

CEO'S REPORT TO SHAREHOLDERS

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

DEAR SHAREHOLDER

“We increased gold production and operating profit, and paid a dividend to shareholders”

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

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

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

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

SUSTAINABLE DEVELOPMENT: OUR VALUE PROPOSITION AND FINANCIAL CAPITAL

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

“Our mining process removes old dumps and returns valuable land to the economy”

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

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

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

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

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

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

SUSTAINABLE DEVELOPMENT: OUR TECHNOLOGY

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

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

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

“Our business depends on the uninterrupted flow of material to our plants”

“We are targeting the inert gold in the tailings we treat”



Above: Ergo's 3A2 reclamation site near Johannesburg

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

SUSTAINABLE DEVELOPMENT: OUR PEOPLE

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

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

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

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

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

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

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

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

SUSTAINABLE DEVELOPMENT: THE ENVIRONMENT

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

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

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

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

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

SD pages 44 to 52
For more on our
environmental initiatives

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

DRDGOLD: THE FUTURE

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

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

THANK YOU

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

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

Niël Pretorius
CEO DRDGOLD