on ordinary share capital	20	**(42.2)**	(50.6)
Net cash outflow from financing activities		**(45.0)**	(53.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**48.4**	(98.1)
Cash and cash equivalents at the beginning of the year		**253.7**	351.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**302.1**	253.7

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

1 ABOUT THESE CONSOLIDATED FINANCIAL STATEMENTS

Reporting entity

The DRDGOLD Group is primarily involved in the retreatment of surface gold. The consolidated financial statements comprise the Company and its subsidiaries who are all wholly owned subsidiaries and solely operates in South Africa (collectively the "Group" and individually "Group Companies"). DRDGOLD Limited is domiciled in South Africa with a registration number of 1895/000926/06. The registered address of the company is 1 Sixty Jan Smuts Building, 2nd Floor - North Tower, 160 Jan Smuts Avenue, Rosebank, 2196.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC) as well as the requirements of the Companies Act of South Africa. The consolidated financial statements were approved by the board of directors on 24 October 2018.

Functional and presentation currency

The Group's functional and reporting currency is South African rand. The amounts in these consolidated financial statements are rounded to the nearest million unless stated otherwise. Significant exchange rates applied during the year are set out in the table below:

South African rand / US dollar	2018	2017
Spot rate at year end	13.72	13.05
Average rate for the financial year	12.85	13.59

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2 USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make accounting assumptions, estimates and judgements that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses.

Accounting assumptions, estimates and judgements are reviewed on an ongoing basis. Revisions to reported amounts are recognised in the period in which the revision is made and in any future periods affected. Actual results may differ from these estimates.

Information about assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the notes:

- Note 9 PROPERTY, PLANT AND EQUIPMENT
- Note 10 PROVISION FOR ENVIRONMENTAL REHABILITATION
- Note 17 INCOME TAX
- Note 24.2 LONG-TERM RECEIVABLE

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the notes:

- Note 23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE
- Note 24.2 LONG-TERM RECEIVABLE
- Note 25 CONTINGENT ASSETS AND LIABILITIES

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the following relevant standards, amendments to standards and interpretations that may be applicable to the business of the Group were in issue but not yet effective and may therefore have an impact on future consolidated financial statements. These new standards, amendments to standards and interpretations will be adopted at their effective dates.

IFRS 2 Share-based payment amendments (Effective date 1 July 2018)
Measurement of cash-settled share-based payments – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability, market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

The Group has assessed that the amendment to IFRS 2 will not have a significant impact on the Group as market and non-vesting conditions are being taken into account in measuring its fair value and the number of awards to receive cash is already adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

IFRS 9 Financial Instruments (Effective date 1 July 2018)
The standard sets out requirements for recognising and measuring financial instruments and supersedes IAS 39 *Financial Instruments*. It contains new criteria for determining the classification of financial instruments which is based on the business model of the entity and the nature of cash flows. In addition, the financial instruments impairment model has been changed from an “incurred loss” model in IAS 39 to an “expected credit loss” model in IFRS 9. The resultant effect being that it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

The Group has assessed that the following changes will occur as a result:
- The new classification if applied at 30 June 2018 would not have a significant impact on the accounting of financial assets and financial liabilities. Investment in other entities (equity instruments) will be designated at fair value through other comprehensive income;
- The method of determining impairment of long-term and other receivables will have to change to reflect the “expected credit loss” model. Management has made an assessment of the magnitude of the changes to the impairment model. This is not expected to have a significant impact.

IFRS 15 Revenue from contracts with customers (Effective date 1 July 2018)
The standard contains a single model that applies to contracts with customers superseding the revenue standard IAS 18 *Revenue* and IAS 11 *Construction contracts*. It contains two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard also introduces new qualitative and quantitative disclosures related to customer contracts and significant judgements applied.

The Group has assessed that there will be no impact on adopting IFRS 15, and revenue recognition will remain unchanged as follows:
- Rand Refinery is assessed as being an agent, selling gold and silver on behalf of the Group;
- Revenue is recognised on the date that control of gold and silver pass to the buyer, which is the date on which Rand Refinery sells the gold on the Group’s behalf.

This is the same date as when significant risks and rewards passes under IAS 18 *Revenue*.

IFRS 16 Leases (Effective date 1 July 2019)
The standard sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer (“lessee”) and the supplier (“lessor”). The standard supersedes the current leases standard IAS 17 *Leases*. The standard has one model for lessees which contains increased focus on the assessment of whether a transaction is a lease. Lessees will now recognise most leases on the statement of financial position. No significant changes have been included for lessors.

The Group has commenced with analysing each contract included in the register of contracts compiled by the procurement department in order to assess whether these contain a lease and the impact that the standard will have on the Group.

4 REVENUE

ACCOUNTING POLICIES

Revenue comprise the sale of gold bullion and silver bullion (produced as a by-product).

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is stated at the fair value of the consideration received or receivable, which is based on the afternoon London Bullion Market fixing price on the date the significant risks and rewards of ownership have been transferred to the buyer.

The significant risks and rewards of ownership transfer to the buyer when Rand Refinery Limited ("Rand Refinery"), acting as an agent for the sale of all gold produced by the Group, delivers the gold to the buyer and the sales price is fixed, as evidenced by the certificate of sale.

Rand Refinery performs the final refinement of all gold produced. In exchange for this service, Rand Refinery receives a variable refining fee plus fixed marketing and administration fees which is included in operating costs.

Amounts in R million	2018	2017
Gold revenue	**2,486.4**	2,336.1
Silver revenue	**4.0**	3.8
Total revenue	**2,490.4**	2,339.9

MARKET RISK

Commodity price sensitivity

Combined impact of both US Dollar price of gold and South African Rand/US Dollar exchange rate

The Group's profitability and the cash flows are primarily affected by changes in the market price of gold which is sold in US Dollar and then converted to Rand. The Group did not enter into forward sales of gold production, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production during the year.

A change of 10% in the average Rand gold price received during the financial year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant and specifically excludes the impact on income tax**.**

Amounts in R million	2018	2017
10% increase in the Rand gold price	**249.0**	234.0
10% decrease in the Rand gold price	**(249.0)**	(234.0)

Price protection policy

After 30 June 2018 the Board approved Rand gold price protection to manage the short-term liquidity risk that will arise from the anticipated increase in borrowings to finance the development of Phase 1 of FWGR (refer to notes 19 and 28).

5 RESULTS FROM OPERATING ACTIVITIES

5.1 COST OF SALES

Amounts in R million	Note	2018	2017
Cost of sales		**(2,347.7)**	(2,307.9)
Operating costs (a)		**(2,207.1)**	(2,109.3)
Movement in gold in process and finished stock		**24.5**	4.8
Depreciation	9	**(168.0)**	(179.8)
Change in estimate of environmental rehabilitation	10	**2.9**	(0.6)
Retrenchment costs		**-**	(23.0)
(a) Operating costs			
The most significant components of operating costs include:			
Materials		**(784.6)**	(783.9)
Labour including short term incentives, excluding retrenchment costs		**(417.4)**	(351.0)
Electricity		**(369.0)**	(344.2)
Specialist service providers		**(326.9)**	(299.7)
Water		**(49.9)**	(71.1)

5.2 OTHER INCOME

ACCOUNTING POLICIES

Income is recognised where it is probable that the economic benefits associated with a transaction will flow to the Group and they can be reliably measured.

Other income is generally income earned from transactions outside the course of the Group's ordinary activities and may include gains or losses on disposal of property, plant and equipment.

Amounts in R million	2018	2017
Profit on disposal of property, plant and equipment	**-**	12.9
	-	12.9

5.3 ADMINISTRATION EXPENSES AND OTHER COSTS

Amounts in R million	Note	2018	2017
Included in administration expenses and other costs are the following:			
Increase in Long-Term Incentive ("LTI") liability	18.1	**(17.2)**	(10.0)
Transactions costs incurred related to the acquisition of FWGR	28	**(9.0)**	-
Loss on disposal of property, plant and equipment		**(0.6)**	-

6 FINANCE INCOME

ACCOUNTING POLICY

Finance income includes interest received, growth in the environmental rehabilitation obligation funds and the unwinding of the long-term receivable.

Amounts in R million	Note	2018	2017
Interest on loans and receivables	12	**21.8**	23.6
Growth in environmental rehabilitation trust funds	11, 23	**7.5**	7.5
Growth in reimbursive right	11	**8.8**	8.9
Unwinding of long-term receivable	24.2	**0.7**	-
		38.8	40.0

7 FINANCE EXPENSE

ACCOUNTING POLICY

Finance expenses comprise interest payable on financial instruments measured at amortised cost calculated using the effective interest method, unwinding of the provision for environmental rehabilitation, interest on finance leases and the fair value adjustment on the initial recognition of the long-term receivable.

Amounts in R million	Note	2018	2017
Unwinding of provision for environmental rehabilitation	10, 23	**(45.6)**	(46.5)
Fair value adjustment on initial recognition of long-term receivable	24.2	**(8.8)**	-
Other finance expenses		**(4.0)**	(5.7)
		(58.4)	(52.2)

8 EARNINGS PER SHARE

Amounts in R million	2018	2017
Basic earnings		
The calculation of basic earnings per ordinary share is based on the following:		
Profit for the year	**6.5**	13.7
The basic earnings has been adjusted by the following to arrive at headline earnings:		
Net loss/(profit) on disposal of property, plant and equipment (after tax)	**0.5**	(12.9)
- Loss/(profit) on disposal of property, plant and equipment	**0.6**	(12.9)
- Tax thereon	**(0.1)**	-
Headline earnings	**7.0**	**0.8**

Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares

Number of shares	2018	2017
Weighted and diluted weighted average number of ordinary shares in issue	**422,068,696**	422,068,696

SA cents per share	2018	2017
Basic earnings per share	**1.5**	3.2
Diluted earnings per share	**1.5**	3.2
Headline earnings per share	**1.7**	0.2
Diluted headline earnings per share	**1.7**	0.2

9 PROPERTY, PLANT AND EQUIPMENT

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Impairment of property, plant and equipment

The recoverable amount of the cash-generating-unit is determined using discounted future cash flows based on the life-of-mine plan. These calculations require the use of assumptions and estimates and are inherently uncertain and could change materially over time. These assumptions and estimates include the market capitalisation of the Group, mineral reserves and resource estimates, production estimates, spot and future gold prices, foreign currency exchange rates, discount rates, estimates of costs to produce and future capital expenditure in determining the recoverable amount. At year-end, the market capitalisation of the Group was higher than its net asset value. The decline in the rand gold price was however considered as an impairment indicator. The Group has only one cash generating unit ("CGU") and calculated a recoverable amount based on updated life-of-mine plans, an average gold price of R550 411 per kilogram in year one escalating at an average of approximately 5.8% a year over the twelve-year life of mine, and a weighted average cost of capital of 11.2%.

Sensitivity analysis

The Group would begin impairment of the mining assets if the discount rate were to increase from 11.2% to 21.4%, or a 4.1% decrease in budgeted gold production or the rand gold price over the remaining life of the operation. The above sensitivities do not include a positive terminal value, relating to the disposal of any assets at the end of the useful life.

Depreciation

The calculation of the units-of-production rate of depreciation could be affected if actual production in the future varies significantly from current forecast production. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves and resources. These factors could include:
- changes in mineral reserves and resources;
- the grade of mineral reserves and resources may vary from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites including planned extraction efficiencies; and
- changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates.

Mineral reserves and resources estimates

The Group is required to determine and report mineral reserves and resources in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code). In order to calculate mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of mineral reserves and resources requires the size, shape and depth of reclamation sites to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Because the assumptions used to estimate mineral reserves and resources change from period to period and because additional geological data is generated during the course of operations, estimates of mineral reserves and resources may change from period to period. Mineral reserves and resource estimates prepared by management are reviewed by an independent mineral resources expert.

Changes in reported mineral reserves and resources may affect the Group's life-of-mine plan, financial results and financial position in a number of ways including the following:
- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation charged to profit or loss may change where such charges are determined by the units-of-production method, or where the useful lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated mineral reserves and resources affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets and liabilities may change due to changes in estimates of the likely recovery of the tax benefits and charges.

9 PROPERTY, PLANT AND EQUIPMENT *continued*

ACCOUNTING POLICIES

Recognition and measurement

Property, plant and equipment comprise mine plant facilities and equipment, mine property and development (including mineral rights) and exploration assets. These assets (excluding exploration assets) are initially measured at cost, where after they are measured at cost less accumulated depreciation and accumulated impairment losses. Exploration assets are initially measured at cost, where after they are measured at cost less impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset, as well as the costs of dismantling and removing an asset and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Exploration and evaluation costs are capitalised as exploration assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project.

Depreciation

Depreciation of mine plant facilities and equipment, as well as mining property and development (including mineral rights) are calculated using the units of production method which is based on the life-of-mine of each site. The life-of-mine is primarily based on proved and probable mineral reserves and may include some resources. It reflects the estimated quantities of economically recoverable gold that can be recovered from reclamation sites based on the gold price estimated at the end of the financial year. Changes in the life-of-mine will impact depreciation on a prospective basis. The life-of-mine is prepared using a methodology that takes account of current information to assess the economically recoverable gold from specific reclamation sites and includes the consideration of historical experience. The depreciation method, estimated useful lives and residual values are reassessed annually and adjusted if appropriate. Any changes to useful lives may affect prospective depreciation rates and asset carrying values. The current estimated useful lives for mine property and development, as well as mine plant facilities and equipment are based on the life-of-mine of each site, currently between four (2017: two) and 12 (2017: 12) years.

Impairment

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Each metallurgical plant or combination of plants that, together with its deposition facility, is capable of operating independently is considered to be a CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

Exploration assets

Exploration assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When a license is relinquished or a project is abandoned, the related costs are recognised in profit or loss immediately.

Leased assets

Upon initial recognition, the leased asset is measured at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in the same manner as owned property, plant and equipment.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

9 PROPERTY, PLANT AND EQUIPMENT *continued*

Amounts in R million	Note	Mine plant facilities and equipment (a)	Mine property and development	Exploration assets	Total
30 June 2018					
Cost		**1,689.5**	**1,264.5**	**77.3**	**3,031.3**
Opening balance		**1,667.6**	**1,230.0**	**77.4**	**2,975.0**
Additions		**82.5**	**40.2**	**3.4**	**126.1**
Disposals		**(56.3)**	**(17.4)**	**-**	**(73.7)**
Change in estimate of decommissioning asset	10	**(4.3)**	**11.7**	**(3.5)**	**3.9**
Accumulated depreciation and impairment		**(815.4)**	**(753.5)**	**(9.7)**	**(1,578.6)**
Opening balance		**(760.8)**	**(706.9)**	**(9.7)**	**(1,477.4)**
Depreciation	5.1	**(104.3)**	**(63.7)**	**-**	**(168.0)**
Disposals		**49.7**	**17.1**	**-**	**66.8**
Carrying value		**874.1**	**511.0**	**67.6**	**1,452.7**
30 June 2017					
Cost		1,667.6	1,230.0	77.4	2,975.0
Opening balance		1,519.5	1,310.4	74.9	2,904.8
Additions		37.6	65.3	13.4	116.3
Disposals		(2.8)	(3.9)	-	(6.7)
Change in estimate of decommissioning asset	10	27.0	(60.9)	(0.5)	(34.4)
Transfers between classes of property, plant and equipment		92.1	(81.7)	(10.4)	-
Transferred from non-current assets held for sale	23	-	0.8	-	0.8
Transferred to inventory		(5.8)	-	-	(5.8)
Accumulated depreciation and impairment		(760.8)	(706.9)	(9.7)	(1,477.4)
Opening balance		(598.7)	(693.2)	(12.4)	(1,304.3)
Depreciation	5.1	(108.7)	(71.1)	-	(179.8)
Disposals		2.8	3.9	-	6.7
Transfers between classes of property, plant and equipment		(56.2)	53.5	2.7	-
Carrying value		906.8	523.1	67.7	1,497.6

(a) Leased plant and equipment

Ergo leases temporary power generation equipment with a carrying value of R13.6 million (2017: R16.8 million) from Aggreko Energy Rental Proprietary Limited under a finance lease with an outstanding balance of R14.0 million (2017: R16.8 million) which is included in the consolidated finance lease obligation of R14.7 million (2017: R16.8 million). The finance lease has an effective interest rate of 17.9% and is repayable R3.2 million in 2019 and R10.8 million in 2020, the latter including R9.9 million for the option to acquire the leased equipment at the end of the lease term. Interest is payable R2.0 million in 2019 and R0.4 million in 2020.

CONTRACTUAL COMMITMENTS

Amounts in R million	2018	2017
Contracted for but not provided for in the consolidated financial statements	**32.7**	11.2

The contractual commitments at 30 June 2018 includes orders placed amounting to R29.2 million related to the development of phase 1 of FWGR.

Capital expenditure is financed from existing cash resources and cash generated from operations, with the exception of specific growth projects for which the capital requirements are considered on a project-by-project basis.

10 PROVISION FOR ENVIRONMENTAL REHABILITATION

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Estimates of future environmental rehabilitation costs are determined with the assistance of an independent expert and are based on the Group's environmental management plans which are developed in accordance with regulatory requirements, the life-of-mine plan and the planned method of rehabilitation which is influenced by developments in trends and technology.
An average discount rate of 8.5% (2017: 8.8%), average inflation rate of 5.7% (2017: 5.9%) and the discount periods as per the expected life-of-mine were used in the calculation of the estimated net present value of the rehabilitation liability.

ACCOUNTING POLICIES

The net present value of the estimated rehabilitation cost as at reporting date is provided for in full. These estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.
Annual changes in the provision consist of financing expenses relating to the change in the present value of the provision and inflationary increases in the provision, as well as changes in estimates.
The present value of dismantling and removing the asset created before production commenced (decommissioning liabilities) are capitalised to property, plant and equipment against an increase in the rehabilitation provision. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of property, plant and equipment. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset. Cash costs incurred to rehabilitate these disturbances are charged to the provision and are presented as investing activities in the statement of cash flows.
The present value of environmental rehabilitation costs relating to activities after production commenced (restoration liabilities) as well as changes therein are expensed as incurred and presented as operating costs. Cash costs incurred to rehabilitate these disturbances are presented as operating activities in the statement of cash flows.The cost of ongoing rehabilitation is recognised in profit or loss as incurred.

Amounts in R million	Note	2018	2017
Opening balance		**531.7**	522.9
Unwinding of provision	7	**45.6**	45.3
Change in estimate of environmental rehabilitation recognised in profit or loss	5.1	**(2.9)**	0.6
Change in estimate of environmental rehabilitation recognised to decommissioning asset	9	**3.9**	(34.4)
Environmental rehabilitation payments		**(24.9)**	(19.5)
To reduce decommissioning liabilities		**(21.5)**	(11.6)
To reduce restoration liabilities	13	**(3.4)**	(7.9)
Transferred from non-current liabilities held for sale	23	**-**	16.8
Closing balance		**553.4**	531.7
Environmental rehabilitation payments to reduce the liability		**(24.9)**	(19.5)
Ongoing rehabilitation expenditure *	21	**(26.7)**	(22.4)
Total cash spent on environmental rehabilitation		**(51.6)**	(41.9)

** The Group also performs ongoing environmental rehabilitation arising from its current activities concurrently with production. These costs do not represent a reduction of the above liability and are expensed as operating costs.*

Gross cost to rehabilitate

The Group estimates that, based on current environmental and regulatory requirements, the total undiscounted rehabilitation cost is approximately R670.4 million (2017: R639.5 million).

11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS

ACCOUNTING POLICIES

Cash and cash equivalents in environmental rehabilitation trust funds
Cash and cash equivalents in environmental rehabilitation trust funds comprise low-risk, interest-bearing cash and cash equivalents and are non-derivative financial assets categorised as loans and receivables.

Reimbursive right for environmental rehabilitation guarantees
Funds held in the cell captive that secure the environmental rehabilitation guarantees issued are recognised as a right to receive a reimbursement and is measured at the lower of the amount of the consolidated environmental rehabilitation liability recognised and the consolidated fair value of the fund assets.
Changes in the carrying value of the fund assets, other than those resulting from contributions and payments, are recognised in finance income.

Funding of environmental rehabilitation activities (refer note 10)
Ongoing rehabilitation expenditure and environmental rehabilitation payments to reduce the environmental rehabilitation obligations are mostly funded by cash generated from operations. In addition, contributions have been made to an environmental rehabilitation trust and a cell captive for the sole use of future environmental rehabilitation payments.
Guardrisk Insurance Company Limited ("Guardrisk") issued guarantees amounting to R427.3 million (2017: R427.3 million) to the Department of Mineral Resources ("DMR") on behalf of DRDGOLD related to the environmental obligations. The funds in the cell captive serves as collateral for these guarantees.

Amounts in R million	Note	2018	2017
Cash and cash equivalents in environmental rehabilitation trust funds		**118.0**	110.5
Opening balance		**110.5**	93.8
Transferred from non-current assets held-for-sale	23	**-**	9.9
Growth	6	**7.5**	6.8
Reimbursive right for environmental rehabilitation guarantees		**126.0**	117.2
Opening balance		**117.2**	108.3
Growth	6	**8.8**	8.9
		244.0	227.7

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of the investments held in the environmental rehabilitation trust funds.

The Group manages its exposure to credit risk by diversifying these investments across a number of major financial institutions, as well as investing funds in low-risk, interest-bearing cash and cash equivalents.

MARKET RISK

Interest rate risk
A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the balance of the funds, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.2**	1.1
100bp (decrease)	**(1.2)**	(1.1)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the cash and cash equivalents in the environmental rehabilitation trust funds approximate their carrying value due to their short-term maturities.

12 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are non-derivative financial assets categorised as loans and receivables and comprise cash on hand, demand deposits, and highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
Cash and cash equivalents are initially measured at fair value. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their fair value.

Amounts in R million	Note	2018	2017
Included in cash and cash equivalents is restricted cash relating to:			
- Cash (including interest) held in escrow relating to the electricity tariff dispute with Ekurhuleni Metropolitan Municipality ("Municipality")	25	**114.2**	92.7
- Environmental and other guarantees issued by the Standard Bank of South Africa Limited		**17.2**	16.1
Interest relating to cash and cash equivalents	6	**21.8**	23.6

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of its cash and cash equivalents. The Group manages its exposure to credit risk by investing cash and cash equivalents across a number of major financial institutions, considering the credit ratings of these financial institutions.

MARKET RISK

Interest rate risk

A change of 100 basis points (bp) in interest rates at the reporting date would had increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**3.0**	2.5
100bp (decrease)	**(3.0)**	(2.5)

Foreign currency risk

US Dollars received on settlement of the trade debtors are exposed to fluctuations in the US Dollar/South African Rand exchange rate until it is converted to South African Rands.

The Group was not exposed to any fluctuations in the US Dollar/South African Rand exchange rate on any US Dollars at the current or previous reporting date as all the US Dollars held were converted to South African Rands.

Foreign denominated cash is held in a foreign currency bank account accruing negligible interest and is usually converted to South African Rand on the day of receipt. Foreign cash is therefore not exposed to interest rate risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents
The fair value of cash and cash equivalents approximate their carrying value due to their short-term maturities.

13 CASH GENERATED BY OPERATIONS

Amounts in R million	Note	2018	2017
Profit/(loss) before tax		**32.4**	(36.7)
Adjusted for			
Depreciation	9	**168.0**	179.8
Movement in gold in process and finished stock	5.1	**(24.5)**	(4.8)
Change in estimate of environmental rehabilitation	10 , 23	**(2.9)**	0.6
Environmental rehabilitation payments	10 , 23	**(3.4)**	(7.9)
Increase in long-term incentive liability	18.1	**17.2**	10.0
Profit on disposal of property, plant and equipment	5.2	**-**	(12.9)
Loss on disposal of property, plant and equipment	5.3	**0.6**	-
Finance income	6	**(38.8)**	(40.0)
Finance expense	7	**58.4**	52.2
Other non-cash items		**1.3**	(1.0)
Operating cash flows before working capital changes		**208.3**	139.3
Working capital changes		**14.6**	(117.8)
Change in trade and other receivables		**22.2**	(57.6)
Change in long-term receivable	24.2	**(27.4)**	-
Change in inventories		**(28.2)**	(14.8)
Change in trade and other payables and employee benefits		**48.0**	(45.4)
Cash generated by operations		**222.9**	21.5

14 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade and other receivables, excluding Value Added Tax and prepayments, are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Impairment
A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence (e.g. delinquency of a debtor and indications that a debtor will enter bankruptcy) that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Any impairment losses are recognised in the statement of profit or loss.

Trade receivables relate to gold sold on the bullion market by Rand Refinery in its capacity as an agent. Settlement is usually received two working days from gold sold date.

Amounts in R million	2018	2017
Trade receivables	**0.6**	34.5
Value Added Tax	**46.8**	50.8
Other receivables	**40.8**	35.7
Prepayments	**12.2**	3.0
Allowance for impairment	**(9.2)**	(9.7)
	91.2	114.3

14 TRADE AND OTHER RECEIVABLES *continued*

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of its trade receivables and other receivables excluding Value Added Tax and prepayments.

The Group manages its exposure to credit risk on trade receivables by maintaining a short term cycle to settlement of 2 working days. The Group manages its exposure to credit risk on other receivables by dealing with a number of counterparties, ensuring that these counterparties are of good credit standing and transacting on a secured or cash basis where considered necessary. Receivables are regularly monitored and assessed for recoverability.

Ageing of trade receivables and other receivables:

Amounts in R million	2018	2017
Receivables that are past due but not impaired at 30 June	**15.3**	10.4
Receivables that are past due and impaired at 30 June	**9.2**	9.7

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour. Impairments were raised due to the uncertainty around the recoverability and timing of the expected cash flows. Movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Amounts in R million	2018	2017
Balance at 1 July	**(9.7)**	(11.1)
Net of impairments raised and bad debt recovered	**0.5**	1.4
Balance at 30 June	**(9.2)**	(9.7)

MARKET RISK

Interest rate risk

Trade and other receivables do not earn interest and are therefore not subject to interest rate risk.

Foreign currency risk

All gold sales during the year ended 30 June 2018, and thus all trade receivables, are denominated in US Dollars and sold at spot rates were therefore exposed to fluctuations in the US Dollar/South African Rand exchange rate. No hedges were entered into.

Figures in USD million	2018	2017
Foreign denomination of trade receivables at 30 June *	**-**	2.7

* Trade receivables denominated in US Dollar at 30 June 2018 represents less than USD0.1 million

A 10% strengthening of the Rand against the US Dollar at 30 June would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

Amounts in R million	2018	2017
Strengthening of the Rand against the US Dollar *	**-**	(3.5)
Weakening of the Rand against the US Dollar *	**-**	3.5

* The increase/(decrease) in equity and profit/(loss) for the year ended 30 June 2018 would have been less than R0.1 million

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade and other receivables approximate their carrying value due to their short-term maturities.

15 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables, excluding payroll accruals, accrued leave pay and provision for performance based incentives, are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Group derecognises a financial liability when its contractual rights are discharged or cancelled or expire.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Amounts in R million	2018	2017
Trade payables and accruals	**227.0**	200.9
Accrued leave pay	**32.9**	30.8
Provision for short term performance based incentives	**24.7**	2.2
Payroll accruals	**18.7**	17.9
	303.3	251.8
Interest relating to trade payables and accruals included in profit or loss	**(1.5)**	(2.7)

LIQUIDITY RISK

Trade payables and accruals are all expected to be settled within 12 months from reporting date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade payables and accruals approximate their carrying value due to their short-term maturities.

16 INVENTORIES

ACCOUNTING POLICIES

Gold in process is stated at the lower of cost and net realisable value. Costs are assigned to gold in process on a weighted average cost basis. Costs comprise all costs incurred to the stage immediately prior to smelting, including costs of extraction and processing as they are reliably measurable at that point. Gold bullion is stated at the lower of cost and net realisable value. Selling and general administration costs are excluded from inventory valuation.

Consumable stores are stated at cost less allowances for obsolescence. Cost of consumables is based on the weighted average cost principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses

Amounts in R million	2018	2017
Consumable stores	**129.0**	101.9
Gold in process	**66.2**	55.1
Finished stock - Gold Bullion	**37.8**	23.3
Total inventories	**233.0**	180.3
Inventory carried at net realisable value includes:		
Gold in process	**-**	45.3
Finished stock - Gold Bullion	**-**	19.3
Write down to net realisable value included in movement in gold in process and finished stock	**-**	10.2

17 INCOME TAX

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management periodically evaluates positions taken where tax regulations are subject to interpretation. This includes the treatment of Ergo as a single mining operation pursuant to the relevant ring-fencing legislation.

The deferred tax liability is calculated by applying a forecast weighted average tax rate that is based on a prescribed formula. The calculation of the forecast weighted average tax rate requires the use of assumptions and estimates and are inherently uncertain and could change materially over time. These assumptions and estimates include expected future profitability and timing of the reversal of the temporary differences. Due to the forecast weighted average tax rate being based on a prescribed formula that increases the effective tax rate with an increase in forecast future profitability, and *vice versa*, the tax rate can vary significantly year on year and can move contrary to current period financial performance.

A 100 basis points increase in the effective tax rate will result in an increase in the net deferred tax liability at 30 June 2018 of approximately R8.0 million (2017: R7.4 million).

The assessment of the probability that future taxable profits will be available against which the tax losses and unredeemed capital expenditure can be utilised requires the use of assumptions and estimates and are inherently uncertain and could change materially over time.

Capital expenditure is assessed by the South African Receiver of Revenue when it is redeemed against taxable mining income rather than when it is incurred. A different interpretation by the South African Receiver of Revenue regarding the deductibility of these capital allowances may therefore become evident subsequent to the year of assessment when the capital expenditure is incurred.

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax. Each company is taxed as a separate entity and tax is not set-off between the companies.

Current tax
Current tax comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment on tax payable or receivable in respect of the previous year is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax assets relating to unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

Deferred tax related to gold mining income is measured at a forecast weighted average tax rate that is expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

17.1 INCOME TAX EXPENSE

Tax on gold mining income is determined based on a formula: $Y = 34 - 170/X$ where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure that bears to gold mining income derived, expressed as a percentage. Non-mining income, which consists primarily of interest accrued, is taxed at a standard rate of 28%.

All mining capital expenditure is deducted in the year it is incurred to the extent that it does not result in an assessed loss. Capital expenditure not deducted from mining income is carried forward as unutilised capital allowances to be deducted from future mining income.

17 INCOME TAX *continued*

17.1 INCOME TAX EXPENSE *continued*

Amounts in R million	2018	2017
Mining tax	**(23.2)**	54.2
Non-mining tax	**(2.7)**	(3.8)
	(25.9)	50.4
Comprising:		
Current tax - current year	**(6.4)**	(1.9)
Deferred tax - current year	**(19.5)**	53.4
Deferred tax - prior year	**-**	(1.1)
	(25.9)	50.4
Tax reconciliation		
Major items causing the Group's income tax expense to differ from the statutory rate were:		
Tax on net (profit)/loss before tax at the South African corporate tax rate of 28%	**(9.0)**	10.3
Rate adjustment to reflect the actual realised company tax rates	**3.5**	(7.9)
Deferred tax rate adjustment (a)	**(12.8)**	37.5
Non-deductible expenditure (b)	**(9.8)**	(1.8)
Utilisation of tax losses for which deferred tax assets were previously unrecognised (c)	**2.6**	5.9
Current year tax losses for which no deferred tax was recognised	**(0.8)**	(0.3)
Exempt income and other non-taxable income	**-**	5.4
Tax incentives	**0.4**	0.2
Over provided in prior periods	**-**	1.1
Income tax	**(25.9)**	50.4

(a) Deferred tax rate adjustment
The forecast weighted average deferred tax rate increased from 18.6% to 20.3% as a result of a increase in forecast profitability of Ergo (2017: decreased from 23.1% to 18.6% due to the decrease in forecast profitability of Ergo).

(b) Non-deductible expenditure
The most significant non-deductible expenditure incurred by the Group includes:

- R9.0 million transactions costs incurred related to the acquisition of the WRTRP Assets,
- R8.8 million fair value adjustment on initial recognition of the long-term receivable;
- R7.5 million net operating cost related to Ergo Business Development Academy Not for Profit Company that is not deductible as it is exempt from income tax; and
- R6.0 million expenditure that is capital in nature.

(c) Utilisation of tax losses for which deferred tax assets were previously unrecognised
Group entities that are not expected to generate recurring taxable income, and therefore have unrecognised deferred tax assets, generated taxable income during the year ended 30 June 2018 resulting in the utilisation of unrecognised losses.

17 INCOME TAX *continued*

17.2 DEFERRED TAX

Deferred tax assets and liabilities relate to the following:

Amounts in R million	2018	2017
Deferred tax asset		
Provisions	**8.7**	5.0
	8.7	5.0
Deferred tax liability		
Property, plant and equipment	**(261.5)**	(223.8)
Provisions, including rehabilitation provision	**95.0**	80.2
Other temporary differences (1)	**2.8**	3.1
	(163.7)	(140.5)
Net deferred mining and income tax liability	**(155.0)**	(135.5)

Movement in the net deferred tax liability is as follows:

Amounts in R million	2018	2017
Opening balance	**(135.5)**	(187.9)
Recognised in profit or loss	**(19.5)**	52.4
Property, plant and equipment	**(37.7)**	83.1
Provisions, including rehabilitation provision	**18.5**	(29.4)
Other temporary differences (1)	**(0.3)**	(1.3)
Closing balance	**(155.0)**	(135.5)

(1) Includes the temporary differences on the finance lease obligation.

Deferred tax assets have not been recognised in respect of the following:

Amounts in R million	2018	2017
Tax losses	**37.3**	20.5
Unredeemed capital expenditure	**272.9**	272.9
Capital losses	**330.0**	325.2

Deferred tax assets have not been recognised for Group entities that are not expected to generate future taxable profits against which the tax losses, unredeemed capital expenditure and capital losses can be utilised.

18 EMPLOYEE BENEFITS

ACCOUNTING POLICIES

Cash-settled share-based payments ("Long Term Incentive" or "LTI")
Cash-settled share-based payments are measured at fair value and remeasured at each reporting date to reflect the potential outflow of cash resources to settle the liability, with a corresponding adjustment in profit or loss. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Post-retirement medical benefit
The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Amounts in R million	Note	2018	2017
Non-current employee benefits		**40.6**	39.0
Liability for long term incentive scheme	18.1	**31.9**	30.7
Liability for post-retirement medical benefits*		**8.7**	8.3
Current employee benefits		**13.2**	-
Liability for long term incentive scheme	18.1	**13.2**	-
Total employee benefits		**53.8**	**39.0**

* Unfunded medical aid benefit plan

18.1 LIABILITY FOR LONG TERM INCENTIVE SCHEME

Terms of the November 2015 grant made under the DRDGOLD Group's amended long term incentive scheme are:

- The scheme has a finite term of 5 years and thus no top-up awards are made when the shares vest;
- The phantom shares are issued at an exercise price of nil and will vest in 3 tranches: 20%, 30% and 50% on the 3rd, 4th and 5th anniversaries respectively, subject to individual service and performance conditions being met; and
- The phantom shares will be settled at the 7 day volume weighted average price ("VWAP") of the DRDGOLD share.

Amounts in R million	Note	2018	2017
Movements in the total liability			
Opening balance		**30.7**	30.3
Increase in long term incentive liability	5.3	**17.2**	10.0
Vested and paid		**(2.8)**	(9.6)
Total liability for long term incentive scheme		**45.1**	30.7
The total liability for long term incentive scheme is expected to be settled as follows:		**45.1**	30.7
Within 12 months after reporting date		**13.2**	-
After 12 months after reporting date		**31.9**	30.7

Reconciliation of outstanding phantom shares	**2018**		**2017**	
	Shares Number	**Weighted average price R per share**	**Shares Number**	**Weighted average price R per share**
Opening balance	21,144,534		23,169,191	
Vested and paid	(955,067)	2.93	(1,502,747)	6.39
Forfeited/lapsed	-		(521,910)	
Closing balance	20,189,467		21,144,534	

Ageing of outstanding phantom shares:	**30 June 2019**	**30 June 2020**	**30 June 2021**	**Total**
November 2015	4,037,893	6,056,840	10,094,734	20,189,467

18 EMPLOYEE BENEFITS continued

18.1 LIABILITY FOR LONG TERM INCENTIVE SCHEME continued

Fair value

The fair value of the liability for the long term incentive scheme is mostly influenced by the DRDGOLD Limited share price. Other inputs influencing the fair value are the forward dividend yield and estimates of staff retention and performance conditions. The inputs most significantly influencing the measurement of the fair values are as follows:

	2018	2017	Grant date
7 day VWAP of the DRDGOLD Limited share	3.71	4.23	2.26
Annualised forward dividend yield	1.8%	0.7%	4.3%

18.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Emoluments

Amounts in R 000				2018			2017
Directors / Prescribed Officers	Remuneration paid during the year (1)	Short Term Incentives related to this cycle	Long Term Incentives paid during this cycle	Total remuneration related to this cycle	Remuneration paid during the year (1)	Long Term Incentives paid during this cycle	Total remuneration related to this cycle
Executive directors							
D J Pretorius	6 104	4 697	-	10 801	5 731	-	5 731
A J Davel	3 429	2 639	250	6 318	3 220	560	3 780
	9 533	7 336	250	17 119	8 951	560	9 511
Non-executive directors							
G C Campbell	1 446	-	-	1 446	1 536	-	1 536
J Turk	655	-	-	655	655	-	655
E A Jeneker	805	-	-	805	767	-	767
J Holtzhausen	718	-	-	718	684	-	684
T B V N Mnyango	651	-	-	651	361	-	361
	4 275	-	-	4 275	4 003	-	4 003
Prescribed officers							
C M Symons (2,3)	-	-	-	-	232	559	791
W J Schoeman	3 308	2 013	250	5 571	3 050	921	3 971
R Masemene	2 402	808	124	3 334	2 371	426	2 797
	5 710	2 821	374	8 905	5 653	1 906	7 559
Total	**19 518**	**10 157**	**624**	**30 299**	**18 607**	**2 466**	**21 073**

(1) Total remuneration paid during the year includes encashed leave.
(2) Service period concluded on 31 July 2016.
(3) Includes pension scheme contributions of R nil (2017: R28 263).

Non-executive directors are paid board fees made up of a base fee and committee fees. The Company's MOI makes provision for directors' fees to be determined at the Annual General Meeting.

18 EMPLOYEE BENEFITS *continued*

18.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

Participation in long term incentive scheme

Directors / Prescribed Officers	Opening balance	Granted	Vested	Proceeds	Average exercise price	Forfeited / lapsed	Closing balance
	Number	Number	Number	R	R/share	Number	Number
2018							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,390,536	-	(85,503)	250,077	2.92	-	1,305,033
	3,713,545	**-**	**(85,503)**	**250,077**		**-**	**3,628,042**
Prescribed officers							
W J Schoeman	1,407,636	-	(102,603)	250,077	2.44	-	1,305,033
R Masemene	838,688	-	(42,228)	123,508	2.92	-	796,460
	2,246,324	**-**	**(144,831)**	**373,585**		**-**	**2,101,493**
Total	**5,959,869**	**-**	**(230,334)**	**623,662**		**-**	**5,729,535**
2017							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,476,039	-	(85,503)	560,079	6.55	-	1,390,536
	3,799,048	**-**	**(85,503)**	**560,079**		**-**	**3,713,545**
Prescribed officers							
C M Symons	170,633	-	(85,314)	558,847	6.55	(85,319)	-
W J Schoeman	1,533,441	-	(125,805)	921,053	7.32	-	1,407,636
R Masemene	905,918	-	(67,230)	426,348	6.34	-	838,688
	2,609,992	**-**	**(278,349)**	**1,906,248**		**(85,319)**	**2,246,324**
Total	**6,409,040**	**-**	**(363,852)**	**2,466,327**		**(85,319)**	**5,959,869**

18 EMPLOYEE BENEFITS *continued*

18.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Interests in contracts

None of the directors, officers or major shareholders of DRDGOLD or, to the knowledge of DRDGOLD's management, their families, had any interest, direct or indirect, in any transaction during the year ended 30 June 2018 or the preceding financial years, or in any proposed transaction which has affected or will materially affect DRDGOLD or its subsidiaries. None of the directors or officers of DRDGOLD or any associate of such director or officer is currently or has been at any time during the past financial year materially indebted to DRDGOLD.

Key management personnel remuneration

Amounts in R million	Note	2018	2017
- Board fees paid		**5.6**	5.0
- Salaries paid		**53.6**	52.9
- Short term incentives relating to this cycle		**22.5**	-
- Long term incentives paid during the cycle	18.2	**2.8**	9.6
		84.5	67.5

19 CAPITAL MANAGEMENT

The primary objective of managing the Group's capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, including capital expenditure, in a way that optimises the cost of capital, ensures that the Group remains in a sound financial position and matches the Group's strategy.

At 30 June 2018 the Group had no external debt in line with its aim for the existing operations to remain unleveraged. All funding requirements during the past financial year have been financed by existing cash resources and cash generated from operations.

The Group considers the appropriate capital management strategy for specific growth projects as and when required.

Lease arrangements that are not in the legal form of a finance lease, but is accounted for as such based on its terms and conditions, are not considered to be debt.

Financing the development of Phase 1 of FWGR

Subsequent to the acquisition of FWGR on 31 July 2018 (refer note 28), a Revolving Credit Facility amounting to R300 million was secured with ABSA Bank Limited (acting through its Corporate and Investment Banking division) to finance the development of Phase 1 of FWGR, replacing the R100 million overdraft facility that was in place during the year ended 30 June 2018.

Price protection policy

After 30 June 2018 the Board approved Rand gold price protection to manage the short-term liquidity risk that will arise from the anticipated increase in borrowings to finance the development of Phase 1 of FWGR.

20 EQUITY

ACCOUNTING POLICIES

Ordinary share capital
Ordinary shares and the cumulative preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Repurchase and reissue of ordinary shares (treasury shares)
When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from share capital.

Dividends
Dividends are recognised as a liability on the date on which they are declared which is the date when the shareholders' right to the dividends vest.

Amounts in R million	2018	2017
Authorised share capital		
1 500 000 000 (2017: 600 000 000) ordinary shares of no par value		
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
Issued share capital		
431 429 767 (2017: 431 429 767) ordinary shares of no par value (a,b)	**4,227.9**	4,227.9
9 361 071 (2017: 9 361 071) treasury shares held within the Group (c)	**(50.7)**	(50.7)
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
	4,177.7	4,177.7
Dividends (c)		
Dividends paid during the year net of treasury shares:		
Prior year final dividend: 5 SA cents per share (2017: 12 SA cents per share)	**21.1**	50.6
Interim dividend: 5 SA cents per share (2017: nil)	**21.1**	-
Total	**42.2**	50.6

(a) Unissued shares
In terms of an ordinary resolution passed at the previous annual general meeting, the remaining unissued ordinary shares in the company are under the control of the directors until the next general meeting.

(b) Issued shares

No shares were issued during the year ended 30 June 2018 (2017: nil).

On 31 July 2018, the acquisition of FWGR became unconditional. On this date 265 million ordinary shares were issued to Sibanye-Stillwater as settlement of the purchase consideration for these assets.

(c) Treasury shares
Shares in DRDGOLD Limited are held in treasury by Ergo Mining Operations Proprietary Limited ("EMO"). No shares were acquired in the market during the year ended 30 June 2018 (2017: nil). Dividends amounting to R0.9 million (2017: R1.1 million) were received on these shares.

RELATED PARTY RELATIONSHIPS

The issue of 265 million ordinary shares to Sibanye-Stillwater on 31 July 2018 as settlement of the purchase consideration for the FWGR assets, resulted in Sibanye-Stillwater owning 38.05% of the issued ordinary shares of DRDGOLD Limited and hence becoming a related party to DRDGOLD.

21 OPERATING SEGMENTS

ACCOUNTING POLICIES

Operating segments are reported in a manner consistent with internal reports that the Group's chief operating decision maker (CODM) reviews regularly in allocating resources and assessing performance of operating segments. The CODM has been identified as the Group's Executive Committee. The Group has one revenue stream, the sale of gold. To identify operating segments, management reviewed various factors, including operational structure and mining infrastructure. It was determined that an operating segment consists of a single or multiple metallurgical plants that, together with its deposition facility, is capable of operating independently.
When assessing profitability, the CODM considers, *inter alia*, the revenue and production costs of each segment. The net of these amounts is the operating profit or loss. Therefore, operating profit has been disclosed in the segment report as the primary measure of profit or loss. The CODM also considered other costs that, in addition to the operating profit or loss, result in the working profit or loss.

Ergo is a surface retreatment operation and treats old slime and sand dumps to the south of Johannesburg's central business district as well as the East and Central Rand goldfields. The operation comprises three plants. The Ergo and Knights plants continue to operate as metallurgical plants. The City Deep plant continues to operate as a pump/milling station feeding the metallurgical plants. The Crown plant operated as a pump/milling station feeding the metallurgical plants until March 2017 when it ceased all operations.
Corporate office and other reconciling items (collectively referred to as **"Other reconciling items"**) are taken into consideration in the strategic decision-making process of the CODM and are therefore included in the disclosure here, even though they do not earn revenue. They do not represent a separate segment.

2018 Amounts in R million	Ergo	Other reconciling items	Total
Financial performance			
Revenue (External)	2,490.4	-	2,490.4
Cash operating costs	(2,159.7)	-	(2,159.7)
Movement in gold in process	24.5	-	24.5
Operating profit	355.2	-	355.2
Administration expenses and general costs (1)	(11.5)	(78.6)	(90.1)
Interest income (2)	9.5	12.3	21.8
Interest expense (2)	(3.1)	(1.0)	(4.1)
Current tax	(2.9)	(3.5)	(6.4)
Working profit/(loss) before capital expenditure	347.2	(70.8)	276.4
Additions to property, plant and equipment	(125.2)	(0.9)	(126.1)
Working profit/(loss) after capital expenditure	222.0	(71.7)	150.3

(1) Administration expenses and general costs excludes loss on disposal of property, plant and equipment
(2) Interest income excludes the unwinding of the long-term receivable
(3) Interest expense excludes the fair value adjustment on the initial recognition of the long-term receivable

Amounts in R million	Ergo	Other reconciling items	Total
Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	347.2	(70.8)	276.4
- Depreciation	(167.4)	(0.6)	(168.0)
- Movement in provision for environmental rehabilitation	2.5	0.4	2.9
- Growth in investment in environmental obligation funds	10.1	6.2	16.3
- Loss on disposal of property, plant and equipment	(0.6)	-	(0.6)
- Unwinding of provision for environmental rehabilitation	(44.3)	(1.3)	(45.6)
- Fair value adjustment on the initial recognition of long-term receivable including subsequent unwinding	(8.1)	-	(8.1)
- Ongoing rehabilitation expenditure	(26.7)	-	(26.7)
- Net other operating (costs)/income	(36.2)	15.6	(20.6)
- Deferred tax	(23.2)	3.7	(19.5)
Profit/(loss) for the year	53.3	(46.8)	6.5
Statement of cash flows			
Cash flows from operating activities	285.3	(51.5)	233.8
Cash flows from investing activities	(140.2)	(0.2)	(140.4)
Cash flows from financing activities	(2.8)	(42.2)	(45.0)

21 OPERATING SEGMENTS *continued*

2017 Amounts in R million	Ergo	Other reconciling items	Total
Financial performance			
Revenue (external)	2,339.9	-	2,339.9
Cash operating costs	(2,087.9)	-	(2,087.9)
Movement in gold in process	4.8	-	4.8
Operating profit	256.8	-	256.8
Interest income	6.8	16.8	23.6
Interest expense	(3.3)	(2.4)	(5.7)
Retrenchment costs	(23.0)	-	(23.0)
Administration expenses and general costs	(4.5)	(64.9)	(69.4)
Current tax	(1.9)	-	(1.9)
Working profit/(loss) before capital expenditure	230.9	(50.5)	180.4
Additions to property, plant and equipment	(116.2)	(0.1)	(116.3)
Additions to unlisted investments	-	(0.1)	(0.1)
Working profit/(loss) after capital expenditure	114.7	(50.7)	64.0
Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	230.9	(50.5)	180.4
- Depreciation	(179.7)	(0.1)	(179.8)
- Movement in provision for environmental rehabilitation	(0.6)	-	(0.6)
- Growth in environmental rehabilitation trust funds and reimbursive right	10.9	5.5	16.4
- Profit on disposal of property, plant and equipment	0.2	12.7	12.9
- Unwinding of provision for environmental rehabilitation	(45.3)	(1.2)	(46.5)
- Ongoing rehabilitation expenditure	(22.4)	-	(22.4)
- Net other operating (costs)/income	(30.3)	31.3	1.0
- Deferred tax	54.2	(1.9)	52.3
Profit/(loss) for the year	17.9	(4.2)	13.7
Statement of cash flows			
Cash flows from operating activities	32.5	19.1	51.6
Cash flows from investing activities	(116.6)	19.9	(96.7)
Cash flows from financing activities	(2.4)	(50.6)	(53.0)

22 INTEREST IN SUBSIDIARIES

ACCOUNTING POLICIES
Significant subsidiaries of the Group are those subsidiaries with the most significant contribution to the Group's profit or loss or assets.

Ergo Mining Proprietary Limited is the only significant subsidiary of the Group. It is primarily involved in the retreatment of surface gold and all of its operations are based in South Africa. Ergo Mining Proprietary Limited is a wholly owned subsidiary and is incorporated in South Africa.

A complete list of the Group's subsidiaries are included in the Company financial statements of DRDGOLD Limited.

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether the disposal is highly probable requires the exercise of significant judgement and estimates of the outcome of future events that are not wholly within the control of the Group.

ACCOUNTING POLICIES

Non-current assets or disposal groups, comprising non-current assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets or disposal groups are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial application as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Non-current assets and disposal groups cease to be classified as held for sale if it is not highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets that cease to be classified as held for sale are measured at the lower of their carrying amount before such assets were classified as held for sale, adjusted for any depreciation that would have been recognised had such assets not been classified as held for sale, and their recoverable amount at the date of the subsequent decision not to sell.

Amounts in R million	Note	2018	2017
Assets held for sale			
Property, plant and equipment *		-	-
Opening balance		-	5.8
Transferred to property, plant and equipment	9	-	(0.8)
Disposal		-	(5.0)
Non-current investments and other assets		-	-
Opening balance		-	9.2
Growth	6	-	0.7
Transferred to cash and cash equivalents in environmental rehabilitation trust funds	11	-	(9.9)
		-	-
* Consists of land that is carried at cost and is not depreciated.			
Liabilities held for sale			
Provisions		-	-
Opening balance		-	15.6
Unwinding of provision	7	-	1.2
Transferred to provision for environmental rehabilitation	10	-	(16.8)
		-	-

In line with the Group's strategy to exit underground mining operations, management committed to a plan to sell certain of the underground mining and prospecting rights held by East Rand Proprietary Mines Limited ("ERPM") including the related liabilities late during the financial year ended 30 June 2014. Since that date up to 31 December 2016, these assets and liabilities had been presented as a disposal Group held for sale due to being "high probable" as defined.

At 30 June 2017, management concluded that the disposal of these underground mining and prospecting rights, including the related liabilities, was no longer "highly probable" and reclassified these assets and liabilities based on their underlying nature.

The last outstanding regulatory approval, being the approval under Section 11 of the Mineral and Petroleum Resource Development Act was not fulfilled by the purchaser. Management decided not to provide any further extension to the purchaser and accordingly the agreement in respect of the disposal of these underground mining and prospecting rights, including the related liabilities, lapsed.

24 FINANCIAL ASSETS

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment to define the relevant accounting policy and subsequent classification of the long-term receivable requires the exercise of significant judgement of the outcome of future events that are not wholly under the control of the Group.

The judicial proceedings that impacts on the long-term receivable are inherently complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

The fair value determination of the long-term receivable is determined using assumptions and estimates that are inherently uncertain and can change materially over time.

These assumptions and estimates include estimating the timing of concluding on the main application, the ultimate settlement terms, the discount rate applied and the credit risk assessment for impairment purposes.

ACCOUNTING POLICIES

Investment in other entities
The Group's listed and unlisted investments in equity securities are classified as available-for-sale financial assets. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI.

Long-term receivable
The long-term receivable is a non-derivative financial asset categorised as loans and receivables.

The asset is initially measured at fair value and any difference between the face value of payments made and the fair value of the long-term receivable on initial recognition are recognised in profit or loss as a finance expense.

Subsequent to initial recognition, the long-term receivable is measured at amortised cost using the effective interest method less any impairment losses. Unwinding of the carrying value is accounted for as a finance income.

Impairment
A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence (e.g. delinquency of a debtor and indications that a debtor will enter bankruptcy) that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Any impairment losses are recognised in the statement of profit or loss.

Amounts in R million	Note	2018	2017
Investment in other entities	24.1	**9.4**	8.8
Long-term receivable	24.2	**19.3**	-
Total financial assets		**28.7**	**8.8**

24.1 INVESTMENTS IN OTHER ENTITIES

Amounts in R million	Shares held	% held	2018	2017
Listed investments (Fair value hierarchy Level 1):			**9.2**	8.6
West Wits Mining Limited ("WWM")	47 812 500	6.7%	**9.2**	8.6
Unlisted investments (Fair value hierarchy Level 3):			**0.2**	0.2
Rand Refinery Proprietary Limited ("Rand Refinery") (a)	44 438	11.0%	**-**	-
Guardrisk Insurance Company Limited (Cell Captive A170) ^	20	#	**0.1**	0.1
Chamber of Mines Building Company Proprietary Limited	30 160	3.0%	**0.1**	0.1
Rand Mutual Assurance Company Limited	1	#	**-**	-
			9.4	8.8
Fair value adjustment on available for sale financial assets recognised in OCI			0.6	(0.3)

 # Represents a less than 1% shareholding.
^ Class A 170 shares are held in Guardrisk Insurance Company Limited that entitles the holder to 100% of the residual net equity of the Cell Captive A 170 after settlement of the reimbursive right.

24 FINANCIAL ASSETS *continued*

24.1 INVESTMENTS IN OTHER ENTITIES *continued*

(a) Rand Refinery

The estimated fair value of the investment in Rand Refinery shares remains *de minimis* due to the uncertainty regarding Rand Refinery's future free cash flows and the lack of marketability of the shares held.

MARKET RISK

Other market price risk
Equity price risk arises from changes in quoted market prices of listed investments as well as changes in the fair value of unlisted investments due to changes in the underlying net asset values.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Listed investments
The fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges and constitute level 1 instruments on the fair value hierarchy.

Unlisted investments
The valuations are based on either the net asset values of these companies, or the consideration of unobservable financial information which is compared to information available in the market regarding other market participants' view on the value of the company and constitute level 3 instruments on the fair value hierarchy.

24.2 LONG-TERM RECEIVABLE

Payments were made under protest to the Municipality (refer note 25) amounting to R27.4 million (excluding VAT), consisting of an initial payment of R22,5 million as well as subsequent payments of R4,9 million comprising the difference between the J-tariff and the Eskom tariff. The initial payment was made from cash held in escrow relating to the electricity tariff dispute with Ekurhuleni Metropolitan Municipality (refer note 12).

The long-term receivable resulting from these payments was initially recognised at fair value of R18,6 million, resulting in a fair value adjustment at initial recognition of R8.8 million, accounted for as finance expense (refer note 7).

The long-term receivable constitutes a level 3 instrument on the fair value hierarchy. The fair value was determined using the income approach present value technique. The calculation was based on the following assumptions:
- discount rate: 11.68% representing the Municipality maximum cost of borrowing on bank loans as disclosed in their 30 June 2017 annual report; and
- discount period: 3 years representing management’s best estimate of the date of conclusion of the Main Application.

During the year, an unwinding of R 0.7 million was recognised, accounted for as finance income (refer note 6).

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of the long-term receivable. The credit risk was considered in the determination of the fair value at initial recognition by discounting the payments made over the estimated period until the expected conclusion of the Main Application using the Municipality’s incremental cost of borrowing.

The Group manages the credit risk by regularly monitoring the events surrounding the outcome of the Main Application and assessing the long-term receivable for recoverability.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the payments made resulting in the other long-term receivable is adjusted to its fair value on an ongoing basis by initially discounting and subsequently unwinding over the estimated period until the expected conclusion of the Main Application using the Municipality’s incremental cost of borrowing.

25 CONTINGENT ASSETS AND LIABILITIES

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether an obligating event results in a liability or a contingent liability require the exercise of significant judgement of the outcome of future events that are not wholly within the control of the Group.

Litigation and other judicial proceedings inherently entail complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

ACCOUNTING POLICIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured. When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

Environmental

Mine residue deposits may have a potential pollution impact on ground water through seepage. The Group has taken certain preventative actions as well as remedial actions in an attempt to minimise the Group's exposure and environmental contamination.

The flooding of the western and central basins have the potential to cause pollution due to Acid Mine Drainage ("AMD") contaminating the ground water. The government has appointed Trans-Caledon Tunnel Authority ("TCTA") to construct a partial treatment plant to prevent the ground water being contaminated. TCTA completed the construction of the neutralisation plant for the Central Basin and commenced treatment during July 2014. As part of the heads of agreement signed in December 2012 between EMO, Ergo, ERPM and TCTA, sludge emanating from this plant since August 2014 has been co-disposed onto the Brakpan Tailings Storage facility. Partially treated water has been discharged by TCTA into the Elsburg Spruit.

This agreement includes the granting of access to the underground water basin through one of ERPM's shafts and the rental of a site onto which it constructed its neutralisation plant. In exchange, Ergo and its associate companies including ERPM have a set-off against any future directives to make any contribution toward costs or capital of up to R250 million. Through this agreement, Ergo also secured the right to purchase up to 30 Ml of partially treated AMD from TCTA at cost, in order to reduce Ergo's reliance on potable water for mining and processing purposes.

While the heads of agreement should not be seen as an unqualified endorsement of the state's AMD solution, and do not affect our right to either challenge future directives or to implement our own initiatives should it become necessary, it is an encouraging development.

DRDGOLD, through its participation in the Western Utilities Corporation initiative, provided the government with a solution for a sustainable long-term solution to AMD. This solution would have been at no cost to the mines and government. In view of the limitation of current information for the accurate estimation of a potential liability, no reliable estimate can be made for the possible obligation.

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Ekurhuleni Metropolitan Municipality ("Municipality") Electricity Tariff Dispute

The Main Application

Integral to Ergo's gold extraction operation is its metallurgical plant at Brakpan ("Ergo Plant") located within the municipal boundaries of the Municipality. In order to operate the Ergo Plant and conduct its business operations, Ergo requires a reliable and steady feed of electricity which it draws from Eskom's Ergo Central Substation.

Over the past several years the Municipality has charged Ergo for such electricity, at the Megaflex tariff, which is the rate at which Eskom charges its large power users plus an additional surcharge.

Pursuant to its own investigations, and after having sought legal advice on the matter, Ergo determined that not only is it supplied by Eskom, not the Municipality, but also that the surcharges levied were inconsistent with the provisions of the Local Government: Municipal Systems Act ("Systems Act"), which sets down clear and strict parameters in this regard. Ergo subsequently challenged the Municipality, Eskom and the National Energy Regulator of South Africa ("NERSA") for declaratory relief. Included in the application are the Minister of Energy Affairs, the Minister of Co-operative Governance & Traditional Affairs and the South African Local Government Association, the latter 4 (four) respondents against whom Ergo does not seek any relief and who have not opposed the application.

Ergo seeks the following relief:

1. declaring that it is not supplied electricity by the Municipality and that the Municipality is not authorised to levy a surcharge of 40% ("the D-tariff") to the rate which Eskom ordinarily charges Ergo on its Megaflex rate ("Eskom tariff");

2. declaring that the Municipality is in breach of its temporary Distribution Licence (issued by NERSA) by purporting to supply electricity to Ergo at the Ergo Plant;

3. declaring that neither the Municipality nor Eskom may lawfully insist that only the Municipality may supply electricity to Ergo at the Ergo Plant;

4. declaring that Eskom presently supplies electricity to Ergo at the Ergo Plant; and

5. directing Eskom to conclude a consumer agreement with Ergo for the supply of electricity at the Ergo Plant at Eskom's Megaflex tariff.

Ergo also instituted a counterclaim against the Municipality for the recovery of the surcharges which were erroneously paid to the Municipality in the *bona fide* belief that they were due and payable prior to the Main Application of approximately R43 million (these surcharges were expensed for accounting purposes).

Consequently, and pending the final determination of the Main Application by the High Court, Ergo stopped paying the surcharges to the Municipality, paying (and expensing) only the Eskom tariff and depositing the difference comprising the D-tariff into its attorneys' trust account as security in favour of the Municipality in the event that the court rules against Ergo. These surcharges were not expensed but recognised under cash and cash equivalents as restricted cash (refer note 12).

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Ekurhuleni Metropolitan Municipality ("Municipality") Electricity Tariff Dispute *continued*

The Urgent Application

In May 2015 the Municipality threatened to, through an interruption to the Eskom supply grid, cause the supply of electricity to the Ergo Central Substation to be terminated. Ergo successfully interdicted the Municipality, pending the determination of the Main Application.

The Municipality sought leave to appeal the interdict, which application was rejected by the High Court. The Municipality then successfully petitioned the Supreme Court of Appeal ("SCA") in Bloemfontein for leave to appeal thereto.

Ergo subsequently, and ultimately, petitioned the Constitutional Court in Braamfontein, Johannesburg in December 2017 for leave to appeal thereto against the latter judgment of the full bench of the SCA which found in favour of the Municipality. In January 2018, the Constitutional Court rejected and refused to hear Ergo's petition for a further appeal.

This ruling enabled the Municipality to avail itself of the credit control measures provided for in the Systems Act by terminating the supply of electricity to Ergo, unless it paid the surcharges levied in their entirety and which were retained in Ergo's attorneys' trust account over to the Municipality.

On the date of the Constitutional Court ruling, the money held in Ergo's attorney's trust account amounted to approximately R126 million. In February 2018, Ergo paid R25.2 million (including VAT) from the trust account to the Municipality, under protest and without prejudice and/or admission of liability (refer note 24.2). This amount was the difference between the surcharge of 11% ("the J-tariff") over the Eskom tariff, which was introduced during the course of 2017 *"for bulk supplies at medium and high voltage situated in a position designated by the Municipality as close-coupled to the Eskom grid"*. The J-tariff, which Ergo still deems to be irregular and disproportionate in accordance with the provisions of the Systems Act, is significantly lower than the previously imposed "D-tariff". The balance, following the payments of the R25.2 million, remains in the trust account of Ergo's attorneys of record. Subsequently, Ergo pays monthly to the Municipality, the amount calculated at the lower J-tariff in respect of its electricity consumption, under protest and without prejudice and/or admission of liability (refer note 24.2).

Ergo's legal team is confident about the prospects of success in the Main Application on the basis that the Municipality does not supply electricity to Ergo or in any manner add value to Eskom's supply of electricity to Ergo. Ergo is furthermore, in terms of the Main Application, in addition to its contention that the Municipality does not supply electricity to it and not licensed to supply it, challenging the imposition of both the J-tariff and D-tariff on the grounds that they are, *inter alia*, *ultra vires* and beyond the scope of the Municipality's Electricity By-Laws, the Systems Acts as well as the Credit Control and Debt Collection By-Laws.

The Main Application has been set down for hearing on 5 December 2018. Based on management's assessment of the probability of outflows, no liability for any surcharges claimed by the Municipality has been recognised.

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Occupational Lung Diseases

In January 2013, DRDGOLD, ERPM ("DRDGOLD Respondents") and 23 other mining companies ("Other Respondents") (collectively referred to as "Respondents") were served with a court application issued in the High Court of South Africa ("Court") for a class certification ("Certification Application") on behalf of former mineworkers and dependents of deceased mineworkers ("Applicants"). In the application, the Applicants allege that the Respondents conducted underground mining operations in a negligent and complicit manner causing the former mineworkers to contract occupational lung diseases. The Applicants have as yet not quantified the amounts which they are demanding from the Respondents in damages.

On 13 May 2016, the Court granted an order for, *inter alia,* (1) certification of two industry-wide classes: a silicosis class and a tuberculosis class, both of which cover current and former underground mineworkers who have contracted the respective diseases (or the dependants of mineworkers who died of those diseases); and (2) that the common law be developed to provide that in instances where a claimant claiming general damages passed away, the claim for general damages will be transmitted to the estate of the deceased claimant. This order did not represent a ruling on the merits of the Application brought against the Respondents.

An application for leave to appeal to the Supreme Court of Appeal ("SCA") was brought by each of the respondent mining companies against the judgment of the Court, specifically on the allegations of the certification and transmissibility of damages to the estate of a deceased mineworker.

In June 2016, the Court granted leave to appeal to the SCA against the transmissibility of damages but refused leave to appeal in respect of the certification.

The DRDGOLD Respondents (together with each of the Working Group companies) served a notice of appeal to petition the SCA against the order for certification and the transmissibility of damages. The SCA granted leave to appeal thereto on both issues in September 2016.

The appeal to the SCA was set down for hearing in March 2018 but was subsequently postponed by agreement between the Applicants and the Respondent companies in the light of the progress made by the Working Group as described below. The SCA endorsed and upheld the postponement.

The Respondent companies formed a Working Group consisting of representatives from each company to consider and discuss issues pertaining to the action.

DRDGOLD withdrew from the Working Group in January 2016.

The remaining members of the Working Group have all raised accounting provisions during the calendar year 2017 due to progress made by the Working Group towards a possible settlement with the Applicants. In May 2018, the remaining members of the Working Group announced that a mediated settlement agreement had been reached. The agreement is subject to certain conditions, including the approval by the South African High Court after which an effective date of the agreement will be set.

DRDGOLD is not a party to the Working Group's mediated settlement agreement and maintains the view that it is too early to consider settlement of the matter, mainly for the following reasons:
- the Applicants have as yet not issued and served a summons (claim) in the matter;
- there is no indication of the number of potential claimants that may join the class action against the DRDGOLD respondents;
- many principles upon which legal responsibility may be founded, are required to be substantially developed by the trial court (and possibly subsequent courts of appeal) to establish liability on the bases alleged by the applicants.

In light of the above there is inadequate information to determine if a sufficient legal and factual basis exists to establish liability, and to quantify such potential liability.

26 FINANCIAL INSTRUMENTS

Overview

The Group has exposure to credit risk, liquidity risks, as well as other market risks from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives and policies and processes for measuring and managing risk. The Group's management of capital is disclosed in note 19. This note must be read with the quantitative disclosures included throughout these consolidated financial statements.

Financial risk management framework

The board of directors ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by the internal audit function. The internal audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investment securities.

The Group's financial instruments do not represent a concentration of credit risk due to the exposure to credit risk being managed as disclosed in the following notes:

NOTE 11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS
NOTE 12 CASH AND CASH EQUIVALENTS
NOTE 14 TRADE AND OTHER RECEIVABLES
NOTE 24 FINANCIAL ASSETS

26 FINANCIAL INSTRUMENTS *continued*

MARKET RISK

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the consolidated profit or loss or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Commodity price risk

Additional disclosures are included in the following note:

NOTE 4 REVENUE

Other market risk

Additional disclosures are included in the following note:

NOTE 24.1 INVESTMENTS IN OTHER ENTITIES

Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Group receives cash from its operations and is obliged to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. Lower interest rates result in lower returns on investments and deposits and also may have the effect of making it less expensive to borrow funds at then current rates. Conversely, higher interest rates result in higher interest payments on loans and overdrafts.

Additional disclosures are included in the following notes:

NOTE 11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS
NOTE 12 CASH AND CASH EQUIVALENTS

Foreign currency risk

The Group enters into transactions denominated in foreign currencies, such as gold sales denominated in US dollar, in the ordinary course of business. This exposes the Group to fluctuations in foreign currency exchange rates.

Additional disclosures are included in the following notes:

NOTE 12 CASH AND CASH EQUIVALENTS
NOTE 14 TRADE AND OTHER RECEIVABLES

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Additional disclosures are included in the following note:

NOTE 15 TRADE AND OTHER PAYABLES
NOTE 19 CAPITAL MANAGEMENT

27 RELATED PARTIES

Disclosures are included in the following notes:
NOTE 18.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
NOTE 20 EQUITY
NOTE 22 INTEREST IN SUBSIDIARIES

28 SUBSEQUENT EVENTS

There were no significant subsequent events between the year-end reporting date of 30 June 2018 and the date of issue of these financial statements other than described below and included in the preceding notes to the consolidated financial statements.

Acquisition of FWGR

On 22 November 2017, DRDGOLD Limited signed an agreement for the acquisition of the gold assets associated with Sibanye-Stillwater's West Rand Tailings Retreatment Project ("WRTRP"), to be known going forward as Far West Gold Recoveries Proprietary Limited ("FWGR").

On 31 July 2018 the transaction became effective on the waiver of the last outstanding condition, being the granting of the Section 102 Applications to Sibanye-Stillwater.

As purchase consideration for the acquisition of these assets, DRDGOLD Limited issued 265 million new ordinary shares equal to 38.05% of DRDGOLD Limited's outstanding shares to Sibanye-Stillwater and granted Sibanye-Stillwater an option to subscribe for new ordinary shares up to a total of 50.1% of the total issued ordinary shares of DRDGOLD Limited at a 10% discount to the prevailing market value, to be exercised within a period of 2 years from the effective date of the acquisition.

Additional disclosures are included in the following notes:

NOTE 4 REVENUE

NOTE 19 CAPITAL MANAGEMENT

NOTE 20 EQUITY

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
Revenue	4	**22.6**	26.9
Operating costs		**(22.8)**	(27.1)
Administration expenses and other general costs		**(1,645.9)**	(26.3)
Results from operating activities	5	**(1,646.1)**	(26.5)
Finance income	6	**860.2**	78.7
Finance expense		**(0.9)**	(2.3)
(Loss)/profit before tax		**(786.8)**	49.9
Income tax	12.1	**0.2**	(1.9)
(Loss)/profit for the year		**(786.6)**	48.0
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments	16	**0.6**	(0.3)
Total other comprehensive income for the year		**0.6**	(0.3)
Total comprehensive income for the year		**(786.0)**	47.7

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2018

Amounts in R million	Note	2018	2017
ASSETS			
Non-current assets		**73.2**	931.9
Property, plant and equipment		**0.8**	0.1
Net investments in subsidiaries	7	**54.3**	918.1
Investments in other entities	16	**9.4**	8.8
Deferred tax asset	12.2	**8.7**	4.9
Current assets		**176.7**	132.7
Trade and other receivables	10	**19.2**	8.5
Cash and cash equivalents	8	**157.5**	124.2
TOTAL ASSETS		**249.9**	1,064.6
EQUITY AND LIABILITIES			
Equity	15	**201.6**	1,030.8
Non-current liabilities		**12.2**	11.9
Liability for long term incentive scheme	13.1	**12.2**	11.9
Current liabilities		**36.1**	21.9
Trade and other payables	11	**27.1**	16.7
Current tax Liability		**4.2**	5.2
Liability for long term incentive scheme	13.1	**4.8**	-
TOTAL LIABILITIES		**48.3**	33.8
TOTAL EQUITY AND LIABILITIES		**249.9**	1,064.6

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Amounts in R million	Note	Share capital	Available for sale and other reserves	Retained earnings	Total equity
Balance at 30 June 2016		**4,228.4**	**5.1**	**(3,198.6)**	**1,034.9**
Total comprehensive income					
Profit for the year				48.0	48.0
Other comprehensive income	16			(0.3)	(0.3)
Transactions with the owners of the parent					
Dividend on ordinary share capital	15			(51.8)	(51.8)
Available for sale and other reserves transferred to retained earnings			(5.1)	5.1	-
Balance at 30 June 2017		**4,228.4**	**-**	**(3,197.6)**	**1,030.8**
Total comprehensive income					
Loss for the year				(786.6)	(786.6)
Other comprehensive income	16			0.6	0.6
Transactions with the owners of the parent					
Dividend on ordinary share capital	15			(43.2)	(43.2)
Balance at 30 June 2018		**4,228.4**	**-**	**(4,026.8)**	**201.6**
Note		15			

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CASHFLOWS

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash applied to operations	9	**(51.3)**	(39.1)
Finance income received		**12.3**	17.0
Finance expenses paid		**(0.1)**	(0.1)
Income tax (paid)/received		**(4.6)**	11.8
Net cash outflow from operating activities		**(43.7)**	(10.4)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(0.2)**	(0.1)
Repayments received from/(advances made to) subsidiaries		**120.5**	(97.1)
Other		**-**	5.0
Net cash inflow/(outflow) from investing activities		**120.3**	(92.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease obligation		**(0.1)**	-
Dividends paid on ordinary share capital	15	**(43.2)**	(51.8)
Net cash outflow from financing activities		**(43.3)**	(51.8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33.3**	(154.4)
Cash and cash equivalents at the beginning of the year		**124.2**	278.6
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**157.5**	124.2

The accompanying notes are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 June 2018

1 ABOUT THESE COMPANY FINANCIAL STATEMENTS

Reporting Entity
DRDGOLD Limited ("Company") is primarily a Holding Company holding investments in subsidiaries involved in the retreatment of surface gold in South Africa. DRDGOLD is domiciled in South Africa with a registration number of 1895/000926/06. The registered address of the Company is 1 Sixty Jan Smuts Building, 2nd Floor - North Tower, 160 Jan Smuts Avenue, Rosebank, 2196.

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC) as well as the requirements of the Companies Act of South Africa. The financial statements were approved by the board of directors on 24 October 2018.

Functional and presentation currency
The Company's functional and presentation currency is South African rand. The amounts in these financial statements are rounded to the nearest million unless stated otherwise.

Basis of measurement
The financial statements are prepared on the historical cost basis, unless otherwise stated.

2 USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make accounting assumptions, estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses.
Accounting assumptions, estimates and judgements are reviewed on an ongoing basis. Revisions to reported amounts are recognised in the period in which the revision is made and in any future periods affected. Actual results may differ from these estimates.
Information about assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:
NOTE 12 INCOME TAX
Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the notes:
NOTE 17 CONTINGENT LIABILITIES

Basis of measurement
The financial statements are prepared on the historical cost basis, unless otherwise stated.

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these financial statements, the following relevant standards, amendments to standards and interpretations that may be applicable to the business of the Company were in issue but not yet effective and may therefore have an impact on future financial statements. These new standards, amendments to standards and interpretations will be adopted at their effective dates.

IFRS 2 Share-based payment amendments (Effective date 1 July 2018)
Measurement of cash-settled share-based payments – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability, market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

The Company has assessed that the amendment to IFRS 2 will not have a significant impact on the Company as market and non-vesting conditions are being taken into account in measuring its fair value and the number of awards to receive cash is already adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

IFRS 9 Financial Instruments (Effective date 1 July 2018)
The standard sets out requirements for recognising and measuring financial instruments and supercedes IAS 39 Financial Instruments. It contains new criteria for determining the classification of financial instruments which is based on the business model of the entity and the nature of cash flows. In addition, the financial instruments impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected credit losses" model in IFRS 9. The resultant effect being that it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

The Company has assessed that the following changes will occur as a result:

- The new classification if applied at 30 June 2018 would not have a significant impact on the accounting of financial assets. Investment in other entities (equity instruments) will be designated as fair value through other comprehensive income;
- The method of determining impairment of other receivables will have to change to reflect the "expected credit loss" model. This will not have a material impact on the Company.

IFRS 15 Revenue from contracts with customers (Effective date 1 July 2018)
The standard contains a single model that applies to contracts, with customers superseding the revenue standard IAS 18 and IAS 11 on construction contracts. It contains two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard also introduces new qualitative and quantitative disclosures related to customer contracts and significant judgements applied.

The Company has assessed that there will be no impact on adopting IFRS 15, and revenue recognition will remain unchanged.

4 REVENUE

ACCOUNTING POLICIES

The company recognises revenue from rendering corporate services to subsidiary companies when the services have been rendered and to the stage of completion thereof and it is measured at fair value. The stage of completion is determined on the basis of cost incurred to date in relation to the total expected cost.

Amounts in R million	Note	2018	2017
Corporate service fees	7	**22.6**	26.9
		22.6	26.9

5 RESULTS FROM OPERATING ACTIVITIES

Amounts in R million	Note	2018	2017
Results from operating activities include the following:			
Remuneration (a)		**(41.7)**	(32.1)
Transactions costs incurred on the acquisition of FWGR		**(9.0)**	-
Impairments	7	**(1,591.4)**	-
(a) Remuneration			
Board fees		**4.3**	3.7
Salaries including accruals for short term incentives		**31.6**	26.1
Increase in long term incentive liability	13.1	**5.8**	2.3

6 FINANCE INCOME

ACCOUNTING POLICY

Finance income includes interest and dividends received.

Amounts in R million	Note	2018	2017
Interest on cash and cash equivalents	8	**12.1**	16.3
Interest on amounts receivable from subsidiaries	7	**61.1**	62.4
Dividends received from subsidiaries	7	**787.0**	-
		860.2	78.7

7 NET INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICIES

Investment in subsidiaries
Subsidiaries are entities controlled by DRDGOLD. DRDGOLD controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are carried at cost less any accumulated impairment.

Amounts owing to the Company
Amounts owing to the Company are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Amounts owing by the Company
Amounts owing by the Company are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Company derecognises a financial liability when its contractual rights are discharged, cancelled or expire.

Impairment
A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Any impairment losses are recognised in the statement of profit or loss.

7.1 Investments in subsidiaries' shares and amounts owing to/(by) the Company

		2018		2017	
Amounts in R million	**Note**	**Cost**	**Impairment**	**Cost**	**Impairment**
Investment in subsidiaries at cost *					
Ergo Mining Proprietary Limited ("Ergo")	7.2.3	**85.4**	**-**	-	-
East Rand Proprietary Mines Limited ("ERPM")	7.2.3, 7.2.4	**635.4**	**(635.4)**	-	-
Ergo Mining Operations Proprietary Limited ("EMO")	7.2.4	**990.2**	**(956.0)**	210.5	-
		1,711.0	**(1,591.4)**	210.5	-
Amounts owing to the company					
Ergo (a,b)	7.2.2	**203.7**	**-**	599.9	-
EMO (a)	7.2.2	**-**	**-**	419.2	-
West Witwatersrand Gold Mines Limited (b,c)		**143.9**	**(143.9)**	143.9	(143.9)
Crown Consolidated Gold Recoveries Limited (b)		**153.9**	**(153.9)**	153.9	(153.9)
		501.5	**(297.8)**	1,316.9	(297.8)
Amounts owing by the company					
Crown Consolidated Gold Recoveries Limited (b)		**(245.3)**	**-**	(245.3)	-
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	7.2.3	**-**	**-**	(42.1)	-
West Witwatersrand Gold Holdings Limited	7.2.3	**-**	**-**	(23.0)	-
Argonaut Financial Services Proprietary Limited	7.2.3	**-**	**-**	(1.1)	-
EMO (a,d)		**(23.7)**	**-**	-	-
		(269.0)	**-**	(311.5)	-
Total		**1,943.5**	**(1,889.2)**	1,215.9	(297.8)
Net investment			**54.3**		918.1

7 NET INVESTMENTS IN SUBSIDIARIES *continued*

7.1 Investments in subsidiaries' shares and amounts owing to/(by) the Company continued

* Effective 29 June 2018, a Group restructure was implemented to simplify the legal and inter-group debt structure. All non-dormant entities are now directly owned by the Company.

All loans are unsecured, interest free and have no fixed terms of repayment, except the following loans that vary as follows:

(a) The loan bears interest at the prime interest rate minus four percentage points.

(b) The Lender in each instance has agreed that the loan will not be payable within 367 days from the date of the financial statements of the Borrower.

(c) The loan was waived during July 2018.

(d) The loan was settled in full during July 2018.

The Company will continue to provide EMO and ERPM with financial support to assist them to meet the obligations they incur in the ordinary course of business.

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of the amount owing to it.

Impairments were raised on the amounts owing to the Company due to the uncertainty around the recoverability and timing of the expected cash flows. The expectation of future cash flows are based on the nature of the underlying company's activities and considers the net asset values of these companies to the extent that it can be converted to cash, or the expected future cash flows from the companies' future activities, whichever is most relevant.

LIQUIDITY RISK

Unless stated otherwise, amounts owing to the Company do not have any fixed payment terms and may be called for at any time.

7.2 Transactions with subsidiaries

	Amounts in R million	Note	2018	2017
7.2.1	**Corporate services fees to subsidiaries**			
	Ergo Mining Proprietary Limited	4	**22.6**	26.9
			22.6	26.9
7.2.2	**Interest earned on amounts owing by subsidiaries**			
	Ergo Mining Proprietary Limited		**36.9**	38.8
	Ergo Mining Operations Proprietary Limited		**24.2**	23.6
		6	**61.1**	62.4
7.2.3	**Dividends in specie received from subsidiaries**			
	Ergo Mining Operations Proprietary Limited	7.1	**635.4**	-
	Crown Gold Recoveries Proprietary Limited	7.1	**85.4**	-
	West Witwatersrand Gold Holdings Limited	7.1	**42.1**	-
	Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	7.1	**23.0**	-
	Argonaut Financial Services Proprietary Limited	7.1	**1.1**	-
		6	**787.0**	-
7.2.4	**Impairment of investments in subsidiaries**			
	East Rand Proprietary Mines Limited ("ERPM") (a)	7.1	**(635.4)**	-
	Ergo Mining Operations Proprietary Limited (b)	7.1	**(956.0)**	-
		5	**(1,591.4)**	-

(a) As part of the Group debt restructure, the Company subscribed for 1 ordinary share in ERPM for R635,4 million which was impaired to zero based on the uncertainty regarding ERPM's ability to generate future cash flows as it is under care and maintenance.

(b) As part of the Group debt restructure, the Company subscribed for 2 ordinary share in EMO for R779.7 million which was impaired to R34.2 million based on the uncertainty regarding EMO's ability to generate future cash flows in excess of the potential disposal of the treasury shares held in the Company.

7 NET INVESTMENT IN SUBSIDIARIES *continued*

7.2 Transactions with subsidiaries *continued*

MARKET

Interest rate risk

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.8**	10.2
100bp (decrease)	**(1.8)**	(10.2)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of amounts owing to and by subsidiaries approximate their carrying values due to the terms of repayment not being readily determinable.

7.3 Related party relationships

A complete list of subsidiaries is provided below:

Name of entity	Activity
Subsidiaries directly held	
Ergo Mining Operations Proprietary Limited	Holding company
Ergo Mining Proprietary Limited *	Surface gold mining
East Rand Proprietary Mines Limited *	Care and maintenance
Crown Gold Recoveries Proprietary Limited *	Non - operational
Crown Consolidated Gold Recoveries Limited	Dormant
West Witwatersrand Gold Holdings Limited	Dormant
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	Dormant
Argonaut Financial Services Proprietary Limited	Dormant
Roodepoort Gold Mine Proprietary Limited	Dormant
Subsidiaries indirectly held	
West Witwatersrand Gold Mines Limited	Dormant
Crown Mines Limited	Dormant
City Deep Limited	Dormant
Consolidated Main Reef and Estate Limited	Dormant
Hartebeestfontein Gold Mining Company Limited	Dormant

* These subsidiaries were previously held indirectly. A Group restructure was implemented effective on 29 June 2018 during which, *inter alia*, these entities were unbundled to be 100% directly owned by the Company.

All subsidiaries are 100% owned by DRDGOLD and are incorporated in South Africa.

Far West Gold Recoveries Proprietary Limited ("FWGR")

On 31 July 2018 DRDGOLD acquired a 100% shareholding in FWGR, the holder of the surface gold assets associated with Sibanye-Stillwater's WRTRP for a consideration of 265 million DRDGOLD ordinary shares.

8 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are non-derivative financial assets categorised as loans and receivables and comprise cash on hand, demand deposits, and highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
Cash and cash equivalents are initially measured at fair value. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their fair value.

Amounts in R million	Note	2018	2017
Included in cash and cash equivalents is restricted cash relating to:			
- Environmental and other guarantees issued by Standard Bank of South Africa Limited		**6.3**	5.9
Interest relating to cash and cash equivalents	6	**12.1**	16.3

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of its cash and cash equivalents. The Company manages its exposure to credit risk by investing cash and cash equivalents across a number of major financial institutions, considering the credit ratings of these financial institutions.

MARKET RISK

Interest rate risk
A change of 100 basis points (bp) in interest rates at the reporting date would had increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.6**	1.2
100bp (decrease)	**(1.6)**	(1.2)

Foreign currency risk
US Dollars are exposed to fluctuations in the US Dollar/South African Rand exchange rate until it is converted to South African Rands.

The Company was not exposed to any fluctuations in the US Dollar/South African Rand exchange rate on any US Dollars at the current or previous reporting date as all the US Dollars held were converted to South African Rands.

Foreign denominated cash is held in a foreign currency bank account accruing negligible interest and is usually converted to South African Rand on the day of receipt. Foreign cash is therefore not exposed to interest rate risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents
The fair value of cash and cash equivalents approximate their carrying value due to their short-term maturities.

9 CASH APPLIED TO OPERATIONS

Amounts in R million	Note	2018	2017
(Loss)/profit before tax		**(786.8)**	49.9
Adjusted for			
Depreciation		**0.2**	0.1
Impairments	7	**1,591.4**	-
Increase in long term incentive liability	13.1	**5.8**	2.3
Finance income	6	**(860.2)**	(78.7)
Finance expenses		**0.9**	2.3
Operating cash flows before working capital changes		**(48.7)**	(24.1)
Working capital changes		**(2.6)**	(15.0)
Change in trade and other receivables		**(13.6)**	(1.0)
Change in trade and other payables		**11.0**	(14.0)
		(51.3)	(39.1)

10 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade and other receivables, excluding Value Added Tax and prepayments, are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Amounts in R million	2018	2017
Trade receivable due from Group Company (Ergo)	**2.3**	-
Other receivables	**4.7**	6.5
Prepayments	**11.0**	0.6
Value Added Tax	**1.2**	1.4
	19.2	8.5

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of its trade and other receivables excluding Value Added Tax and prepayments. None of the Company's other receivables are past due.

The Company manages its exposure to credit risk on trade receivables by providing corporate services on a retainer basis. The Company manages its exposure to credit risk on other receivables by dealing with a number of counterparties, ensuring that these counterparties are of good credit standing and transacting on a secured or cash basis where considered necessary. Receivables are regularly monitored and assessed for recoverability.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade and other receivables approximate their carrying value due to their short-term maturities.

11 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables, excluding payroll accruals, accrued leave pay and provision for performance based incentives, are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Company derecognises a financial liability when its contractual rights are discharged or cancelled or expire.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Amounts in R million	2018	2017
Trade creditors and accruals	**11.5**	8.3
Accrued leave pay	**1.7**	1.7
Provision for short term performance based incentives	**9.6**	-
Payroll accruals	**4.3**	6.7
	27.1	16.7

LIQUIDITY RISK

Trade payables and other creditors and accruals are all expected to be settled within 12 months from reporting date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade payables and other creditor and accruals approximate their carrying value due to their short-term maturities.

12 INCOME TAX

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management periodically evaluates positions taken where tax regulations are subject to interpretation.

The assessment of the probability that future taxable profits will be available against which the tax losses and unredeemed capital expenditure can be utilised requires the use of assumptions and estimates and are inherently uncertain and could change materially over time.

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax.

Current tax
Current tax comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment on tax payable or receivable in respect of previous years is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
Deferred tax assets relating to unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

12.1 INCOME TAX EXPENSE

Amounts in R million	2018	2017
Non-mining tax	**0.2**	(1.9)
	0.2	(1.9)
Comprising:		
Current tax - current year	**(3.6)**	-
Deferred tax - current year	**3.8**	(1.9)
	0.2	(1.9)
Tax reconciliation		
Major items causing the difference between the Company's income tax expense and the statutory rate were:		
Tax on net loss/(profit) before tax at the South African corporate tax rate of 28%	**220.3**	(14.0)
Exempt income (a)	**227.2**	6.6
Non deductible expenditure (b)	**(450.0)**	(0.8)
Utilisation of tax losses for which deferred tax assets were previously unrecognised (c)	**2.7**	5.9
Other differences	**-**	0.4
Income tax	**0.2**	(1.9)

(a) Exempt income

Exempt income consists of:

- R24.2 million interest received from EMO that is not taxable (2017: R23.6 million) (refer note 7.2.2);
- R787.0 million dividends received from subsidiaries (2017: nil) (refer note 7.2.3).

(b) Non-deductible expenses

Non-deductible expenses consist of:

- R1 591.4 million related to the impairment of investments in subsidiaries (refer note 7.2.4);
- R9.0 million transactions costs incurred on the acquisition of FWGR; and
- R6.0 million expenditure that is capital in nature.

(c) Utilisation of tax losses for which deferred tax assets were previously unrecognised

Despite the Company not normally generating recurring taxable income, and therefore having unrecognised deferred tax assets, it generated taxable income during the year ended 30 June 2018.

12 INCOME TAX *continued*

12.2 DEFERRED TAX

Deferred tax assets relate to the following:

Amounts in R million	**2018**	**2017**
Provisions	**8.7**	4.9

Movement in the deferred tax asset is as follows:

Amounts in R million	**2018**	**2017**
Opening balance	**4.9**	6.8
Recognised in profit or loss	**3.8**	(1.9)
Provisions	**3.8**	(1.9)
Closing balance	**8.7**	4.9

Deferred tax assets have not been recognised in respect to the following:

Amounts in R million	**2018**	**2017**
Tax losses	**-**	2.7
Unredeemed capital expenditure	**36.8**	36.8
Capital losses	**325.2**	325.2

Deferred tax assets have not been recognised as the Company is not expected to generate future taxable profits against which the unredeemed capital expenditure and capital losses can be utilised.

13. EMPLOYEE BENEFITS

13.1 LIABILITY FOR LONG-TERM INCENTIVE SCHEME

ACCOUNTING POLICIES

Cash-settled share-based payments ("Long Term Incentive" or "LTI")
Cash-settled share-based payments are measured at fair value and remeasured at each reporting date to reflect the potential outflow of cash resources to settle the liability, with a corresponding adjustment in profit or loss. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Terms of the November 2015 grant made under the DRDGOLD Group's amended long-term incentive scheme are:

- The scheme has a finite term of 5 years and thus no top-up awards are made when the shares vest;
- The phantom shares are issued at an exercise price of nil and will vest in 3 tranches: 20%, 30% and 50% on the 3rd, 4th and 5th anniversaries respectively, subject to individual service and performance conditions being met; and
- The phantom shares will be settled at the 7 day volume weighted average price ("VWAP") of the DRDGOLD share.

Amounts in R million	Note	2018	2017
Opening balance		**11.9**	9.8
Increase in long term incentive liability	5	**5.8**	2.3
Transferred between group companies		**-**	1.3
Benefits paid		**(0.7)**	(1.5)
Total liability for long term incentive scheme		**17.0**	11.9
The total liability for long term incentive scheme is expected to be settled as follows:		**17.0**	11.9
within 12 months after reporting date		**4.8**	-
after 12 months after reporting date		**12.2**	11.9

Reconciliation of outstanding phantom shares	2018		2017	
	Shares Number	**Weighted average price R per share**	**Shares Number**	**Weighted average price R per share**
Opening balance	7,593,605		7,944,894	
Granted	-		-	-
Vested and paid	(267,962)	2.61	(265,786)	5.64
Forfeited/lapsed	-		(85,503)	
Closing balance	7,325,643		7,593,605	

Ageing of outstanding phantom shares:	**30 June 2019**	**30 June 2020**	**30 June 2021**	**Total**
Granted November 2015	1,465,129	2,197,693	3,662,821	7,325,643

Fair value

The fair value of the liability for the long term incentive scheme is mostly influenced by the DRDGOLD Limited share price. Other inputs influencing the fair value are the forward dividend yield and estimates of staff retention and performance conditions. The inputs most significantly influencing the measurement of the fair values are as follows:

	2018	2017	Grant date
7 day VWAP of the DRDGOLD Limited share	**3.71**	**4.23**	**2.26**
Annualised forward dividend	**1.8%**	**0.7%**	**4.3%**

13 EMPLOYEE BENEFITS *continued*

13.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Emoluments

Amounts in R 000				2018			2017
Directors / Prescribed Officers	**Remuneration paid during the year (1)**	**Short term incentives related to this cycle**	**Long term incentives paid during this cycle**	**Total remuneration related to this cycle**	**Remuneration paid during the year (1)**	**Long term incentives paid during this cycle**	**Total remuneration related to this cycle**
Executive directors							
D J Pretorius	**6 104**	**4 697**	**-**	**10 801**	5 731	-	5 731
A J Davel	**3 429**	**2 639**	**250**	**6 318**	3 220	560	3 780
	9 533	**7 336**	**250**	**17 119**	8 951	560	9 511
Non-executive directors							
G C Campbell	**1 446**	**-**	**-**	**1 446**	1 536	-	1 536
J Turk	**655**	**-**	**-**	**655**	655	-	655
E A Jeneker	**805**	**-**	**-**	**805**	767	-	767
J Holtzhausen	**718**	**-**	**-**	**718**	684	-	684
T B V N Mnyango	**651**	**-**	**-**	**651**	361	-	361
	4 275	**-**	**-**	**4 275**	4 003	-	4 003
Prescribed officers							
C M Symons (2,3)	**-**	**-**	**-**	**-**	232	559	791
W J Schoeman	**3 308**	**2 013**	**250**	**5 571**	3 050	921	3 971
R Masemene	**2 402**	**808**	**124**	**3 334**	2 371	426	2 797
	5 710	**2 821**	**374**	**8 905**	5 653	1 906	7 559
Total	**19 518**	**10 157**	**624**	**30 299**	**18 607**	**2 466**	**21 073**

(1) Total remuneration paid during the year includes encashed leave.

(2) Service period concluded on 31 July 2016.

(3) Includes pension scheme contributions of R nil (2017: R28 263).

Non-executive directors are paid board fees made up of a base fee and committee fees. The Company's MOI makes provision for directors' fees to be determined at the Annual General Meeting.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2018

13 EMPLOYEE BENEFITS *continued*

13.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

Participation in long term incentive scheme

Directors / Prescribed Officers	Opening balance	Granted	Vested	Proceeds	Average exercise price	Forfeited / lapsed	Closing balance
	Number	Number	Number	R	R/share	Number	Number
2018							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,390,536	-	(85,503)	250,077	2.92	-	1,305,033
	3,713,545	**-**	**(85,503)**	**250,077**		**-**	**3,628,042**
Prescribed officers							
W J Schoeman	1,407,636	-	(102,603)	250,077	2.44	-	1,305,033
R Masemene	838,688	-	(42,228)	123,508	2.92	-	796,460
	2,246,324	**-**	**(144,831)**	**373,585**		**-**	**2,101,493**
Total	**5,959,869**	**-**	**(230,334)**	**623,662**	**-**	**-**	**5,729,535**
2017							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,476,039	-	(85,503)	560,079	6.55	-	1,390,536
	3,799,048	**-**	**(85,503)**	**560,079**		**-**	**3,713,545**
Prescribed officers							
C M Symons	170,633	-	(85,314)	558,847	6.55	(85,319)	-
W J Schoeman	1,533,441	-	(125,805)	921,053	7.32	-	1,407,636
R Masemene	905,918	-	(67,230)	426,348	6.34	-	838,688
	2,609,992	**-**	**(278,349)**	**1,906,248**		**(85,319)**	**2,246,324**
Total	**6,409,040**	**-**	**(363,852)**	**2,466,327**	**-**	**(85,319)**	**5,959,869**

13 EMPLOYEE BENEFITS *continued*

13.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Interests in contracts

None of the directors or officers of Ergo or, major shareholders of DRDGOLD or, to the knowledge of Ergo's management, their families, had any interest, direct or indirect, in any transaction during the year ended 30 June 2018 or the preceding financial years, or in any proposed transaction which has affected or will materially affect Ergo or its subsidiaries. None of the directors or officers of Ergo or any associate of such director or officer is currently or has been at any time during the past financial year materially indebted to Ergo.

Key management personnel remuneration

Amounts in R million	2018	2017
- Board fees paid	**4.3**	3.7
- Salaries paid	**20.2**	19.4
- Short term incentives relating to this cycle	**9.2**	-
- Long-term incentives paid during this cycle	**0.7**	1.5
	34.4	24.6

14 CAPITAL MANAGEMENT

The primary objective of managing the Company's capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, including capital expenditure, in a way that optimises the cost of capital, ensures that the Group remains in a sound financial position and matches the Group's strategy.

The Group has no external debt in line with its aim for the existing operations to remain unleveraged. All funding requirements during the past financial year have been financed by existing cash resources and cash generated from operations.

The Group considers the appropriate capital management strategy for specific growth projects as and when required.

Lease arrangements that are not in the legal form of a finance lease, but is accounted for as such based on its terms and conditions, are not considered to be debt.

Financing the development of Phase 1 of FWGR

Subsequent to the acquisition of FWGR on 31 July 2018 (refer note 20), a Revolving Credit Facility amounting to R300 million was secured with ABSA Bank Limited (acting through its Corporate and Investment Banking division) to finance the development of Phase 1 of FWGR, replacing the R100 million overdraft facility that was in place during the year ended 30 June 2018.

15 EQUITY

ACCOUNTING POLICIES

Ordinary share capital
Ordinary shares and the cumulative preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Dividends
Dividends are recognised as a liability on the date on which they are declared which is the date when the shareholders' right to the dividends vest.

Amounts in R million	2018	2017
Authorised share capital		
1 500 000 000 (2017: 600 000 000) ordinary shares of no par value		
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
Issued share capital		
431 429 767 (2017: 431 429 767) ordinary shares of no par value (a)	**4,227.9**	4,227.9
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
	4,228.4	4,228.4
Dividends (b)		
Dividends paid during the year net of treasury shares:		
Prior year final dividend: 5 SA cents per share (2017: 12 SA cents per share)	**21.6**	51.8
Interim dividends: 5 SA cents per share (2017: nil)	**21.6**	-
Total	**43.2**	51.8

(a) Unissued shares
In terms of an ordinary resolution passed at the previous annual general meeting, the remaining unissued ordinary shares in the company are under the control of the directors until the next general meeting.

(b) Issued shares
No shares were issued during the year ended 30 June 2018 (2017:nil).

On 31 July 2018, the acquisition of FWGR became unconditional. On this date 265 million ordinary shares were issued to Sibanye-Stillwater as settlement of the purchase consideration for these assets.

RELATED PARTY TRANSACTIONS

Treasury shares

Shares in DRDGOLD Limited are held in treasury by Ergo Mining Operations Proprietary Limited ("EMO").

Dividends amounting to R0.9 million (2017: R1.1 million) were paid by the Company on these shares.

Other related party relationships

The issue of 265 million ordinary shares to Sibanye-Stillwater on 31 July 2018 as settlement of the purchase consideration for the FWGR assets, resulted in Sibanye-Stillwater owning 38.05% of the issued ordinary shares of DRDGOLD Limited and hence becoming a related party to DRDGOLD.

16 INVESTMENTS IN OTHER ENTITIES

ACCOUNTING POLICIES

The Company's listed and unlisted investments in equity securities are classified as available-for-sale financial assets. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI.

Amounts in R million	Shares held	% held	2018	2017
Listed investments (Fair value hierarchy Level 1):			**9.2**	8.6
West Wits Mining Limited ("WWM")	47 812 500	6.7%	**9.2**	8.6
Unlisted investments (Fair value hierarchy Level 3):			**0.2**	0.2
Rand Refinery Proprietary Limited ("Rand Refinery") (a)	40 078	10.0%	**-**	-
Guardrisk Insurance Company Limited (Cell Captive A170) ^	20	#	**0.1**	0.1
Chamber of Mines Building Company Proprietary Limited	30 160	3.0%	**0.1**	0.1
Rand Mutual Assurance Company Limited	1	#	**-**	-
			9.4	8.8
Fair value adjustment on available for sale financial assets recognised in OCI			0.6	(0.3)

 # Represents a less than 1% shareholding.
^ Class A170 shares are held in Guardrisk Insurance Company Limited that entitles the holder to 100% of the residual net equity of the Cell Captive A170 after settlement of the reimbursive right.

(a) Rand Refinery

The estimated fair value of the investment in Rand Refinery shares remains *de minimis* due to the uncertainty regarding Rand Refinery's future free cash flows and the lack of marketability of the shares held.

MARKET RISK

Other market price risk
Equity price risk arises from changes in quoted market prices of listed investments as well as changes in the fair value of unlisted investments due to changes in the underlying net asset values.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Listed investments
The fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges and constitute level 1 instruments on the fair value hierarchy.

Unlisted investments
The valuations are based on either the net asset values of these companies, or the consideration of unobservable financial information which is compared to information available in the market regarding other market participants' view on the value of the company and constitute level 3 instruments on the fair value hierarchy.

17 CONTINGENT LIABILITIES

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether an obligating event results in a liability or a contingent liability require the exercise of significant judgement of the outcome of future events that are not wholly within the control of the Company.

Litigation and other judicial proceedings inherently entail complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

ACCOUNTING POLICIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured.

When the Company has a present obligation, an outflow of economic resources is assessed as probable and the Company can reliably measure the obligation, a provision is recognised.

Occupational Ling Diseases

In January 2013, DRDGOLD, ERPM (“DRDGOLD Respondents”) and 23 other mining companies (“Other Respondents”) (collectively referred to as "Respondents") were served with a court application issued in the High Court of South Africa (“Court") for a class certification (“Certification Application”) on behalf of former mineworkers and dependents of deceased mineworkers (“Applicants”). In the application the Applicants allege that the Respondents conducted underground mining operations in a negligent and complicit manner causing the former mineworkers to contract occupational lung diseases. The Applicants have as yet not quantified the amounts which they are demanding from the Respondents in damages.

On 13 May 2016, the Court granted an order for, *inter alia* (1) certification of two industry-wide classes: a silicosis class and a tuberculosis class, both of which cover current and former underground mineworkers who have contracted the respective diseases (or the dependants of mineworkers who died of those diseases); and (2) that the common law be developed to provide that in instances where a claimant claiming general damages passed away, the claim for general damages will be transmitted to the estate of the deceased claimant. This order did not represent a ruling on the merits of the Application brought against the Respondents.

An application for leave to appeal to the Supreme Court of Appeal (“SCA”) was brought by each of the respondent mining companies against the judgment of the Court, specifically on the allegations of the certification and transmissibility of damages to the estate of a deceased mineworker.

In June 2016, the Court granted leave to appeal to the SCA against the transmissibility of damages but refused leave to appeal in respect of the certification.

The DRDGOLD Respondents (together with each of the Working Group companies) served a notice of appeal to petition the SCA against the order for certification and the transmissibility of damages. The SCA granted leave to appeal thereto on both issues in September 2016.

The appeal to the SCA was set down for hearing in March 2018 but was subsequently postponed indefinitely by agreement between the Applicants and the Respondent companies in the light of progress made by the Working Group as described below. The SCA endorsed and upheld the postponement.

The Respondent companies formed a Working Group consisting of representatives from each company to consider and discuss issues pertaining to the action. DRDGOLD withdrew from the Working Group in January 2016.

The remaining members of the Working Group have all raised accounting provisions during the calendar year 2017 due to progress made by the Working Group towards a possible settlement with the Applicants. In May 2018, the remaining members of the Working Group announced that a mediated settlement agreement had been reached. The agreement is subject to certain suspensive conditions, including the approval by the South African High Court after which an effective date of the agreement will be set.

DRDGOLD is not a party to the Working Group’s mediated settlement agreement and maintains the view that it is too early to consider settlement of the matter, mainly for the following reasons:

- the Applicants have as yet not issued and served a summons (claim) in the matter;
- there is no indication of the number of potential claimants that may join the class action against the DRDGOLD respondents;
- many principles upon which legal responsibility is founded, are required to be substantially developed by the trial court (and possibly subsequent courts of appeal) to establish liability on the bases alleged by the applicants.

In light of the above there is inadequate information to determine if a sufficient legal and factual basis exists to establish liability, and to quantify such potential liability.

18 FINANCIAL INSTRUMENTS

Overview

The Company has exposure to credit risk, liquidity risks, as well as other market risks from its use of financial instruments. This note presents information about the Company's exposure to each of the above risks, the Company's objectives and policies and processes for measuring and managing risk. The Company's management of capital is disclosed in note 14. This note must be read with the quantitative disclosures included throughout these financial statements.

Financial risk management framework

The board of directors of the ultimate holding company, DRDGOLD Limited, ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework including that of the Company, hereafter referred to as the Company's risk management framework, policies and procedures and activities, as the case may be. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit and Risk Committee is assisted in its oversight role by the internal audit function. The internal audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The Company's financial instruments do not represent a concentration of credit risk due to the exposure to credit risk being managed as disclosed in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 8 CASH AND CASH EQUIVALENTS
NOTE 10 TRADE AND OTHER RECEIVABLES

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.
Additional disclosures are included in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 11 TRADE AND OTHER PAYABLES

18 FINANCIAL INSTRUMENTS *continued*

MARKET RISK
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect profit or loss or the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Other market risk
Additional disclosures are included in the following note:
NOTE 16 INVESTMENTS IN OTHER ENTITIES

Interest rate risk
Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Company receives cash from its operations and is obliged to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. Lower interest rates result in lower returns on investments and deposits and also may have the effect of making it less expensive to borrow funds at then current rates. Conversely, higher interest rates result in higher interest payments on loans and overdrafts.
Additional disclosures are included in the following notes:
NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 8 CASH AND CASH EQUIVALENTS

Foreign currency risk
The Company enters into transactions denominated in foreign currencies, such as gold sales denominated in US dollar, in the ordinary course of business. This exposes the Company to fluctuations in foreign currency exchange rates.

Additional disclosures are included in the following notes:
NOTE 8 CASH AND CASH EQUIVALENTS

19 RELATED PARTIES

Disclosures are included in the following notes:
NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 10 TRADE AND OTHER RECEIVABLES
NOTE 13.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
NOTE 15 EQUITY

20 SUBSEQUENT EVENTS

There were no significant subsequent events between the year-end reporting date of 30 June 2018 and the date of issue of these financial statements other than described below and included in the preceding notes to the financial statements.

Acquisition of FWGR

On 22 November 2017, DRDGOLD Limited signed an agreement for the acquisition of the gold assets associated with Sibanye-Stillwater's West Rand Tailings Retreatment Project ("WRTRP"), to be known going forward as Far West Gold Recoveries Proprietary Limited ("FWGR").

On 31 July 2018 the transaction became effective on the waiver of the last outstanding condition, being the granting of the Section 102 Applications to Sibanye-Stillwater.

As purchase consideration for the acquisition of these assets, DRDGOLD Limited issued 265 million new ordinary shares equal to 38.05% of DRDGOLD Limited's outstanding shares to Sibanye-Stillwater and granted Sibanye-Stillwater an option to subscribe for new ordinary shares up to a total of 50.1% of the total issued ordinary shares of DRDGOLD Limited at a 10% discount to the prevailing market value, to be exercised within a period of 2 years from the effective date of the acquisition.

Additional disclosures are included in the following notes:

NOTE 14 CAPITAL MANAGEMENT

NOTE 15 EQUITY

NOTE 19 RELATED PARTIES

SHAREHOLDER INFORMATION
at 30 June 2018

	Number of Holders	% of total shareholders	Number of shares	% of total issued share capital
1) Analysis of shareholders				
1 - 5 000	4,676	79.71%	3,532,743	0.82%
5 001 - 10 000	390	6.65%	2,997,113	0.69%
10 001 - 50 000	543	9.26%	12,654,924	2.93%
50 001 - 100 000	115	1.96%	8,534,528	1.98%
100 001 - 1 000 000	109	1.86%	30,286,715	7.02%
1 000 001 - AND MORE	33	0.56%	373,423,744	86.56%
	5,866	100.00%	431,429,767	100.0%

2) Major shareholders *
(1% and more of shares in issue)

Van Eck Associates Corporation #			31,295,640	7.25%
Ruffer, LLP #			24,716,320	5.73%
Khumo Gold SPV (Pty) Limited ("Khumo")			17,814,493	4.13%
Clearstream Banking S.A. Luxembourg			15,170,790	3.52%
Citiclient Nominees No 8 NY GW			15,021,564	3.48%
Renaissance Technologies, LLC #			14,274,650	3.31%
DRDSA Empowerment Trust			10,500,000	2.43%
Ergo Mining Operations Proprietary Limited			9,361,071	2.17%
JPMC-Vanguard BBH lending account			8,983,382	2.08%
KBC Securities N.V Clients			7,784,231	1.80%
Investec Value Fund			6,206,615	1.44%

* 224 777 160 ordinary shares (equivalent to 22 477 716 American Depository Receipts ("ADRs")) or approximately 52.1% of our issued ordinary shares were held by 727 registered holders of our ADRs in the United States of America.

Held in ADRs in the United States of America

3) Shareholder spread

Non-public	4	0.07%	10,463,759	2.43%
Directors	3	0.05%	1,102,688	0.26%
Subsidiary	1	0.02%	9,361,071	2.17%
Public	5,862	99.93%	420,966,008	97.57%
	5,866	100.00%	431,429,767	100.00%

4) Distribution of shareholders

Individuals	5,315	90.61%	37,128,015	8.61%
Institutions and bodies corporate	551	9.39%	394,301,752	91.39%
	5,866	100.00%	431,429,767	100.00%

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.

DRDGOLD LIMITED

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