

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDER

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

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

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

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

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

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

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

Geoffrey Campbell
Chairman DRDGOLD

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