

DIRECTORS' REPORT

NATURE OF BUSINESS

DRDGOLD Limited (DRDGOLD or the company), which was incorporated on 16 February 1895, is today a surface gold retreatment company. Based in South Africa, the company does not have a major or controlling shareholder and its directors provide strategic direction on behalf of its shareholders.

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

MINING RIGHTS AND PROPERTY

A schedule detailing the group's mining rights and property is available at the group's registered address.

SHARE CAPITAL

Full details of authorised, issued and unissued share capital of the company as at 30 June 2013 are set out in the notes to the financial statements on pages 49 to 51 of this report.

The control over the unissued shares of the company is vested in the directors, in specific terms with regard to allotments in terms of the DRDGOLD (1996) share option scheme (as amended) and the allotment of shares for cash, and in general terms with respect to all other allotments.

The authorities granted to directors in respect of control over unissued shares expire on the date of the annual general meeting (AGM) of members to be held on 29 November 2013. Members will, therefore, be requested to consider resolutions at the forthcoming AGM, placing under the control of the directors the then remaining unissued ordinary shares not required for purposes of the share option scheme.

During the financial year, the following new ordinary shares were issued:

SHARES ISSUED

	2013			2012		
	Number of shares	R'000	Average issue price	Number of shares	R'000	Average issue price
At 1 July	385 383 767	–	–	384 884 379	–	–
Specific share issue to:						
DRDGOLD (1996) share option scheme	–	–	–	499 388	1 818	3.64
At 30 June	385 383 767	–	–	385 383 767	–	–

DIRECTORATE

The board of directors currently comprises two executive directors and four non-executive directors. There were no changes to the directorate during the year under review.

In accordance with the provisions of the company's Memorandum of Incorporation (MOI), G C Campbell, E A Jeneker, D J Pretorius and C C Barnes will retire at the forthcoming annual general meeting. They are eligible and have offered themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

The interests of the directors in the ordinary share capital of the company as at 30 June were as follows:

	30 June 2013		30 June 2012	
	Beneficial direct	Beneficial indirect	Beneficial direct	Beneficial indirect
Executive directors				
D J Pretorius ¹	187 167	–	97 167	–
C C Barnes	–	–	–	–
	187 167	–	97 167	–
Non-executive directors				
G C Campbell	100 000	–	100 000	–
R P Hume	150 000	–	125 000	–
J Turk	–	243 000	–	243 000
E A Jeneker	–	–	–	–
	250 000	243 000	225 000	243 000
Total	437 167	243 000	322 167	243 000

¹ D J Pretorius acquired a further 24 000 shares subsequent to 30 June 2013.

The full details of the total executive and non-executive directors' remuneration for the year ended 30 June 2013 are provided in a table on pages 37 to 39 of this report.

SHARE OPTION SCHEME

The new cash-settled phantom share scheme was approved by the board of directors at the October 2012 board meeting. This phantom share scheme has replaced the DRDGOLD (1996) share option scheme (the share option scheme) as an incentive tool for executive and senior employees whose skills and experience are recognised as being essential to the company's performance. As part of the phasing out of the share option scheme, the board of directors approved the voluntary buy-out of the then vested share options in terms of the share option scheme rules. The remaining number of issued and exercisable share options under the share option scheme is approximately 0.9% of the issued ordinary share capital.

The participants in the phantom share scheme and share option scheme are fully taxed, based on individual tax directives obtained from the South African Revenue Service on any gains realised on the exercise of the options.

In the current financial year the directors have exercised 2 560 500 (2012: nil) share options under the share option scheme. Over the same period the directors' gains on share options exercised were R3.0 million (2012: Rnil). No phantom shares have been exercised by the directors in the current financial year.

Due to the introduction of the phantom share scheme the directors have not granted any options in terms of the share option scheme in the current financial year compared with 5 084 563 options in the previous financial year. The phantom shares granted in the current financial year, being the first year the phantom share scheme exists, were 3 019 549 phantom shares.

Details of options held by directors are contained in a table on pages 38 and 39 of this report.

Share options available for allocation

	2013	2012
Balance remaining of 40 million options available for allocation at the beginning of the financial year	14 980 666	18 417 073
Number of options granted during the current financial year	–	(5 084 563)
Number of options lapsed during the current financial year	1 269 948	1 648 156
Adjustment to the number of share options available for issue due to the replacement of the share option scheme with the phantom share scheme	(16 250 614)	–
Balance remaining of 40 million options available for allocation at the end of the financial year	–	14 980 666

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS

The performance of our operations is comprehensively reviewed in the Integrated Report 2013 on pages 43 to 48.

SIGNIFICANT EVENTS

FUNDING RAISED FOR THE ERGO FLOTATION/FINE-GRIND PLANT

DRDGOLD established a Domestic Medium Term Note Programme (DMTN Programme) under which it may from time to time issue notes. DRDGOLD successfully issued R111 million under the DMTN Programme on 2 July 2012 and R54 million on 14 September 2012 which were applied towards the capital requirements of the Ergo flotation/fine-grind plant.

RESTRUCTURING OF THE SURFACE OPERATIONS

On 3 July 2012, in order to fully utilise the extensive tailings deposition facility at Ergo, improve synergies, effect cost savings and also a simpler group structure, DRDGOLD restructured its surface operations into Ergo Mining Proprietary Limited (Ergo). Ergo is a wholly-owned subsidiary of Ergo Mining Operations Proprietary Limited (EMO). EMO is 74% held by DRDGOLD, 20% by its black economic empowerment (BEE) partner, Khumo Gold SPV Proprietary Limited (Khumo Gold) and 6% by the DRDSA Empowerment Trust.

The restructuring was effected by a number of transactions, including the following:

- DRDGOLD sold its 35% direct interest in the ErgoGold unincorporated partnership (ErgoGold) to Ergo for R200 million on loan account;
- Crown Gold Recoveries Proprietary Limited (Crown) sold its mining assets (excluding its 50% interest in Ergo), mining and prospecting rights and certain liabilities to Ergo in exchange for shares in Ergo;
- East Rand Proprietary Mines Limited (ERPM) sold all of its surface mining assets (excluding its 50% interest in Ergo) and its 65% interest in ErgoGold to Ergo in exchange for shares in Ergo; and
- Crown and ERPM will distribute their entire holdings in Ergo to their sole shareholder EMO subsequent to the section 11 approval of the Mineral and Petroleum Resources Development Act (MPRDA).

All conditions for DRDGOLD's disposal of its 35% direct ErgoGold interest have been met. The ERPM and Crown disposals are subject to the consent of the Minister of Mineral Resources in terms of section 11 of the MPRDA.

DRDGOLD AND TCTA AGREE TERMS ON ACID MINE DRAINAGE

In December 2012, EMO, Ergo and ERPM (collectively referred to as the Ergo Group) entered into heads of agreement with Trans-Caledon Tunnel Authority (TCTA), aimed at laying a foundation for a self-sustainable solution to acid mine drainage (AMD) in the Central Witwatersrand Basin.

TCTA, acting through directives issued by the Minister of Water and Environmental Affairs and the Department of Water Affairs, is to construct pumping and treatment facilities to intercept rising AMD, and to prevent it from reaching the so-called 'environmental critical level'.

In terms of the heads of agreement, the Ergo Group grants TCTA:

- access to land for the construction of a water treatment plant;
- access to the South West Vertical Shaft of ERPM to construct and operate a pump station to pump AMD to surface;
- the right to construct a sludge pipeline, using servitudes owned by Ergo Group members;
- shared use of an Ergo Group residue pipeline; and
- partial use of the Ergo tailings dams for the deposition of up to 4 167m³ of sludge per day, emanating from the water treatment plant.

Also in terms of the heads of agreement EMO has an option, at its election, to acquire from TCTA, for its operations, up to 30 mega litres of untreated or partially treated AMD per day.

While these 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, they are an encouraging development. In particular, if the spirit of cooperation that led to its conclusion is taken into the implementation and management of the project, this initiative has every chance of success.

DIVIDENDS

Dividends are proposed by, and approved by, the board of directors of DRDGOLD, based on the year-end financial statements. Dividends are recognised when declared by the board of directors of DRDGOLD. The payment of future dividends will depend upon the board's ongoing assessment of DRDGOLD's earnings, after providing for long-term growth, cash and funding resources, and the amount of reserves available for a dividend based on the going-concern assessment.

Dividends declared since 1 July 2012:

	Final dividend number 5	Interim dividend number 6	Final dividend number 7
Declaration date	22 August 2012	12 February 2013	20 August 2013
Last date to trade ordinary shares cum dividend	5 October 2012	8 March 2013	4 October 2013
Record date	12 October 2012	15 March 2013	11 October 2013
Amount per ordinary share – South African cents	10.0	14.0	14.0
Payment date	15 October 2012	18 March 2013	14 October 2013
Amount per ADS – United States cents ¹	12.03	13.42	11.76
Payment date	31 October 2012	25 March 2013	21 October 2013

¹ Each American Depositary Share (ADS) represents 10 ordinary shares. The actual amount will depend on the exchange rate on the date for currency conversion.

SUBSIDIARIES

A list of the company's financial interest in its subsidiaries appears on page 46 of this report.

FINANCIAL STATEMENTS AND GOING CONCERN

The group financial statements include the financial position, results and cash flows of the company, its subsidiaries and joint venture from the effective dates of acquisition.

The financial position, results of operations and cash flow information of the company and group are presented in the attached financial statements. The Annual Financial Statements have been prepared by management under the supervision of Craig Barnes, the chief financial officer, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. The Annual Financial Statements have been prepared on a going-concern basis and the directors are of the opinion that the company's and group's assets will realise at least the values at which they are stated in the statement of financial position.