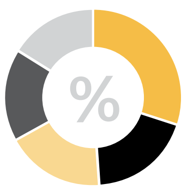
CFO'S REVIEW

DRDGOLD put to use its financial, human, manufactured and intellectual capitals to achieve solid results in FY2013. Our focus remains on extracting more gold, improving technology using R&D and creating value for shareholders, while maintaining good relationships with all stakeholders and striving for zero harm and a long-term, sustainable business.

Production (oz)
for the year ended 30 June 2013

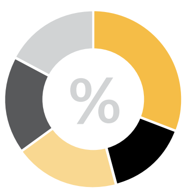
Revenue (Rm)
for the year ended 30 June 2013

Cost breakdown
for the year ended 30 June 2013



▲ Consumables	30
▲ Specialised services	19
▲ Electricity and water	18
▲ Labour	17
▲ Rehabilitation, admin and other	16

Cost breakdown
for the year ended 30 June 2012



▲ Consumables	31
▲ Specialised services	15
▲ Electricity and water	19
▲ Labour	18
▲ Rehabilitation, admin and other	17

KEY FEATURES FOR THE YEAR

- Total dividends for the year of 28 cents per ordinary share, up 180%
- Gold production up 8% to 146 381oz
- Operating profit up 9% to R679.3 million
- Headline earnings per share up 11% to 68 cents per share
- All-in sustaining costs up 10% to R365 569/kg
- All-in sustaining costs margin steady at 20%

OUR PERFORMANCE

All figures used in this review represent continuing operations, unless specified otherwise.

Key focus areas

The key financial focus areas for FY2013 and the results achieved were as follows:

Key focus areas for FY2013	Results achieved
Improving margins	Our operating margin decreased to 32%, from 35% in FY2012, but more importantly the all-in sustaining costs margin remained steady at 20%.
Improving headline earnings per share	Headline earnings per share increased by 11% to 68 cents, from 61 cents in FY2012.
Improving cash inflow from operations	Net cash inflow from operations increased by 4% to R502.3 million, from R484.1 million in FY2012.
Stringent capital allocation, management and measurement against return on investment	Capital is allocated for new projects with the intention of maximising return on equity. Our return on equity for FY2013, of 18%, remained comfortably above the company's cost of capital.
Raising of funding for the construction of Ergo's flotation/fine-grind circuit at the Ergo plant	During the year we managed to successfully raise R165 million in debt funding for this project.

Production

Gold production was 8% higher year-on-year at 146 381oz, the result of an 8% increase in throughput to 23.3 Mt. In addition, recovered grade was up slightly from 0.195g/t to 0.196g/t.

Revenue

Revenue increased by 18% to R2 076.5 million in FY2013. This was the result both of an 8% increase in gold production and a 9% increase in the rand gold price.

Operating costs

An 8% increase in ore milled, combined with above-inflation increases in labour, electricity and reagent costs, resulted in a 22% rise in operating costs. The costs incurred to mine additional sand resources at the Knights plant also contributed towards the increase in costs.

Cash operating costs per unit of production went up by 14% to R310 763/kg in FY2013, from R272 778/kg in FY2012. However, it is important to note that our all-in sustaining unit costs (as defined in the World Gold Council's Guidance Note) increased by only 10% to R365 596/kg, which means that we maintain a reasonable margin, even at current gold prices.

Operating profit

Operating profit was 9% higher year-on-year at R679.3 million, mainly as a result of higher gold production and a strong average rand gold price.

All-in sustaining costs margin

In FY2013, the all-in sustaining costs margin remained steady at 20%, with the increase in the rand gold price keeping track with the increase in all-in sustaining costs.

Capital expenditure

In FY2013 the capital expenditure (excluding capitalised exploration and rehabilitation costs) increased by 51% to R381.9 million, compared with R252.3 million in FY2012. This increase was mainly as a result of expenditure on Ergo's flotation/fine-grind project during the year.

Free cash flow

In FY2013 the free cash flow generated by our operations, defined as cash flow from operations less capital expenditure, decreased to R97.9 million from R153.8 million in FY2012. The drop in free cash flow generated was mainly due to the increase in capital expenditure because of Ergo's flotation/fine-grind project.

YEAR-ON-YEAR FINANCIAL STATEMENT ANALYSIS

Statement of profit or loss

An analysis of the summarised group statement of profit or loss for the year, with comments on significant variances, is presented on the next page.

Operating profit (Rm)
for the year ended 30 June 2013

All-in sustaining costs margin (%)
for the year ended 30 June 2013

Capital expenditure (Rm)
for the year ended 30 June 2013

Free cash flow (Rm)
for the year ended 30 June 2013

Below: The Brakpan plant's second CIL circuit

Summarised group statement of profit or loss (R million)	Note	2013	2012
Revenue	1	**2 076.5**	1 764.2
Cost of sales	2	**(1 639.4)**	(1 400.3)
Gross profit from operations		**437.1**	363.9
Impairments	3	**(238.0)**	(1.1)
Administration expenses and general costs	4	**(78.1)**	(110.6)
Net finance income	5	**24.0**	8.8
Profit before taxation		**145.0**	261.0
Income tax	6	**(44.9)**	(8.0)
Profit for the year		**100.1**	253.0

"Our all-in sustaining costs increased by only 10%, ensuring we maintained a reasonable margin"

The profit for the year of R100.1 million decreased by 60% year-on-year because of impairments amounting to R238.0 million. If the effect of the impairments is stripped out, there would have been a 34% increase in profit for the year.

1. Revenue

An 8% increase in gold production and a 9% increase in the rand gold price resulted in revenue increasing by 18% to R2 076.5 million in FY2013.

2. Cost of sales

Cost of sales increased by 17% from R1 400.3 million to R1 639.4 million in FY2013.

The major components of cost of sales are as follows:

- **Operating costs** rose by 22% mainly as a result of an 8% rise in volumes, together with above inflation increases in labour, electricity and reagent costs.
- **Depreciation** increased by 21% owing mainly to the additions to property, plant and equipment for the Crown/Ergo pipeline project.
- **Movement in provision for environmental rehabilitation** decreased to R15.3 million in FY2013 from R59.5 million in FY2012. A credit of R20.4 million, relating to the disposal of the old Durban Deep mining rights, was included in this year's movement.
- **Movement in gold in process** was a credit of R17.7 million in FY2013 compared with a credit of R9.4 million in FY2012, resulting from movements in gold inventories.

3. Impairments

"The impairments recorded were unrelated to our Ergo operation"

Impairments of R238.0 million, which were unrelated to our Ergo operation, were recorded during FY2013. A large portion of the impairment, R101.3 million, was due to a reclassification of the fair value adjustment already recognised on our investment in VMR from other comprehensive income to profit or loss. The investment in VMR is classified as an available-for-sale investment under IFRS. In addition to this impairment, we recorded an impairment of R50.1 million against our exploration assets in Zimbabwe, R40.0 million against our decommissioned Crown tailings complex, R21.0 million against the Cason underground assets and R25.6 million relating to our rehabilitation trust fund for the old DRDGOLD mining lease area which has been sold.

4. Administration expenses and general costs

Administration expenses and general costs decreased by 29% in FY2012, from R110.6 million to R78.1 million. In FY2013, administration expenses and general costs included a profit on disposal of property, plant and equipment of R19.3 million compared to a loss on disposal of property, plant and equipment of R9.6 million in FY2012. If these items are excluded then administration expenses and general costs remained flat year-on-year.

5. Net finance income

In FY2013, net finance income increased to R24.0 million from R8.8 million in FY2012. Net finance income in FY2013 included dividends received from VMR and Rand Refinery amounting to R32.5 million.

6. Income tax

The income tax charge was higher in FY2013 at R44.9 million, compared with R8.0 million in FY2012. The year-on-year increase was mainly due to a deferred tax credit in the previous year, which resulted from a decrease in the effective mining tax rate and the recognition of a previously unrecognised deferred tax asset.

"We paid more tax in FY2013, as we benefited from a deferred tax credit in FY2012"

STATEMENT OF FINANCIAL POSITION

An analysis of the summarised group statement of financial position as at 30 June, with comments on significant variances is presented below:

Summarised group statement of financial position (R million)	Note	2013	2012
Property, plant and equipment	1	**1 756.3**	1 641.6
Other non-current assets	2	**310.0**	380.0
Cash and cash equivalents		**377.2**	298.5
Other current assets	3	**227.6**	172.2
Total assets		**2 671.1**	2 492.3
Equity	4	**1 648.3**	1 633.9
Non-current borrowings	5	**143.3**	-
Other non-current liabilities	6	**633.7**	597.4
Current borrowings	5	**24.3**	30.7
Other current liabilities	7	**221.5**	230.3
Total equity and liabilities		**2 671.1**	2 492.3

1. Property, plant and equipment

The increase in the value of property, plant and equipment from R1 641.6 million to R1 756.3 million was mainly due to capital expenditure incurred during the year amounting to R381.9 million, which was partially offset by depreciation of R143.8 million and impairments of R110.2 million. The balance of movements included borrowing costs capitalised and disposals.

2. Other non-current assets

Other non-current assets, comprising investments and deferred tax assets, decreased from R380.0 million to R310.0 million.

Significant movements included:

- mark-to-market decreases in the carrying value of our investment in VMR amounting to R117.2 million;
- investment and growth in our Guardrisk Cell Captive, amounting to R31.4 million;
- an acquisition of further shares and fair-value adjustments in our investment in Rand Refinery, amounting to R73.0 million;
- a decrease of R20.0 million in our investments in environmental rehabilitation trust funds, mainly due to the disposal of the old Durban Deep mining rights; and
- a decrease of R35.4 million in deferred tax assets, mainly as a result of the profits generated by Ergo.

3. Other current assets

Other current assets consist of inventories, trade and other receivables and a current tax asset. Other current assets increased from R172.2 million to R227.6 million. The increase was mainly as a result of a trade receivable for gold delivered to Rand Refinery which had not yet been sold at year end, amounting to R30.4 million, and an increase in consumable stores and finished stock at Ergo.

4. Equity

Equity increased from R1 633.9 million in FY2012 to R1 648.3 million in FY2013.

Significant movements included:

- the profit for the year of R100.1 million;
- the share option scheme buy-out, amounting to R24.1 million; and
- dividends paid to shareholders, amounting to R106.7 million.

5. Borrowings

In FY2013, borrowings increased to R167.6 million from R30.7 million in FY2012, as a result of the issue of new loan notes in July and September 2012, amounting to R165.0 million.

6. Other non-current liabilities

Other non-current liabilities, which consist of provision for environmental rehabilitation, post-retirement and other employee benefits and deferred tax liability, increased to R633.7 million in FY2013 from R597.4 million in FY2012.

Significant movements included:

- a R20.0 million increase in the provision for environmental rehabilitation, due to changes and reviews in estimates, discount and inflation rate assumptions at 30 June 2013; and
- an increase in the deferred tax liability of R13.7 million, largely as a result of a change in the estimated deferred tax rate.

7. Other current liabilities

Other current liabilities decreased from R230.3 million to R221.5 million in FY2013, mainly as a result of an insignificant decrease in trade and other payables.

STATEMENT OF CASH FLOWS

An analysis of the summarised group statement of cash flows for the year, with comments on significant variances is presented below:

"We paid dividends of R107m to shareholders"

Summarised group statement of cash flows (R million)	Note	2013	2012
Cash flows from operating activities	1	**502.3**	621.1
Cash flows from investing activities	2	**(429.4)**	(413.3)
Cash flows from financing activities	3	**5.7**	(168.5)
Net increase in cash and cash equivalents		**78.6**	39.3
Cash and cash equivalents at the beginning of the year		**298.5**	259.1
Foreign exchange movements		**0.1**	0.1
Cash and cash equivalents at the end of the year		**377.2**	298.5

"One of our key focus areas in FY2014 is maintaining margins"

Free cash flow generated from operations, supplemented by debt raised of R165 million, was partially offset by dividends paid during the year and resulted in an increase in our cash and cash equivalents to R377.2 million.

1. Cash flows from operating activities

Cash inflow from operating activities decreased from R621.1 million in FY2012 to R502.3 million in FY2013. However, the previous year's cash inflow included cash generated by Blyvooruitzicht Gold Mining Company Limited, amounting to R137.1 million.

2. Cash flows from investing activities

Cash outflow from investing activities increased from R413.3 million to R429.4 million, mainly as a result of higher capital expenditure during the year, partially offset by proceeds on the disposal of property, plant and equipment.

3. Cash flows from financing activities

The cash inflow from financing activities amounted to R5.7 million in FY2013 compared to a cash outflow of R168.5 million in FY2012. The cash inflow was largely due to the net increase in loan notes issued of R132.6 million, partially offset by dividends paid of R103.1 million, and the share option buy-out of R24.1 million.

LOOKING AHEAD

Our key financial focus areas for FY2014 will be the following:

- maintaining margins;
- improving headline earnings per share;
- improving cash inflow from operations; and
- stringent capital allocation, management and measurement against return on investment.

Craig Barnes
Chief financial officer
16 September 2013