

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934

For the fiscal year ended June 30, 2008

Commission file number 0-28800

**DRDGOLD LIMITED**

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

**REPUBLIC OF SOUTH AFRICA**

(Jurisdiction of incorporation or organization)

**299 PENDORING AVENUE, BLACKHEATH, RANDBURG, 2195, SOUTH AFRICA**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act

**None**

Securities registered or to be registered pursuant to Section 12(g) of the Act

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**As of June 30, 2008 the Registrant had outstanding 376,571,588 ordinary shares, of no par value.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing. U.S. GAAP ☐ International Financial Reporting Standards as issued by the IASB ☒ Other ☐

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Contact details:

Mr. T.J. Gwebu – Group Legal Counsel, Company Secretary and Compliance Officer  
DRDGOLD Limited, 299 Pendoring Avenue, Randburg, 2195, South Africa  
Telephone: +2711 219 8700

# TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| <b>PART I</b>  |             |
| ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS .....      | 5           |
| ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE .....                    | 5           |
| ITEM 3. KEY INFORMATION .....  | 5           |
| 3A. Selected Financial Data .....  | 5           |
| 3B. Capitalization And Indebtedness .....                                | 6           |
| 3C. Reasons For The Offer And Use Of Proceeds .....                      | 6           |
| 3D. Risk Factors.....  | 7           |
| ITEM 4. INFORMATION ON THE COMPANY .....                                 | 18          |
| 4A. History And Development Of The Company .....                         | 18          |
| 4B. Business Overview .....  | 22          |
| 4C. Organizational Structure .....                                       | 33          |
| 4D. Property, Plants And Equipment .....                                 | 34          |
| ITEM 4A. UNRESOLVED STAFF COMMENTS .....                                 | 59          |
| ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS .....               | 60          |
| 5A. Operating Results .....  | 61          |
| 5B. Liquidity And Capital Resources .....                                | 83          |
| 5C. Research And Development, Patents And Licenses Etc.....              | 85          |
| 5D. Trend Information.....   | 85          |
| 5E. Off-Balance Sheet Arrangements.....                                  | 85          |
| 5F. Tabular Disclosure Of Contractual Obligations.....                   | 85          |
| 5G. Safe Harbor .....  | 85          |
| ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....                  | 86          |
| 6A. Directors And Senior Management.....                                 | 86          |
| 6B. Compensation .....   | 89          |
| 6C. Board Practices .....  | 91          |
| 6D. Employees.....   | 95          |
| 6E. Share Ownership.....   | 97          |
| ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS .....          | 98          |
| 7A. Major Shareholders .....   | 98          |
| 7B. Related Party Transactions .....                                     | 99          |
| 7C. Interests Of Experts And Counsel .....                               | 101         |
| ITEM 8. FINANCIAL INFORMATION .....                                      | 102         |
| 8A. Consolidated Statements And Other Financial Information.....         | 102         |
| 8B. Significant Changes .....  | 102         |
| ITEM 9. THE OFFER AND LISTING .....                                      | 103         |
| 9A. Offer And Listing Details .....                                      | 103         |
| 9B. Plan Of Distribution .....   | 103         |
| 9C. Markets.....   | 104         |
| 9D. Selling Shareholders .....   | 104         |
| 9E. Dilution .....   | 104         |
| 9F. Expenses Of The Issue.....   | 104         |
| ITEM 10. ADDITIONAL INFORMATION.....                                     | 105         |
| 10A. Share Capital .....   | 105         |
| 10B. Memorandum And Articles Of Association .....                        | 105         |
| 10C. Material Contracts.....   | 107         |
| 10D. Exchange Controls.....  | 109         |
| 10E. Taxation .....  | 111         |
| 10F. Dividends And Paying Agents .....                                   | 116         |
| 10G. Statement By Experts .....  | 116         |
| 10H. Documents On Display.....   | 116         |
| 10I. Subsidiary Information .....  | 116         |
| ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK..... | 117         |
| ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES .....    | 118         |

## TABLE OF CONTENTS

### PART II

|           |   |     |
|-----------|---|-----|
| ITEM 13.  | DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES .....                           | 118 |
| ITEM 14.  | MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS .. | 118 |
| ITEM 15.  | CONTROLS AND PROCEDURES .....   | 118 |
| ITEM 16A. | AUDIT COMMITTEE FINANCIAL EXPERT .....  | 120 |
| ITEM 16B. | CODE OF ETHICS .....  | 120 |
| ITEM 16C. | PRINCIPAL ACCOUNTANT FEES AND SERVICES .....                                    | 120 |
| ITEM 16D. | EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES .....                | 120 |
| ITEM 16E. | PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS .....    | 120 |

### PART III

|          |                            |         |
|----------|----------------------------|---------|
| ITEM 17. | FINANCIAL STATEMENTS ..... | 121     |
| ITEM 18. | FINANCIAL STATEMENTS ..... | F-pages |
| ITEM 19. | EXHIBITS .....             | 122     |

## Preparation of Financial Information

We are a South African company and currently all of our operations, as measured in production ounces, are located there. Accordingly, our books of account are maintained in South African Rand. Our financial statements included in our corporate filings in South Africa were prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the International Accounting Standards Board (IASB) for the financial years ended 30 June 2006, 2007 and 2008. All references to “Dollars” or “\$” herein are to United States Dollars, references to “Rand” or “R” are to South African Rands, references to “A\$” are to Australian Dollars, references to “F\$” are to Fiji Dollars, and references to “Kina” or “K” are to Papua New Guinean Kinas.

Prior to fiscal year ended June 30, 2008, our annual financial statements (translated into Dollars) were prepared and filed with the U.S. Securities and Exchange Commission (“SEC”) in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). On December 21, 2007, the SEC adopted rules allowing foreign private issuers that file Annual Reports on Form 20-F to file financial statements with the SEC in accordance with IFRS as issued by the IASB without reconciliation to U.S. GAAP. As per these new rules, we changed our basis of presentation and included in this Annual Report our consolidated financial statements prepared in accordance with IFRS as issued by the IASB. All financial information, except as otherwise noted, are stated in accordance with IFRS as issued by the IASB.

We present our financial information in Rand, which is our reporting currency. Solely for your convenience, this Form 20-F contains translations of certain Rand amounts into Dollars at specified rates. These Rand amounts do not represent actual Dollar amounts, nor could they necessarily have been converted into Dollars at the rates indicated. Unless otherwise indicated, Rand amounts have been translated into Dollars at the rate of R9.84 per \$1.00, which was the noon buying rate in New York City on October 31, 2008.

In this Annual Report on Form 20-F, we present the financial items “cash costs per kilogram” and “total costs per kilogram” which have been determined using industry guidelines promulgated by the Gold Institute and are not IFRS financial measures. An investor should not consider these items in isolation or as alternatives to cash and cash equivalents, operating costs, net profit/(loss) applicable to ordinary shareholders, profit/(loss) before tax and other items or any other measure of financial performance presented in accordance with IFRS or as an indicator of our performance. While the Gold Institute has provided definitions for the calculation of cash costs, the calculation of cash costs per kilogram, total costs and total costs per kilogram may vary significantly among gold mining companies, and these definitions by themselves do not necessarily provide a basis for comparison with other gold mining companies. See “Glossary of Terms and Explanations” and Item 5A: “Operating and Financial Review and Prospects – Cash costs and total costs per kilogram- Reconciliation of cash costs per kilogram, total costs and total costs per kilogram.”

## DRDGOLD Limited

When used in this Annual Report, the term the “Company” refers to DRDGOLD Limited and the terms “we,” “our,” “us” or “the Group” refer to the Company and its subsidiaries, associates and joint venture, as appropriate in the context.

## Special Note Regarding Forward-Looking Statements

This Annual Report contains certain “forward-looking” statements within the meaning of Section 21E of the Exchange Act, regarding future events or other future financial performance and information relating to us that are based on the beliefs of our management, as well as assumptions made by and information currently available to our management. Some of these forward-looking statements include phrases such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “should,” or “will continue,” or similar expressions or the negatives thereof or other variations on these expressions, or similar terminology, or discussions of strategy, plans or intentions. These statements also include descriptions in connection with, among other things:

- estimates regarding future production and throughput capacity;
- our anticipated commitments;
- our ability to fund our operations in the next 12 months; and
- estimated production costs, cash costs per ounce and total costs per ounce.

Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Many factors could cause our 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;
- regulatory developments adverse to us or difficulties in maintaining necessary licenses or other governmental approvals;
- changes in our competitive position;
- changes in business strategy;
- any major disruption in production at our key facilities; or
- adverse changes in foreign exchange rates and various other factors.

For a discussion of such risks, see Item 3D.: “Risk Factors.” The risk factors described in Item 3D. could affect our future results, causing these results to differ materially from those expressed in any forward-looking statements. These factors are not necessarily all of the important factors that could cause our results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

### **Imperial units of measure and metric equivalents**

Units stated in this Annual Report are measured in Imperial and Metric.

| <b><u>Metric</u></b> | <b><u>Imperial</u></b> | <b><u>Imperial</u></b> | <b><u>Metric</u></b> |
|----------------------|------------------------|------------------------|----------------------|
| 1 metric tonne       | 1.10229 short tons     | 1 short ton            | 0.9072 metric tonnes |
| 1 kilogram           | 2.20458 pounds         | 1 pound                | 0.4536 kilograms     |
| 1 gram               | 0.03215 troy ounces    | 1 troy ounce           | 31.10353 grams       |
| 1 kilometer          | 0.62150 miles          | 1 mile                 | 1.609 kilometres     |
| 1 meter              | 3.28084 feet           | 1 foot                 | 0.3048 metres        |
| 1 liter              | 0.26420 gallons        | 1 gallon               | 3.785 liters         |
| 1 hectare            | 2.47097 acres          | 1 acre                 | 0.4047 hectares      |
| 1 centimeter         | 0.39370 inches         | 1 inch                 | 2.54 centimetres     |
| 1 gram/tonne         | 0.0292 ounces/ton      | 1 ounce/ton            | 34.28 grams/tonnes   |
| 0 degree Celsius     | 32 degrees Fahrenheit  | 0 degrees Fahrenheit   | - 18 degrees Celsius |

## Glossary of Terms and Explanations

|                               |  |
|-------------------------------|--|
| Adularia .....                | A transparent or translucent variety of common feldspar.   |
| Archaean.....                 | A period of the geological time scale between 2.5 and 4.6 billion years ago, the earliest part of the Precambrian.   |
| Assaying .....                | The chemical testing process of rock samples to determine mineral content.   |
| Auriferous .....              | Containing gold.   |
| Bonanza .....                 | Unexpected high-grade occurrences.   |
| Care and maintenance .....    | Cease active mining activity at a shaft, but continue to incur costs to ensure that the Ore Reserves are open, serviceable and legally compliant.  |
| Cash costs per kilogram ..... | Cash costs are operating costs incurred directly in the production of gold and include labor costs, contractor and other related costs, inventory costs and electricity costs. Cash costs per kilogram are calculated by dividing cash costs by kilograms of gold produced. Cash costs per kilogram have been calculated on a consistent basis for all periods presented. This is a non-IFRS financial measure and should not be considered a substitute measure of costs and expenses reported by us in accordance with IFRS. |
| Caving.....                   | A type of mining in which the ore is blasted and drawn in a manner causing the overhead rock to cave in.   |
| Conglomerate .....            | A coarse-grained sedimentary rock consisting of rounded or sub-rounded pebbles.  |
| Cut-and-fill .....            | A mining method in which a slice of rock is removed after blasting and replaced with a slice of fill material to provide workers with a platform to mine the next slice of rock.   |
| Cut-off grade .....           | The minimum in-situ grade of ore blocks for which the cash costs per ounce, excluding overhead costs, are equal to a projected gold price per ounce.   |
| Depletion .....               | The decrease in the quantity of ore in a deposit or property resulting from extraction or production.  |
| Dilution .....                | Broken rock entering the ore flow at zero or minimal grade and therefore diluting the gold content per ton.  |
| Diorite .....                 | An igneous rock formed by the solidification of molten material.   |
| Doré .....                    | Unrefined gold and silver bullion bars consisting of approximately 90% precious metals which will be further refined to almost pure metal.   |
| Electrowinning .....          | The process of recovering metal from an ore by means of electro-chemical processes.  |
| Grade.....                    | The amount of gold contained within auriferous material generally expressed in ounces per ton or grams per ton of ore.   |
| g/t .....                     | Grams per ton.   |
| Horizon .....                 | A plane indicating a particular position in a stratigraphic sequence. This may be a theoretical surface with no thickness or a distinctive bed.  |
| Igneous rock .....            | Rock which is magmatic in origin.  |
| Intrusive .....               | Rock which while molten, penetrated into or between other rocks, but solidified before reaching the surface.   |
| Life of mine .....            | Projected life of a mining operation based on the Proven and Probable Ore Reserves.  |
| Metallurgical plant .....     | A processing plant (mill) erected to treat ore and extract the contained gold.   |
| Mine call factor.....         | This is the gold content recovered expressed as a percentage of the gold content called.   |
| Mill .....                    | Material passed through the metallurgical plant for processing.  |
| Mt.....                       | Million tons.  |
| Opening up .....              | The potential that previously abandoned shafts have to be reopened and mined.  |
| Ore .....                     | A mixture of valuable and worthless minerals from which the extraction of at least one mineral is technically and economically viable.   |
| Ore Reserves.....             | Attributable total Ore Reserves of subsidiaries.   |
| Pay-limit .....               | The minimum in-situ grade of ore blocks for which cash costs, including all overhead costs, are equal to a projected gold price per ounce.   |
| Proven Ore Reserves .....     | Reserves for which (a) the quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of Ore Reserves are well-established.   |
| Probable Ore Reserves .....   | Reserves for which quantity and grade and/or quality are computed from information similar to that used for Proven Ore Reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for Proven Ore Reserves, is high enough to assume continuity between points of observation.  |

|                               |   |
|-------------------------------|---|
| oz/t .....                    | Ounces per ton.   |
| Reef.....                     | A gold-bearing sedimentary horizon, normally a conglomerate band that may contain economic levels of gold.  |
| Refining .....                | The final purification process of a metal or mineral.   |
| Rehabilitation .....          | The process of restoring mined land to a condition approximating its original state.  |
| Reserves.....                 | That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.  |
| Sedimentary .....             | Formed by the deposition of solid fragmental material that originated from weathering of rocks and was transported from a source to a site of deposition.   |
| Shaft.....                    | An opening cut downwards for transporting personnel, equipment, supplies, ore and waste. A shaft is also used for ventilation and as an auxiliary exit. It is equipped with a hoist system that lowers and raises a cage in the shaft, transporting equipment, personnel, materials, ore and waste. A shaft generally has more than one compartment.  |
| Shrinkage stoping .....       | A mining method in which a small percentage of the broken ore is drawn as mining progresses to make room for subsequent mining activities. Most of the blasted ore is left to accumulate in the stope and is drawn after the stope is completely mined.   |
| Slimes .....                  | The fraction of tailings discharged from a processing plant after the valuable minerals have been recovered.  |
| Sloughing.....                | The localized failure of part of the slimes dam wall caused by a build up of water within the dam.  |
| Stope .....                   | Underground production working area on the Ore Horizon.   |
| Sub-level stoping .....       | A method of mining in which the ore is blasted, on multiple levels in one stope, and drawn off as it is blasted, leaving an open stope.   |
| Tailings .....                | Finely ground rock from which valuable minerals have been extracted by milling, or any waste rock, slimes or residue derived from any mining operation or processing of any minerals.   |
| Tailings dam .....            | A dam created from waste material of processed ore after the economically recoverable gold has been extracted.  |
| Tonnage/Tons.....             | Quantities where the metric ton 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.  |
| Total costs per kilogram..... | Total costs per kilogram represent the full amount of costs incurred and represents the difference between revenues from gold bullion and profits or losses before taxation. Total costs per kilogram are calculated by dividing total costs by kilograms of gold produced. Total costs per kilogram have been calculated on a consistent basis for all periods presented. This is a non-IFRS financial measure and should not be considered a substitute measure of costs and expenses reported by us in accordance with IFRS. |
| Tpm.....                      | Tons per month.   |
| Up-dip mining .....           | A mining method in which the drilled and blasted ore gravitates into slushers or gullies leaving an open space. This is normally used in narrow stopes.   |
| Waste rock .....              | Non-auriferous rock.  |
| Yield .....                   | The amount of recovered gold from production generally expressed in ounces or grams per ton of ore.   |

## **PART I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

### **ITEM 3. KEY INFORMATION**

#### ***3A. SELECTED FINANCIAL DATA***

The following selected consolidated financial data as at June 30, 2008, 2007 and 2006 and for the years ended June 30, 2008, 2007 and 2006 are derived from our consolidated financial statements set forth elsewhere in this Annual Report, which have been prepared in accordance with IFRS, as issued by the IASB. These consolidated financial statements have been audited by KPMG Inc. as at June 30, 2008, 2007 and 2006 and for the years ended June 30, 2008, 2007 and 2006. Prior to fiscal year ended June 30, 2008, our annual financial statements (translated into Dollars) were prepared and filed with the SEC in accordance with U.S. GAAP. On December 21, 2007, the SEC, adopted rules allowing foreign private issuers that file Annual Reports on Form 20-F to file with the SEC financial statements in accordance with IFRS as issued by the IASB without reconciliation to U.S. GAAP. As per these new rules, we changed our basis of presentation and have included in this Annual Report our consolidated financial statements prepared in accordance with IFRS as issued by the IASB. The selected consolidated financial data as at June 30, 2005 and 2004 and for the years ended June 30, 2005 and 2004 are derived from audited consolidated financial statements not appearing in this Annual Report which have been prepared in accordance with IFRS as issued by the IASB. The selected consolidated financial data set forth below should be read in conjunction with Item 5.: “Operating and Financial Review and Prospects” and with the consolidated financial statements and the notes thereto and the other financial information appearing elsewhere in this Annual Report.



**Selected Consolidated Financial Data**  
(in thousands, except share, per share and ounce data)

|   | <u>Year ended June 30,</u> |             |                   |                   |                   |                   |
|---|----------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|   | 2008 <sup>1</sup>          | 2008        | 2007 <sup>2</sup> | 2006 <sup>2</sup> | 2005 <sup>2</sup> | 2004 <sup>2</sup> |
|   | \$'000                     | R'000       | R'000             | R'000             | R'000             | R'000             |
| <b>Income Statement Data</b>  |                            |             |                   |                   |                   |                   |
| Revenue .....   | 196,458                    | 1,933,147   | 2,209,705         | 1,599,994         | 1,668,562         | 2,192,142         |
| Operating loss before finance income and finance expenses .....                                     | (1,542)                    | (15,175)    | (1,173,375)       | (105,110)         | (528,043)         | (330,986)         |
| Operating profit/(loss) before finance income and finance expenses from continuing operations ..... | 10,386                     | 102,194     | 22,541            | 7,641             | (129,585)         | (146,262)         |
| Net profit/(loss) applicable to ordinary shareholders .....   | 101,224                    | 996,041     | (924,466)         | (110,089)         | (544,792)         | (716,430)         |
| Net profit/(loss) from continuing operations applicable to ordinary shareholders .....              | 13,065                     | 128,558     | (2,674)           | (71,478)          | (180,666)         | (170,970)         |
| <b>Per Share Data</b>   |                            |             |                   |                   |                   |                   |
| Basic profit/(loss) per share (cents) .....   | 27                         | 265         | (271)             | (35)              | (211)             | (331)             |
| Basic profit/(loss) per share - continuing operations (cents) .....                                 | 3                          | 34          | (1)               | (23)              | (61)              | (73)              |
| Diluted profit/(loss) per share (cents) .....   | 27                         | 265         | (271)             | (35)              | (211)             | (331)             |
| Diluted profit/(loss) per share - continuing operations (cents) .....                               | 3                          | 34          | (1)               | (23)              | (61)              | (73)              |
| Dividends per share (cents) .....   | 1                          | 10          | -                 | -                 | -                 | -                 |
| Number of shares issued as at June 30 .....   | 376,571,588                | 376,571,588 | 370,341,981       | 320,035,078       | 296,206,048       | 233,307,667       |
| <b>Balance Sheet Data</b>   |                            |             |                   |                   |                   |                   |
| Total assets .....  | 229,928                    | 2,262,495   | 1,947,163         | 3,010,074         | 1,499,432         | 1,803,178         |
| Equity (Net assets) .....   | 132,669                    | 1,305,461   | 143,456           | 1,015,272         | 483,094           | 569,890           |
| Ordinary share capital .....  | 416,484                    | 4,098,206   | 4,069,096         | 3,761,368         | 3,564,974         | 3,069,055         |

**3B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**3C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

<sup>1</sup> Translations into Dollars in this table are for convenience only and are computed at the noon buying rate in New York City at October 31, 2008 of R9.84 per \$1.00. You should not view such translations as a representation that such amounts represent actual Dollar amounts.

<sup>2</sup> Comparatives have been restated for the reclassification of the Australasian operations as discontinued operations. The discontinued operations relate to the Porgera Joint Venture (disposed on August 17, 2007), Emperor (disposed on October 22, 2007), Netgold (disposed on March 13, 2008) and Buffelsfontein Gold Mines Limited (liquidated on 22 March 2005).

### **3D. RISK FACTORS**

In conducting our business, we face many risks that may interfere with our business objectives. Some of these risks relate to our operational processes, while others relate to our business environment. It is important to understand the nature of these risks and the impact they may have on our business, financial condition and operating results.

Some of the most relevant risks are summarized below and have been organized into the following categories:

- Risks related to our business and operations;
- Risks related to the gold mining industry;
- Risks related to doing business in South Africa; and
- Risks related to ownership in our ordinary shares or American Depositary Shares, or ADSs.

#### **Risks related to our business and operations**

##### ***Changes in the market price for gold, which in the past has fluctuated widely, and exchange rate fluctuations affect the profitability of our operations and the cash flows generated by those operations***

As the majority of our production costs are in Rands, while gold is generally sold in Dollars, our financial condition has been and could be materially harmed in the future by an appreciation in the value of the Rand. Due to the marginal nature of our underground mines, any sustained decline in the market price of gold below the cost of production could result in the closure of our mines which would result in significant costs and expenditure, for example, incurring retrenchment costs earlier than expected, that would negatively and adversely affect our business, operating results and financial condition.

We do not enter into forward contracts to reduce our exposure to market fluctuations in the Dollar gold price or the exchange rate movements of the Rand. We sell our gold and trade our foreign currency at the spot price in the market on the date of trade. If the Dollar gold price should fall and the regional functional currencies should strengthen against the Dollar, resulting in revenue below our cost of production and remain at such levels for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our operations. In addition, we might not be able to recover any losses we may incur during that period or maintain adequate gold reserves for future exploitation.

Exchange rates are influenced by global economic trends which are beyond our control. In fiscal 2008 and fiscal 2007 the Rand depreciated against the Dollar by 1.3% and 12.3% respectively (based on average exchange rates at June 30 of each year). As at June 30, 2008, even though the Rand depreciated against the Dollar during the fiscal year, it has appreciated by 40.7% since December 2001 when it reached R13.44 = \$1.00 (based on closing rates). At October 31, 2008 the Rand traded at R9.84 = \$1, a 24% weakening against the Dollar from June 30, 2008.

A decrease in the Dollar gold price and a strengthening of the foreign exchange rate of the Rand could result in a decrease in our profitability. In fiscal 2008 and 2007, 96% and 70% of production respectively, was from our South African mines providing significant exposure to the strengthening of the Rand and a decrease in profitability. As a result of disposing of our Australasian operations, we are more exposed to the Rand/Dollar exchange rate as all our operations are now located in South Africa. If the Rand had to again appreciate in such a manner, our operations could once again experience a reduction in cash flow and profitability and this would negatively and adversely affect our business, operating results and financial condition.

##### ***Inflation may have a material adverse effect on our results of operations***

South Africa has experienced high rates of inflation recently. Because we are unable to control the market price at which we sell the gold we produce, it is possible that significantly higher future inflation in South Africa may result in an increase in our future operational costs in Rand, without a concurrent devaluation of the operational costs in Rand against the Dollar or an increase in the Dollar price of gold. This could have a material adverse effect upon our results of operations and our financial condition. Significantly higher and sustained inflation in the future, with a consequent increase in operational costs, could result in operations being discontinued or reduced or rationalized at higher cost mines

##### ***We have a history of losses and may incur losses in the future.***

We achieved net profits of R1.2 billion for fiscal 2008, however, in fiscal 2007 and 2006, we incurred losses of R1.2 billion and R114.5 million respectively. Since fiscal 2007 we have disposed of our loss making Australasian Operations and refocused on our profitable South African Operations: however we may incur losses in the future again. Our profits and cash flows of our operations are directly exposed to the strength of the Rand and higher input costs as we generally do not hedge. Our underground mines are also regarded as older, higher cost and lower-grade gold producers. In addition our ability to identify Ore Reserves that have reasonable prospects for economic extraction and to maintain sufficient controls on production and other costs will have a material influence on the future viability of our mines.

***We may not be able to meet our cash requirements because of a number of factors, many of which are beyond our control.***

Management's estimates on future cash flows are subject to risks and uncertainties, such as the gold price, production volumes, costs and seismicity. If we are unable to meet our cash requirements out of cash flows generated from our operations, we would need to fund our cash requirements from alternative financing and we cannot guarantee that any such financing would be on acceptable terms, or would be permitted under the terms of our existing financing arrangements, or would be available at any terms. In the absence of sufficient cash flows or adequate financing, our ability to respond to changing business and economic conditions, make future acquisitions, react to adverse operating results, meet our debt service obligations and fund required capital expenditures or increased working capital requirements may be adversely affected.

***The failure to discover or acquire new Ore Reserves could negatively affect our cash flow, results of operations and financial condition.***

Our future cash flow, results of operations and financial condition are directly related to the success of our exploration and acquisition efforts in the regions in which we operate and any new regions that we identify for future growth opportunities. Our Ore Reserves for fiscal 2008 decreased by 7%, primarily due to the disposal of our interest in Emperor Mines Limited, or Emperor. In fiscal 2007, our Ore Reserves decreased by 35% primarily as a consequence of the closure and subsequent disposal of the Vatukoula mine and our interest in the Porgera Joint Venture. In fiscal 2006, our ore reserves increased with the acquisition of Crown Gold Recoveries (Pty) Limited, or Crown, ERPM and Emperor. Mining higher grade reserves in our underground mines is likely to be more difficult in the future, due to the age of these mines and safety concerns and could result in increased production costs and reduced profitability. We can make no assurances that any new or ongoing exploration programs will result in new mineral producing operations that will sustain or increase our Ore Reserves. A failure to discover or acquire new Ore Reserves in sufficient quantities to maintain or grow the current level of our reserves will negatively affect our future cash flow, results of operations and financial condition.

***To the extent that we seek to expand and grow through acquisitions we may experience difficulty in managing these acquisitions and integrating them with our existing operations.***

Our objective is to grow our business by improving efficiency at our existing operations as well as through acquisitions. From time to time we consider the acquisition of mining assets including ore reserves, development properties, operating mines or mining companies. Our expansion through acquisitions of new gold mining operations involves a number of risks including:

- maintaining our financial and strategic focus while integrating the acquired business;
- implementing uniform standards, controls, procedures and policies at the acquired business;
- assimilating the operations of an acquired business in a timely and efficient manner;
- unifying our periodic and year-end financial audit processes
- increasing pressures on existing management to oversee an expanding company;
- to the extent that we make an acquisition outside of markets in which we have previously operated, conducting and managing operations in a new operating environment;
- the market for acquisitions is competitive and we may not always be successful in identifying and purchasing assets that fit our strategy;
- the ability to conduct a comprehensive due diligence analysis could be restricted due to unavailable information;
- we may need to use a combination of historical and projected data in order to evaluate the financial and operational feasibility of the target assets. These analyses are based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and other operating costs, metal prices and projected economic returns and evaluations of existing or potential liabilities associated with the property and its operations. Other than historical operating results, all of these parameters could differ significantly from the estimates and assumptions used in the evaluation process, which could result in an incorrect evaluation of the quality of the assets to be acquired;
- our inability to make suitable acquisitions at an appropriate price could adversely affect our ongoing business and financial position, particularly if the Rand strengthens against the Dollar;
- we may experience difficulty in negotiating acceptable terms with the seller of the business to be acquired;
- we may not be able to obtain the financing necessary to complete future acquisitions;
- we may not be able to obtain necessary approvals from regulatory authorities;
- acquisitions financed through the issue of shares may result in a dilution in the value of our shares if the value of the business acquired is not realized; and
- we could experience financial loss through costs incurred in evaluating and pursuing failed acquisitions or overpaying for an acquisition.

Any problems experienced in achieving successful integration or in connection with an acquisition as a result of one or more of these factors could have an adverse effect on our business, operating results and financial condition.

***We may need to improve our internal controls over financial reporting and our independent auditors may not be able to attest to their effectiveness.***

We have evaluated our internal controls surrounding the financial reporting process for the current fiscal period so that management can attest to the effectiveness of these controls, as required by Section 404 of the United States Sarbanes-Oxley Act of 2002. We identified two material weaknesses within our internal controls surrounding the financial reporting process and as a result, have started implementing the appropriate remediation steps to address these deficiencies. We may also identify other conditions that could result in significant deficiencies or material weaknesses in the future. As a result, we could experience a negative reaction in the financial markets and incur additional costs in improving the condition of our internal controls for a detailed discussion of controls and procedures see Item 15.: "Controls and Procedures."

***Increased production costs could have an adverse effect on our results of operations.***

Our historical production costs have varied significantly and we may not be able to accurately predict and adequately provide for an increase in our production costs. Production costs are affected by, amongst other things:

- labor stability, lack of productivity and increases in labor costs;
- increases in crude oil, steel, electricity and water prices;
- unforeseen changes in ore grades and recoveries;
- unexpected changes in the quality or quantity of reserves;
- unstable or unexpected ground conditions and seismic activity;
- technical production issues;
- environmental and industrial accidents;
- gold theft;
- environmental factors; and
- pollution.

The majority of our production costs consist of labor, steel, electricity, water, fuels, lubricants and other oil and petroleum based products. The production costs incurred at our operations have, and could in the future, increase at rates in excess of our annual expected inflationary increase and result in the restructuring of these operations at substantial cost. The majority of our South African labor force is unionized and their wage increase demands are usually above the then prevailing rates of inflation. In 2007, we entered into two year wage agreements with the National Union of Mine Workers, or NUM for our mines at Blyvoor, Crown and ERPM. At Blyvoor, a two-year agreement (effective from July 1, 2007) with NUM, United Association of South Africa or UASA and Solidarity was signed on October 31, 2007. This agreement resulted in effective wage increases of 9.5% for fiscal 2008 and will include a 7.5% increase for fiscal 2009. Similarly, two new wage agreements (effective from October 1, 2007) have been signed for Crown and ERPM. These agreements provide for effective wage increases of 9.6% and 9.3% for Crown in fiscal 2008 and fiscal 2009, respectively and in effective wage increases of 14.2% and 10.8% for ERPM in fiscal 2008 and fiscal 2009, respectively. In the past, we have been impacted by price increases imposed by our South African steel suppliers and parastatal entities which supply us with electricity and water. These, combined with the increases in labor costs, could result in our costs of production increasing above the gold price received. Discussions with suppliers to moderate price increases have been unsuccessful in the past.

The costs of fuels, lubricants and other oil and petroleum based products have increased in fiscal 2008 as a result of the general increase in the cost of crude oil in global markets. During fiscal 2007, the average Brent crude oil price was approximately \$55 per barrel and in fiscal 2008, the average Brent crude oil price was approximately \$96 per barrel. In the event that the increase in crude oil prices continues, this could have a significant impact on our production costs.

Our initiatives to reduce costs may not be sufficient to offset the increases imposed on our operations and could negatively affect our business, operating results and financial condition.

***Our operations are subject to extensive environmental regulations which could impose significant costs and liabilities.***

Our operations are subject to increasingly extensive laws and regulations governing the protection of the environment, under various state, provincial and local laws, which regulate air and water quality, hazardous waste management and environmental rehabilitation and reclamation. Our mining and related activities impact the environment, including land, habitat, streams and environment near the mining sites. Delays in obtaining, or failures to obtain government permits and approvals may adversely impact our operations. In addition, the regulatory environment in which we operate could change in ways that could substantially increase costs to achieve compliance, therefore having a material adverse effect on our profitability.

We have made, and expect to make in the future, expenditures to comply with these environmental laws and regulations. We have estimated our aggregate Group Rehabilitation, Reclamation and Closure cost provision at R381.3 million included on our balance sheet as at June 30, 2008. However, the ultimate amount of rehabilitation costs may in the future exceed the current estimates due to influences beyond our control, such as changing legislation or unidentified rehabilitation costs. The closure of mining operations, without sufficient financial provision for the funding of rehabilitation liabilities, or unacceptable damage to the environment, including pollution or environmental degradation, may expose us and our directors to litigation and potentially significant liabilities.

***Seismicity and other natural disasters could impact the going concern of our operations.***

We run the inherent risk that seismic activity and/or other natural disasters could cripple our operations and affect their ability to continue production. Seismic activity has had, and may continue to have, a harmful effect on our business, operating results and financial condition. For example, on March 9, 2005, the North West Operations suffered the effects of an earthquake of 5.3 on the Richter scale. As a consequence of the extensive damage caused by the earthquake, the No. 5 Shaft of the North West Operations was closed. In addition there was continuing seismic activity in the area and on March 16, 2005, we closed the No. 2 Shaft because of concerns for the safety of employees.

***Flooding at our operations may cause us to incur liabilities for environmental damage.***

Flooding of underground mining areas is an inherent risk at our underground operations. If the rate of rise of water is not controlled, water from underground mining areas could potentially rise to the surface or decant into surrounding underground mining areas or natural underground water sources. Due to the withdrawal of government pumping subsidies at Durban Deep and West Wits, we have ceased active pumping of underground water at these mines. Progressive flooding where these operations are located could eventually cause the discharge of polluted water to the surface and to local water sources.

Estimates of the probable rate of rise of water in those mines are contradictory and lack scientific support, however, should underground water levels not reach a natural subterranean equilibrium, and in the event that underground water rises to the surface, we may face claims relating to environmental damage as a result of pollution of ground water, streams and wetlands. These claims may have a material adverse effect on our business, operating results and financial condition.

***We have ageing assets, which exposes us to greater risk of our infrastructure failing, higher maintenance costs and potentially greater health, safety and environmental liabilities.***

Our assets are made up predominantly of mature assets, which we acquired after they had reached the end of the planned production cycle under their previous owners, and our strategy has been to revive these assets through specialist planning and mining techniques. The ageing infrastructure and installations typical of these operations require constant maintenance and continuing capital expenditure. This materially increases our operational costs. In addition, the technology applied in many of our installations was not regularly updated and accordingly has become obsolete compared to the technology used in more modern mines. As a result the risk of technology failure is high, and the maintenance of these installations, costly.

Due to the nature of the business and because our marginal mines predominantly are comprised of aged infrastructures, we inherently run the risk of exposure to greater health, safety and environmental liabilities which we closely monitor but are unable to fully mitigate.

***Limited tailings dam capacity at Crown exposes us to greater risk of financial loss due to lower production and health, safety and environmental liabilities.***

Our ageing tailings facilities at Crown are exposed to numerous risks and events, the occurrence of which may result in the failure or breach of such a facility. These may include sabotage, failure to adhere to the codes of practice and natural disasters such as excessive rainfall and seismicity. In the event that we are limited on how much treated ore, sand or slime we can deposit at Crown's deposition sites, we could be forced to stop or limit operations, the dams could overflow and the health and safety of our employees and communities living around these dams could be jeopardized. In the event that this occurs, our Crown operations will be adversely affected and this in turn could have a material adverse effect on our business, operating result and financial condition.

***Due to the nature of our business, our Company faces extensive health and safety risks.***

Regrettably four people died in work-related incidents during fiscal 2008, compared to eight fatalities in fiscal 2007. Two of these fatalities were largely attributable to seismicity-related rockfalls, one was the result of a truck and tramming incident and the fourth occurred when a concrete silo collapsed in the wrong direction as it was being demolished. Subsequent to June 30, 2008 and up to October 31, 2008 five people died in work related incidents. Two of these fatalities were attributable to seismicity-related rockfalls, two fatalities were as a result of asphyxiation in a shaft conveyance and one employee was found dead underground after having been reported missing. According to section 54 of the Mine, Health and Safety Act of 1996, if an inspector believes that any occurrence, practice or condition at a mine endangers or may endanger the health or safety of any person at the mine, the inspector may give any instruction necessary to protect the health or safety of persons at the mine. These instructions could include the suspension of operations at the whole or part of the mine. While seismic monitoring continues to be an invaluable tool in the management of seismicity, there is still risk of seismic induced fatalities occurring which we may not be able to prevent. These incidents could lead to mine operations being halted and that will increase our unit costs due to loss of production. This could have a material adverse effect on our business, operating results and financial condition.

***Events may occur for which we are not insured which could affect our cash flows and profitability.***

Because of the nature of our business, we may become subject to liability for pollution or other hazards against which we are unable to insure, including those in respect of past mining activities. Our existing property, business interruption and other insurance contains certain exclusions and limitations on coverage. We have insured property, including loss of profits due to business interruption in the amount of R9.0 billion. Claims for each and every event are limited by the insurers to R1.0 billion. Business interruption is only covered from the time the loss actually occurs and is subject to time and amount deductibles that vary between categories. General liability, fidelity, directors and officers, and other insurance cover is also in place.

Future insurance coverage may not cover the extent of claims brought against us, including claims for environmental, industrial or pollution related accidents, for which coverage is not available. If we are required to meet the costs of claims which exceed our insurance coverage, our costs may increase which could have a material adverse effect on our business, operating results and financial condition.

***If we are unable to attract and retain key personnel our business may be harmed.***

The success of our business will depend, in large part, upon the skills and efforts of a small group of management and technical personnel including our Chief Executive Officer and our Chief Financial Officer. In addition, we compete with mining and other companies on a global basis to attract and retain key human resources at all levels with appropriate technical skills and operating and managerial experience necessary to operate the business. The current environment of increased mining activity worldwide combined with the global shortage of key mining industry human resource skills exacerbates this challenge. Furthermore, attacks on foreign Africans by South Africans make it more difficult to attract and retain skilled employees. Factors critical to retaining our present staff and attracting additional highly qualified personnel include our ability to provide these individuals with competitive compensation arrangements, equity participation and other benefits. If we are not successful in retaining or attracting highly qualified individuals in key management positions, our business may be harmed. We do not maintain “key man” life insurance policies on any members of our executive team. The loss of any of our key personnel could prevent us from executing our business plans, which may result in decreased production, increased costs and decreased profitability.

**Risks related to the gold mining industry**

***A change in the price of gold, which in the past has fluctuated widely, is beyond our control.***

Historically, the gold price has fluctuated widely and is affected by numerous industry factors, over which we have no control, including:

- the physical supply of gold from world-wide production and scrap sales, and the purchase, sale or divestment by central banks of their gold holdings;
- the demand for gold for investment purposes, industrial and commercial use, and in the manufacturing of jewellery;
- speculative trading activities in gold;
- the overall level of forward sales by other gold producers;
- the overall level and cost of production of other gold producers;
- international or regional political and economic events or trends;
- the strength of the Dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- gold hedging and de-hedging by gold producers; and
- actual or expected gold sales by central banks and the International Monetary Fund.

Our Company’s profitability may be negatively impacted if revenue from gold sales drops below the cost of production for an extended period.

***The exploration of mineral properties is highly speculative in nature, involves substantial expenditures, and is frequently unproductive.***

We must continually replace Ore Reserves that are depleted by production. Notably during fiscal 2005, we lost access to the ore reserves from our North West Operations since Buffelsfontein, which owns the North West Operations, was placed into provisional liquidation on March 22, 2005. Additionally, with the disposal of the Vatukoula mine during fiscal 2007 and of our remaining interest in Emperor in fiscal 2008, we have lost access to our Australasian Operations' Ore Reserves. Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the costs and results of our continued exploration and development programs. Gold mining companies may undertake exploration activities to discover gold mineralization, which in turn may give rise to new gold bearing ore bodies. Exploration is highly speculative in nature and requires substantial expenditure for drilling, sampling and analysis of ore bodies in order to quantify the extent of the gold reserve. Many exploration programs, including some of ours, do not result in the discovery of mineralization and any mineralization discovered may not be of sufficient quantity or quality to be mined profitably. If we discover a viable deposit, it usually takes several years from the initial phases of exploration until production is possible.

During this time, the economic feasibility of production may change. Moreover, we rely on the evaluations of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined with any degree of accuracy whether or not the deposit contains economically recoverable mineralization. Uncertainties as to the metallurgical recovery of any gold discovered may not warrant mining on the basis of available technology. As a result of these uncertainties, we may not successfully acquire additional mineral rights, or identify new Proven and Probable Ore Reserves in sufficient quantities to justify commercial operations in any of our properties. Our mineral exploration rights may also not contain commercially exploitable reserves of gold. The costs incurred on unsuccessful exploration activities are, as a result, not likely to be recovered and we could incur a write-down on our investment in that interest or the irrecoverable loss of funds spent.

***There is uncertainty with our Ore Reserve estimates.***

Our Ore Reserve figures described in this document are the best estimates of our current management as of the dates stated and are reported in accordance with the requirements of Industry Guide 7 of the SEC. These estimates may be imprecise and may not reflect actual reserves or future production.

Should we encounter mineralization or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and mining plans may have to be altered in a way that might ultimately cause our results of operations and financial condition to decline. Moreover, if the price of gold declines, or stabilizes at a price that is lower than recent levels, or if our production costs, and in particular our labor costs, increase or recovery rates decrease, it may become uneconomical to recover Ore Reserves containing relatively lower grades of mineralization. Under these circumstances, we would be required to re-evaluate our Ore Reserves. Short-term operating factors relating to the Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different grades, may increase our production costs and decrease our profitability during any given period. These factors have and could result in reductions in our Ore Reserve estimates, which could in turn adversely impact upon the total value of our mining asset base and our business, operating results and financial condition.

***Gold mining is susceptible to numerous events that could have an adverse impact on a gold mining business.***

The business of gold mining takes place in underground mines, open pit mines and surface operations for the retreatment of rock dumps and tailings dams. These operations are exposed to numerous risks and events, the occurrence of which may result in the death of, or personal injury to, employees, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, delays in production, environmental damage, loss of the license to mine and potential legal claims. The risks and events associated with the business of gold mining include, but are not limited to:

- environmental hazards and pollution, including the discharge of gases, toxic chemicals, pollutants, radioactive materials and other hazardous material into the air and water;
- seismic activity which could lead to rock bursts, cave-ins, pit slope failures or, in the event of a significant event, total closure of sections or an entire underground mine;
- unexpected geological formations which reduce or prevent mining from taking place;
- flooding, landslides, sinkhole formation, ground subsidence, ground and surface water pollution, and waterway contamination;
- underground fires and explosions, including those caused by flammable gas;
- accidents caused from and related to drilling, blasting, removing, transporting and processing material, and the collapse of pit walls and tailings dams; and
- decrease in labor productivity due to labor disruptions, work stoppages, disease, slowdowns or labor strikes.

In addition, deep level underground mines in South Africa, as compared to other gold mining countries, involve significant risks and hazards not associated with open pit or surface rock dump and tailings dam retreatment operations. These risks and hazards include underground fires, encountering unexpected geological formations, unanticipated ground and water conditions, fall-of-ground accidents and seismic activity. The level of seismic activity in a deep level gold mine varies based on the rock formation and geological structures in the mine. The occurrence of any of these hazards could delay production, increase production costs and may result in significant legal claims.

### **Risks related to doing business in South Africa**

#### ***Political or economic instability in South Africa may reduce our production and profitability.***

We are incorporated and own operations in South Africa. As a result, political and economic risks relating to South Africa could reduce our production and profitability. Large parts of the South African population are unemployed and do not have access to adequate education, health care, housing and other services, including water and electricity. Government policies aimed at alleviating and redressing the disadvantages suffered by the majority of citizens under previous governments may increase our costs and reduce our profitability. In recent years, South Africa has experienced high levels of crime. These problems have impeded fixed inward investment into South Africa and have prompted emigration of skilled workers. As a result, we may have difficulties attracting and retaining qualified employees.

Recently, the South African economy has been growing at a relatively slow rate, inflation and unemployment have been high by comparison with developed countries, and foreign currency reserves have been low relative to other emerging market countries. In the late 1980s and early 1990s, inflation in South Africa reached highs of 20.6%. This increase in inflation resulted in considerable year on year increases in operational costs. The inflation rate in South Africa still remains relatively high, as of June 2008, the Consumer Price Inflation Index, or CPIX, stood at 11.6%, up from 6.4% in June 2007. The increase in inflation continued as it reached a recent high in September 2008 of 13.6%. Continuing high levels of inflation in South Africa for prolonged periods, without a concurrent devaluation of the Rand or increase in the price of gold, could result in an increase in our costs which could reduce our profitability.

The situation in Zimbabwe continues to destabilize southern Africa. The most obvious manifestation of this was the spate of xenophobic attacks on foreign Africans by South Africans that occurred during the fourth quarter of fiscal 2008. ERPM was directly affected by this violence in that two employees died during this period and attendance was down at the operation for several days. Although these attacks appear to be contained for the time being, the challenge for the South African Government remains to improve the judicious immigration policy in the long run.

Additionally, the political situation in South Africa remains uncertain resulting from the deep divide in the population in terms of support for the President of the African National Congress (ANC), Jacob Zuma. Thabo Mbeki lost his presidency of the ANC on December 18, 2007 when the ANC chose Jacob Zuma as the new president of the ANC. Mbeki formally announced his resignation as President of South Africa with effect from September 25, 2008 at which time Deputy President of the ANC, Kgalema Motlanthe, took over. As our next political elections are set to take place in 2009, this continued political uncertainty could negatively affect our business and our profitability.

#### ***Power stoppages or increases in the cost of power could negatively affect our results and financial condition.***

Our mining operations are dependent on electrical power supplied by Eskom, South Africa's state owned utility company. As a result of a substantial increase in demand and insufficient generating capacity, Eskom has warned that the country could face disruptions in electrical power supply. The available generating capacity of electricity was constrained mainly as a result of unplanned maintenance at some of Eskom's power stations, insufficient supply of coal to the coal fired plants and skills shortages. On January 25, 2008, Eskom announced that they could no longer guarantee the supply of electricity to the South African mining industry. Eskom subsequently cut off power supply to the mining industry for five days and a number of power outages followed over several months thereafter. Eskom did manage to contain electricity stoppages but the fact remains that the country's current reserve capacity is insufficient and the risk of electricity stoppages is expected to continue through 2013. Apart from the five-day closure, our production has not been affected, however further power supply stoppages or power cost increases could have an adverse effect on our operating results and financial condition.

#### ***AIDS poses risks to us in terms of productivity and costs.***

Acquired Immune Deficiency Syndrome, or AIDS, and tuberculosis which is closely associated with the onset of the disease and is exacerbated in the presence of HIV/AIDS, represents a very serious health care challenge in the mining industry. Human Immunodeficiency Virus, or HIV, is the virus that causes AIDS and South Africa has one of the highest HIV infection rates in the world. It is estimated that approximately 35% - 40% of the mining industry workforce in South Africa are HIV positive. The exact extent to which our mining workforce within South Africa is infected with HIV/AIDS is unknown at this stage. The existence of the disease poses a risk to us in terms of the potential reduction in productivity and increase in medical costs.



***The treatment of occupational health diseases and the potential liabilities related to occupational health diseases may have an adverse effect the results of our operations and our financial condition.***

The primary area of focus in respect of occupational health within our operations is noise-induced hearing loss (NIHL), occupational lung diseases (OLD) and tuberculosis (TB). We provide occupational health services to our employees at our occupational health centers and continue to improve preventive occupational hygiene initiatives. If the costs associated with providing such occupational health services increase, such increase could have an adverse effect on the results of our operations and our financial condition.

Furthermore, the South African Government, by way of a cabinet resolution in 1999, proposed a possible combination and alignment of benefits of the Occupational Diseases in Mines and Works Act (ODMWA) that provides for compensation to miners who have OLD, TB and combinations thereof, and the Compensation for Occupational Injuries and Diseases Act (COIDA) that provides for compensation to non-miners who have OLD. If the outlined combination of ODMWA and COIDA were to occur, the level of compensation claims we could be subject to could increase and consequently have an adverse effect on our financial condition

***Government policies in South Africa may adversely impact our operations and profits.***

### **Government Regulation**

The mining industry in South Africa is extensively regulated through legislation and regulations issued through the government's administrative bodies. These involve directives in respect of health and safety, the mining and exploration of minerals, and managing the impact of mining operations on the environment. A variety of permits and authorities are required to mine lawfully, and the government enforces its regulations through the various government departments.

### **The Mineral and Petroleum Resources Development Act, 2002**

On May 1, 2004, the new Minerals and Petroleum Resources Development Act, or the MPRD Act, was enacted, which places all mineral and petroleum resources under the custodianship of the state. Private title and ownership in minerals, or the "old order rights," are to be converted to "new order rights," essentially the right to mine. The MPRD Act allows the existing holders of mineral rights a period of five years to apply for the conversion of used old order rights, and one year for the conversion of unused old order rights. Once these periods have lapsed, the holders may have to compete to acquire the right to mine minerals previously held under old order rights. We have submitted the respective applications in order to comply with the requirements of the Mining Charter as described below. To the extent that we are unable to convert some of our old order rights, we may have a claim for compensation based on expropriation. It is not possible to forecast with any degree of certainty whether a claim will be enforceable against the State, and if enforceable the level of compensation we will receive, if any. Factors that are taken into account are market value, as well as the history of acquisition of these rights.

Where new order rights are obtained under the MPRD Act, these rights will not be equivalent to our existing property rights. The area covered by the new order rights may be reduced by the State if it finds that the prospecting or mining work program submitted by an applicant does not substantiate the need to retain the area covered by the old order rights. The duration of the new order rights will no longer be perpetual but rather, in the case of new order mining rights, for a maximum of 30 years with renewals of up to 30 years each and, in the case of prospecting rights, up to five years with one renewal of up to three years. In addition, the new order rights will only be transferable subject to the approval of the Minister of Minerals and Energy. Mining or prospecting must commence within one year or 120 days, respectively, of the mining right or prospecting right becoming effective, and must be conducted continuously and actively thereafter. The new rights can be suspended or cancelled by the Minister of Minerals and Energy in the event of a breach or, in the case of mining rights, non-optimal mining in accordance with the mining work program.

The implementation of the MPRD Act will result in significant adjustments to our property ownership structure. We have lodged applications to convert all of our older rights, however, to the extent that we are unable to convert some of our old order rights to new order rights, and that the exclusive rights to minerals we enjoyed under the previous statutory regime are diminished, the operations of the MPRD Act may result in significant adjustments to our property ownership structure, which in turn could have a material adverse effect on the underlying value of our operations.

## **Taxation reform and mining royalties**

The South African government has declared its intention to revisit the taxation regime of South African gold mining companies. The South African gold mining industry is taxed under the gold taxation formula which recognizes the high level of capital expenditure required to sustain a mining operation over the life of the mine. This results in an additional tax benefit not afforded to other commercial companies. In addition, the South African Government initially indicated that it was looking at a revenue based royalty for mining companies, as outlined in the draft Mineral and Petroleum Royalty Bill, 2003, or Royalty Bill, which was released in March 2003 for comment. Two more drafts of the Royalty Bill were subsequently released on October 11, 2006 and December 6, 2007 after going through several revisions. The Royalty Bill was promulgated by government on August 14, 2008. The most significant feature of the Royalty Bill is that the royalty is to be determined in accordance with a formula based system and no longer to be a predetermined specific rate for the different types of minerals. The royalty will be deductible for normal income tax purposes. Payment of royalties will commence on May 1, 2009 but only on new and converted mining rights. As at October 31, 2008, none of our old order mining rights had been converted to new order mining rights. The introduction of similar revenue based royalties or any future tax reforms would have an adverse effect on the business, operating results and financial condition of our operations.

## **The Broad Based Socio-Economic Empowerment Charter**

The Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry, or Mining Charter (effective from May 1, 2004), establishes certain numerical goals and timeframes to transform equity participation in the mining industry in South Africa.

The goals set by the Mining Charter include that each mining company must achieve 15 percent ownership by historically disadvantaged South Africans of its South African mining assets within five years and 26 percent ownership within ten years from May 1, 2004. This is to be achieved by, among other methods, the sale of assets to historically disadvantaged persons on a willing seller/willing buyer basis at fair market value. When considering applications for the conversion of existing rights, the State will take a “scorecard” approach, evaluating the commitments of each company to the different facets of promoting the objectives of the Mining Charter. Failure on our part to comply with the requirements of the Mining Charter and the “scorecard” could subject us to negative consequences. We may incur expenses in giving additional effect to the Mining Charter and the “scorecard”, including costs which we may incur in facilitating the financing of initiatives towards ownership by historically disadvantaged persons. There is also no guarantee that any steps we might take to comply with the Mining Charter would ensure that we could successfully acquire new order mining rights in place of our existing rights. In addition, the terms of such new order rights may not be as favorable to us as the terms applicable to our existing rights. We run the risk of losing our mining rights if we do not comply with the requirements stipulated in the Mining Charter. This could have an adverse affect on our business, operating results and financial condition.

## **Land claims**

Our privately held land and mineral rights in South Africa could be subject to land restitution claims under the Restitution of Land Rights Act, 1994 (as amended), or Land Rights Act. Under the Land Rights Act, any person who was dispossessed of rights to land in South Africa as a result of past racially discriminatory laws or practices is granted certain remedies, including the restoration of the land. The initial deadline for such claims was December 31, 1998. We have not been notified of any land claims, but it is possible that administrative delays in the processing of claims could have delayed such notification. Any claims of which we are notified in the future could have a material adverse effect on our right to the properties to which the claims relate and prevent us using that land and exploiting any mineral reserves located there. This could have an adverse affect on our business, operating results and financial condition.

***Since our South African labor force has substantial trade union participation, we face the risk of disruption from labor disputes and new South African labor laws.***

Labor costs constitute 41% of our production costs for fiscal 2008, 39% for fiscal 2007 and 35% for fiscal 2006. As of June 30, 2008, we employ and contract 7,627 people, of whom, approximately 70% are members of trade unions or employee associations. We have entered into various agreements regulating wages and working conditions at our mines. Unreasonable wage demands could increase production costs to levels where our operations are no longer profitable. This could lead to accelerated mine closures and labor disruptions.

In recent years, labor laws in South Africa have changed in ways that significantly affect our operations. In particular, laws that provide for mandatory compensation in the event of termination of employment for operational reasons and that impose large monetary penalties for non-compliance with the administrative and reporting requirements of affirmative action policies could result in significant costs to us. In addition, future South African legislation and regulations relating to labor may further increase our costs or alter our relationship with our employees. Labor cost increases could have an adverse effect on our business, operating results and financial condition.

***Labor unrest and xenophobia could affect production.***

We may experience labor unrest at our operations. In particular, during October and November 2002, ERPM experienced some labor unrest during which several striking contract workers were wounded and two workers were killed by employees of a private security company. Furthermore, during fiscal 2008, South Africa fell victim to a slue of xenophobic attacks when a series of riots started in the township of Alexandria. This violence of locals attacking migrants from other African countries had a direct impact on our operations at ERPM. Three employees died and attendance was down at the operation for several days. Although these attacks have been contained, the challenge for the South African Government is to come up with a long-term and judicious immigration policy.

A repeat of such events could have an adverse effect on our business, operating results and financial condition.

***The global economic crisis could have an adverse effect on our results.***

2008 has marked a global economic crisis. Some of the indicators of this include high oil prices, global inflation, a credit crisis that has led to the bankruptcy of large investment and commercial banks in various nations around the world, increased unemployment and the possibility of global recession. In the long-term, all of these indicators could have an adverse effect on our operating results.

***Our financial flexibility could be materially constrained by South African currency restrictions.***

South African law provides for exchange control regulations, which restrict the export of capital from the Common Monetary Area, including South Africa. The Exchange Control Department of the South African Reserve Bank, or SARB, is responsible for the administration of exchange control regulations. In particular, South African companies:

- are generally not permitted to export capital from South Africa or to hold foreign currency without the approval of SARB;
- are generally required to repatriate, to South Africa, profits of foreign operations; and
- are limited in their ability to utilize profits of one foreign business to finance operations of a different foreign business.

While the South African Government has relaxed exchange controls in recent years, it is difficult to predict whether or how it will further relax or abolish exchange control measures in the future. For further information see Item 10D.: "Exchange Controls."

**Risks related to ownership of our ordinary shares or ADSs**

***Your ability to sell a substantial number of ordinary shares may be restricted by the limited liquidity of ordinary shares traded on JSE Limited, or JSE.***

In July 2006, we delisted from the Australian Stock Exchange and currently our primary listing for our ordinary shares is only the JSE. The principal trading market for our ADSs is the Nasdaq Capital Market, or Nasdaq. On a historical basis, the trading volumes and liquidity of shares listed on the JSE have been low in comparison with the Nasdaq. For the 12 months ended June 30, 2008, only 31% of the ordinary shares publicly traded were traded on the JSE. The limited liquidity of the ordinary shares traded on the JSE could limit your ability to sell a substantial number of ordinary shares on the JSE in a timely manner, especially by means of a large block trade.

***Sales of large volumes of our ordinary shares or ADSs or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.***

The market price of our ordinary shares or ADSs could fall if substantial amounts of ordinary shares or ADSs are sold by our stockholders, or there is the perception in the marketplace that such sales could occur. Current holders of our ordinary shares or ADSs may decide to sell them at any time. Sales of our ordinary shares or ADSs, if substantial, or the perception that these sales may occur and be substantial, could exert downward pressure on the prevailing market prices for our ordinary shares or ADSs, causing their market prices to decline. Trading activity of hedge funds and the ability to borrow script in the market place will increase trading volumes and may place our share price under pressure.

***Your rights as a shareholder are governed by South African law, which differs in material respects from the rights of shareholders under the laws of other jurisdictions.***

Our Company is a public limited liability company incorporated under the laws of the Republic of South Africa. The rights of holders of our ordinary shares, and therefore many of the rights of our ADS holders, are governed by our memorandum and articles of association and by South African law. These rights differ in material respects from the rights of shareholders in companies incorporated elsewhere, such as in the United States. In particular, South African law significantly limits the circumstances under which shareholders of South African companies may institute litigation on behalf of a company.

***We may be subject to an increase in compliance costs with our continued efforts to increase the transparency of our reporting requirements and changing corporate governance initiatives.***

As a result of our listings on the Nasdaq Capital Market and JSE, we are required to comply with new and changing reporting requirements that have over recent years emphasized an increase in the transparency of public disclosure. The associated regulatory standards set forth by the exchanges' governing bodies may change over time and may be subject to interpretation. As a result we may not execute the application of these standards properly and will congruently experience an increase in the cost of our compliance efforts. For example, management's required assessment of our internal controls over the financial reporting process stipulated by Section 404 of the Sarbanes-Oxley Act of 2002 commands the need for resources from management in addition to our external auditors who are required to attest to our internal control over financial reporting. Maintaining high standards of corporate governance and public disclosure is highly prioritized in our organization and with our continued efforts to comply with these laws currently effective and any future legislative introductions or changes, we will continue to incur the related costs.

***It may not be possible for you to effect service of legal process, enforce judgments of courts outside of South Africa or bring actions based on securities laws of jurisdictions other than South Africa against us or against members of our board.***

Our Company, certain members of our board of directors and executive officers are residents of South Africa. In addition, our cash producing assets are located outside the United States and a major portion of the assets of members of our board of directors and executive officers are either wholly or substantially located outside the United States. As a result, it may not be possible for you to effect service of legal process, within the United States or elsewhere outside South Africa, upon most of our directors or officers, including matters arising under United States federal securities laws or applicable United States state securities laws.

Moreover, it may not be possible for you to enforce against us or the members of our board of directors and executive officers judgments obtained in courts outside South Africa, including the United States, based on the civil liability provisions of the securities laws of those countries, including those of the United States. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

- the court which pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that no award is enforceable unless the defendant was duly served with documents initiating proceedings, that he was given a fair opportunity to be heard and that he enjoyed the right to be legally represented in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by fraudulent means;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act, 1978 (as amended), of South Africa.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system that does not mean that such awards are necessarily contrary to public policy. Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on United States federal securities laws may be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South African courts. It is not possible therefore for an investor to seek to impose criminal liability on us in a South African court arising from a violation of United States federal securities laws.

## ITEM 4. INFORMATION ON THE COMPANY

### 4A. HISTORY AND DEVELOPMENT OF THE COMPANY

#### Introduction

DRDGOLD Limited is a South African gold mining company engaged in underground and surface gold mining including exploration, extraction, processing and smelting. We have a 74% interest in DRDGOLD South African Operations (Pty) Limited, or DRDGOLD SA. Of the remaining 26%, 20% is held by our Black Economic Empowerment, or BEE, partner Khumo Gold SPV (Pty) Limited, or Khumo Gold and 6% is held by an employee trust. DRDGOLD SA wholly owns and operates Blyvooruitzicht Gold Mining Company Limited, or Blyvoor, East Rand Proprietary Mines Limited, or ERPM, and Crown Gold Recoveries (Pty) Limited, or Crown. DRDGOLD SA is also in a 50:50 joint venture known as Ergo Mining (Pty) Limited, or the Ergo Joint Venture, with Mintails SA (Pty) Limited a subsidiary of Mintails Limited of Australia. Phase 1 of the Ergo Joint Venture, was subsequently established under the Elsburg Gold Mining Joint Venture, or the Elsburg Joint Venture.

We are a public company, incorporated on February 16, 1895, as Durban Roodepoort Deep, Limited, and our shares were listed on the JSE in that same year. In 1898, our milling operations commenced with 30 stamp mills and in that year we treated 38,728 tons of ore and produced 22,958 ounces of gold. In South Africa, we have focused our operations on the West Witwatersrand basin which has been a gold production region for over 100 years.

To ensure access to global markets our shares and/or related instruments trade on the JSE, Nasdaq, the Marche Libre on the Paris Bourse, the Brussels Bourse in the form of International Depository Receipts, the Over The Counter, or OTC, market in Berlin and Stuttgart and the Regulated Unofficial Market on the Frankfurt Stock Exchange.

Our registered office and business address is 299 Pendoring Avenue, Blackheath, Randburg, South Africa, 2195. The postal address is P.O. Box 390, Maraisburg 1700, South Africa. Our telephone number is (+27 11) 219-8700 and our facsimile number is (+27 11) 476-2637. We are registered under the South African Companies Act, 1973 (as amended) under registration number 1895/000926/06. For our ADSs, The Bank of New York, at 101 Barclay Street, New York, NY 10286, United States, has been appointed as agent.

#### South African Operations

- **Blyvoor**, acquired on September 15, 1997, in exchange for 12,693,279 of our ordinary shares, is a predominantly underground operating mine located within the Witwatersrand Basin, exploiting gently to moderately dipping gold bearing quartz pebble conglomerates in addition to certain surface sources.
- **Crown** acquired on September 14, 1998, in exchange for 5,925,139 of our ordinary shares, also located within the Witwatersrand Basin, exploits various surface sources, including sand and slime tailings deposited as part of previous mining operations.
- **ERPM** which consists of an underground mine and the Cason Dump surface retreatment operation was acquired on October 10, 2002, by Crown.
- **Ergo Joint Venture** is expected to explore, evaluate and process up to 1.7 billion tones of gold-, uranium- and sulphur-bearing tailings on the East and Central Rand goldfields of South Africa.

#### Australasian Operations

- **Tolukuma** (various stakes acquired between September 1999 to June 2001, in exchange for a total of 8,125,082 shares and \$3.3 million in cash), an underground mine in PNG, provided an initial base in the Australasian region and led to the acquisition of a 20% interest in the unincorporated Porgera Joint Venture.
- **Porgera**, an open pit and underground mining operation in PNG, was acquired in October 2003 in exchange for 6,643,902 of our ordinary shares and \$60.3 million in cash.

On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007, we sold our entire shareholding in Emperor to various institutional investors.

## **Important Events in Our Development Generally and in the Current Year**

### *Top Star Dump*

On August 28, 2006, we concluded an agreement with Anglo Gold Ashanti Limited, or Anglo Gold Ashanti, to purchase the remaining extent of Erf 1 Park Central Township, better known as “The Top Star Dump”, in central Johannesburg for an amount of R8.0 million. In addition, a further R28.4 million was spent on the infrastructure required to process the dump. The Top Star Dump has been evaluated geostatistically by us and reviewed independently by Coffey Mining (an exploration, mining and resource consulting firm) and has a probable reserve of 5.2 Mt, at a grade of 0.775 g/t.

On August 30, 2006, the Provincial Heritage Resources Authority of Gauteng, or PHRAG, published a notice in the Gauteng Provincial Gazette in terms of which the dump was provisionally protected for a period of two years. We lodged an appeal against the decision to issue the protection order, and on October 30, 2007 the PHRAG withdrew the protection order.

On August 21, 2008 a Mining Right was granted for gold recovery over the Top Star Dump, in favor of Crown by the Department of Minerals and Energy with effect from August 21, 2008. The mining right for the Top Star Dump has been granted until August 20, 2013.

### *Ergo and Elsburg Joint Ventures*

On June 7, 2007, we and Mintails announced the formation of the Ergo Joint Venture between Mintails SA and DRDGOLD SA. Following discussions initiated in the first quarter of 2007, the Ergo Joint Venture parties agreed to pursue a strategy to consolidate certain of their assets on the East Rand. Mintails SA contributed one fully refurbished carbon-in-leach, or CIL, circuit at the Brakpan plant and DRDGOLD SA contributed the Elsburg tailings complex, comprising approximately 180 Mt of tailings. This part of the project, previously referred to as Phase 1 of the Ergo Joint Venture, was subsequently established under the Elsburg Gold Mining Joint Venture, or Elsburg Joint Venture. Mintails SA and DRDGOLD SA, through their subsidiaries, initially owned 50% of the Elsburg Joint Venture and the Ergo Joint Venture.

On August 6, 2007, the parties to the Ergo Joint Venture entered into a sale of assets agreement with Anglo Gold Ashanti pursuant to which it acquired the remaining moveable and immovable assets of Ergo for a consideration of R42.8 million. These assets will be operated by the Ergo Joint Venture for its own account, under the Anglo Gold Ashanti authorizations, until new order mining rights have been obtained. These assets, comprising servitudes (access agreements), infrastructure, piping, equipment, old order mining rights and the right to an additional 15 Mt of tailings material, provide a platform to consolidate these tailings assets with the Elsburg tailings.

On November 26, 2007, we announced that DRDGOLD SA signed a binding term sheet with Mintails SA, which provided for significant expansion of the joint venture through:

- the planned refurbishment of all infrastructure at the Brakpan plant, to increase capacity from one CIL gold recovery circuit to a plant capable of processing tailings for the recovery of gold, uranium and sulphuric acid; and
- substantially increasing available tailings material from 180 Mt to up to 1,700 Mt, by securing rights over tailings dumps and slimes dams in the region.

Additional agreements were concluded on November 14, 2007 for:

- the acquisition by the Ergo Joint Venture of additional tailings properties and the Withok deposition complex from Anglo Gold Ashanti for a payment of R45.0 million and assumption of rehabilitation obligations; and
- the acquisition by Mintails SA of an option to acquire tailings properties (the Grootvlei Properties), comprising some 105 Mt, from Pamodzi Gold Limited. The Grootvlei properties form part of the Mintails SA contribution to the expanded Ergo Joint Venture.

The acquisition of the Withok deposition site provides the expanded Ergo Joint Venture with considerable additional deposition capacity commensurate with the substantial increases in capacity for tailings material and processing. The expanded Ergo Joint Venture is conducting a feasibility study, which is expected to be completed in the final quarter of calendar 2009, to refurbish and reopen the full Brakpan plant, which historically produced gold, uranium and sulphuric acid.

Phase 1 of the expanded Ergo Joint Venture involves the refurbishment of one CIL circuit at the Brakpan plant with the capacity to treat an estimated 15Mt of tailings a year, for the recovery of some 75,000 ounces of gold a year. Phase 2, for which we are currently completing a feasibility study, envisages the expansion of the gold plant by refurbishing the second CIL circuit and developing uranium and acid plants. The expanded Ergo Joint Venture is managed by Crown, which has treated more than 200Mt of sand and slime and produced approximately 2.8 million ounces of gold through its plants.

On September 29, 2008, DRDGOLD SA acquired a further 15% interest in the Elsburg Joint Venture from Mintails SA resulting in DRDGOLD SA, which holds its interest through its subsidiary, ERPM, holding a 65% interest and Mintails SA a 35% interest in the joint venture. In addition, Mintails has granted DRDGOLD SA a conditional option, or the Elsburg option, to acquire a further 11.4% interest in the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture were not affected by the acquisition and remained unchanged. The purchase consideration in respect of the acquisition was R100 million, which is to be re-invested by Mintails in the Elsburg Joint Venture and the Ergo Joint Venture. The effective date of the acquisition will be the date upon which it becomes unconditional. The option is exercisable between January 1, 2009 and January 15, 2009 at an exercise price of R75.9 million.

In terms of a binding heads of agreement dated December 8, 2008, DRDGOLD has agreed to acquire:

- the remaining 35% interest (or 23.6% if the Elsburg option is exercised prior to implementation of the acquisition) held by Mintails, through its subsidiary Mogale Gold (Pty) Limited, in the Elsburg Joint Venture; and
- all of the shareholder's loans from the Mintails group to the Elsburg Joint Venture

The implementation of the acquisition will result in the DRDGOLD group holding 100% of the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture are not affected by the acquisition. The purchase consideration in respect of the acquisition is R177.0 million, which is to be settled in cash. In the event that the Elsburg option is exercised prior to the implementation of the acquisition, the parties have agreed that the purchase price will be reduced by approximately R23.8 million in recognition of amounts that will have been paid by the DRDGOLD group on exercise of the Elsburg option. The effective date of the acquisition is December 8, 2008, although the risk and title in respect of the acquisition only passes to the DRDGOLD group on completion of the acquisition.

#### *Emperor*

On July 27, 2007, DRDGOLD shareholders at a general meeting approved the disposal by Emperor of its 20% interest in the Porgera Joint Venture to a subsidiary of Barrick for a purchase consideration of \$250.0 million and the grant of an option to Barrick or its nominee to subscribe for 153,325,943 shares in Emperor. Emperor shareholders also approved the disposal and a capital distribution of A\$0.05 per Emperor share to Emperor shareholders by way of a capital return out of the surplus cash realized from the disposal, at a general meeting held on July 30, 2007. The sale transaction was completed on August 17, 2007, for a final cash consideration of R1.9 billion (\$255.0 million), which included interest, and subsequently Emperor retired all its debt facilities. The capital distribution was completed on September 3, 2007.

On October 22, 2007, we sold our entire interest in Emperor for R355.8 million (A\$55.9 million) to 26 institutional investors with each acquiring between 0.4% and 21.6% of the shares.

#### *ERPM*

On October 6, 2008 we ceased pumping at ERPM's South West Vertical Shaft for safety reasons following the death of two employees underground. Post mortems suggest that the two men, who had been conducting routine water level measurements, died of asphyxiation. The South West Vertical Shaft has been used only for water pumping purposes for several years.

The Department of Minerals and Energy issued a Section 54 notice under the Mine Health and Safety Act, subjecting access into the area to certain restrictions and conditions relating to ventilation. On October 23, 2008, drilling and blasting operations were suspended after the cessation of pumping of underground water at South West Vertical shaft on October 6, 2008 for safety reasons. Although the Far East Vertical shaft where production is taking place is sealed off from water ingress from the South West Vertical shaft, the pumps at Far East Vertical shaft will no longer be able to cope with rising water, which includes the water resulting from the ice sent underground every day to cool down the underground working places. Without being able to continue to supply ice underground for this purpose, the underground temperature will become unacceptably high and it will not be safe for employees to continue work underground at the Far East Vertical shaft.

On November 19, 2008 we announced our intention to place on care and maintenance the underground operations of the ERPM, and to proceed with a consultation process in terms of Section 189A of the Labour Relations Act to determine the future of the mine's 1,700 employees.

### *Other*

We concluded an agreement with M5 Developments (Pty) Limited, or M5, on July 21, 2005, in terms of which M5, against payment of a non-refundable fee of R1.5 million, was granted an option to acquire Durban Deep's mine village for R15.0 million. On the exercise of the option, the option fee would be deemed part payment of the purchase consideration.

On November 18, 2005, M5 exercised the option and provided a guarantee for payment. Prior to the registration of the transfer occurring, we were notified by Rand Leases Properties Limited (formerly JCI Properties Limited) of an alleged pre-emptive right in respect of the property in terms of an agreement dated December 1996, pursuant to which the property should be first offered to be sold to them on similar terms. We subsequently repudiated our agreement with M5 and notified Rand Leases Properties Limited that we did not intend offering the property to them. Both parties indicated to us their intentions to institute legal proceedings for the sale and transfer of the property. On December 12, 2006, Rand Leases Properties Limited issued a summons against us and we filed an appearance to defend. A trial date was allocated by the High Court of South Africa for April 25, 2008 but was postponed. A new date has not yet been set.

On September 17, 2008, our wholly-owned subsidiary, DRD (Offshore) Limited, sold all of its shares in G.M. Network Limited, or GoldMoney, to other GoldMoney shareholders. The cash consideration in respect of the disposal amounted to R23.8 million (\$2.9 million). GoldMoney is a company that holds the rights, patents and other intellectual property of GoldMoney.com, which is a product specializing in digital gold currency. We previously held a 50.25% shareholding in Net-Gold Services Limited, which was converted on March 10, 2008 into a 12.3% shareholding in GoldMoney,

For further information on other capital investments, divestures, capital expenditure and capital commitments, see Item 4D.: "Property, Plant and Equipment," and Item 5B.: "Liquidity and Capital Resources."



## **4B. BUSINESS OVERVIEW**

### **Description of Our Mining Business**

#### *Exploration*

Exploration activities are focused on the extension of existing ore bodies and identification of new ore bodies both at existing sites and at undeveloped sites. Once a potential ore body has been discovered, exploration is extended and intensified in order to enable clearer definition of the ore body and the portions with the potential to be mined. Geological techniques are constantly refined to improve the economic viability of exploration and exploitation.

#### *Mining*

Our operations comprise relatively mature assets and the principal mining method used is the extraction of previously abandoned Ore Reserves, which require a high degree of opening up of these previously abandoned Ore Reserves.

### **Our Metallurgical Plants and Processes**

A detailed review of the metallurgical plants and processes for each of the mining operations is provided under Item 4D: "Property, Plant and Equipment."

### **Market**

The gold market is relatively liquid compared to other commodity markets, with the price of gold generally quoted in Dollars. Physical demand for gold is primarily for manufacturing purposes, and gold is traded on a world-wide basis. Refined gold has a variety of uses, including jewelry, electronics, dentistry, decorations, medals and official coins. In addition, central banks, financial institutions and private individuals buy, sell and hold gold bullion as an investment and as a store of value (due to the tendency of gold to retain its value in relative terms against basic goods and in times of inflation and monetary crises).

The use of gold as a store of value and the large quantities of gold held for this purpose in relation to annual mine production have meant that historically the potential total supply of gold has been far greater than demand. Thus, while current supply and demand play some part in determining the price of gold, this does not occur to the same extent as in the case of other commodities. Instead, the gold price has from time to time been significantly affected by macro-economic factors such as expectations of inflation, interest rates, exchange rates, changes in reserve policy by central banks, and global or regional political and economic crises. In times of inflation and currency devaluation, gold is often seen as a safe haven, leading to increased purchases of gold and support for its price.

The gold market was strong but exceptionally volatile in fiscal 2008, reaching an all-time high of \$1,030 per ounce. The average spot price was 31% higher than in the previous fiscal year, at \$821 per ounce. Amid continuing global economic uncertainty, investors turned once more to gold (notably to safe-haven products such as Exchange Traded Funds) and this, together with more de-hedging activity and a slowdown in new mine supply, particularly from South Africa, saw demand exceed supply. The average gold price received by us for the year was R193,373 per kilogram which was 30% higher than the previous year at R148,912 per kilogram.

Looking ahead, we believe that the global economic environment, including economic uncertainty and other factors, will continue to make gold attractive to investors. The supply side shortfall is likely to continue because of circumstances including operational challenges and delays in opening new mines and the challenge, particularly to South African producers such as ourselves, of maintaining profitable production in the face of increasing mining depths and rising costs.

Our total revenue by geographic market was as follows:

|                   | <b>Year ended June 30,</b> |                  |                  |
|-------------------|----------------------------|------------------|------------------|
|                   | <b>2008</b>                | <b>2007</b>      | <b>2006</b>      |
|                   | <b>R'000</b>               | <b>R'000</b>     | <b>R'000</b>     |
| South Africa..... | 1,843,912                  | 1,534,777        | 970,605          |
| Australasia ..... | 89,235                     | 674,928          | 629,389          |
|                   | <u>1,933,147</u>           | <u>2,209,705</u> | <u>1,599,994</u> |

All gold produced by our South African Operations is sold on our behalf by the Rand Refinery Limited, or RRL, in accordance with a refining agreement entered into in October 2001. At our various operations the gold bars which are produced consist of approximately 85% gold, 7-8% silver and the balance comprises copper and other common elements. The gold bars are sent to the RRL for assaying and final refining where the gold is purified to 99.9% and cast into troy ounce bars of varying weights. RRL then sells the gold on the same day as delivery, for the London afternoon fixed Dollar price, with the proceeds remitted to us in Rand within two days. In exchange for this service, we pay RRL a variable refining fee plus fixed marketing, loan and administration fees. We currently own 4.1% (Fiscal 2007: 4.1%) of RRL (which is jointly owned by South African mining companies). Mr. D.J. Pretorius, our Chief Executive Officer Designate, is a director of RRL.

## Ore Reserves

The tables below set out the Proven and Probable Ore Reserves that are the Group's Ore Reserves as of June 30, 2008, and 2007, in both imperial and metric units. Our Ore Reserves are comprised of our attributable Ore Reserves.

Ore Reserve estimates in this Annual Report are reported in accordance with the requirements of the SEC's Industry Guide 7. Accordingly, as of the date of reporting, all reserves are planned to be mined out under the life of mine business plans within the period of our existing rights to mine, or within the time period of assured renewal periods of our rights to mine. In addition, as of the date of reporting, all reserves are covered by required permits and governmental approvals. See Item 4D: "Property, Plant and Equipment" for a description of the rights in relation to each mine.

In South Africa, we are legally required to publicly report Ore Reserves and Mineral Resources in compliance with the South African Code for the Reporting of Mineral Resources and Ore Reserves, or SAMREC Code. The SEC's Industry Guide 7 does not recognize Mineral Resources. Accordingly, we do not include estimates of Mineral Resources in this Annual Report.

Ore Reserve calculations are subject to a review conducted in accordance with SEC Industry Guide 7. Components of the calculations included in the geological models and input parameters of the reserve estimation procedures, were checked. In addition, visual inspection of the planning to deliver an individual block to the metallurgical plant, and the recovery, and deposition of the tails, took place. A check is also made of the financial input into the costs and revenue to affirm that they are within reasonable limits.

The Ore Reserves are inclusive of diluting materials and allow for losses that may occur when the material is mined. Ore Reserve tons, grade and content are quoted as delivered to the gold plant. There are two types of methods available to select ore for mining. The first is pay-limit, which includes cash costs, including overhead costs, to calculate the pay-limit grade. The second is the cut-off grade which includes cash costs, excluding fixed overhead costs, to calculate the cut-off grade, resulting in a lower figure than the full pay-limit grade. The cut-off grade is based upon direct costs from the mining plan, taking into consideration production levels, production efficiencies and the expected costs. We use the pay-limit to determine which areas to mine, as an overhead inclusive amount that is indicative of the break-even position, especially for marginal mining operations.

The pay-limit approach is based on the minimum in-situ grade of ore blocks, for which the production costs, which includes all overhead costs, including head office charges, are equal to a three-year historical average gold price per ounce for that year. This calculation also considers the previous three years' mining and milling efficiencies, which includes metallurgical and other mining factors and the production plan for the next twelve months. Only blocks above the pay-limit grade are considered for mining. The pay-limit grade is higher than the cut-off grade, because this includes overhead costs, which indicates the break-even position of the operation, especially significant for marginal mines.

When delineating the economic limits to the ore bodies we adhere to the following guidelines:

- The potential ore to be mined is well defined by an externally verified and approved geological model created using our mining software;
- The potential ore, which is legally allowed to be mined, is also confined by the mine's lease boundaries; and
- A full life of mine business plan (physical 5 year plan) is constructed to mine the ore from existing infrastructure.

Our Ore Reserves figures are estimates, which may not reflect actual reserves or future production. We have prepared these figures in accordance with industry practice, converting mineral deposits to an Ore Reserve through the preparation of a mining plan. The Ore Reserve estimates contained herein inherently include a degree of uncertainty and depend to some extent on statistical inferences which may ultimately prove to have been unreliable.

Reserve estimates require revisions based on actual production experience or new information. Should we encounter mineralization or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and mining plans may have to be altered in a way that might adversely affect our operations. Moreover, if the price of gold declines, or stabilizes at a price that is lower than recent levels, or if our production costs increase or recovery rates decrease, it may become uneconomical to recover Ore Reserves containing relatively lower grades of mineralization.

Our Ore Reserves are prepared using three year average gold prices at the time of reserve determination. In light of the significant increase in gold prices, since fiscal 2006 the Company prepares its life of mine business plans using the prevailing gold price at the time of the reserve determination, which is at the end of the fiscal year. In fiscal years 2007 and 2006, the Company presented Ore Reserves based upon the prevailing gold price at fiscal year end to determine Ore Reserves, instead of a three year average price.

Gold prices and exchange rates used for Ore Reserves and for our business plan are outlined in the following table.

|                           | 2008               |               | 2007               |               |
|---------------------------|--------------------|---------------|--------------------|---------------|
|                           | Three-year average | Business Plan | Three-year average | Business Plan |
| Reserve gold price –\$/oz | 664                | 853           | 553                | 660           |
| Reserve gold price –R/kg  | 150,622            | 208,287       | 115,314            | 154,437       |
| Exchange rate –R/\$       | 7.06               | 7.59          | 6.49               | 7.28          |

In fiscal 2008, our attributable Ore Reserves decreased by 7% from 4.8 million ounces at June 30, 2007, to 4.5 million ounces at June 30, 2008, primarily as a consequence of depletion and the discontinued operations in Australasia.

Based on the life of mine business plans, the life of mine for each of our operations at June 30, 2008, were as follows:

| <u>Mine</u>                           | Underground |          | Surface |         |
|---------------------------------------|-------------|----------|---------|---------|
|                                       | 2008        | 2007     | 2008    | 2007    |
| <b>South Africa</b>                   |             |          |         |         |
| Blyvoor <sup>1</sup> .....            | 20 years    | 20 years | 9 years | 5 years |
| Crown <sup>1</sup> .....              | N/A         | N/A      | 9 years | 7 years |
| ERPM <sup>1</sup> .....               | 8 years     | 7 years  | 7 years | 7 years |
| Ergo Joint Venture <sup>2</sup> ..... | N/A         | N/A      | 2 years | N/A     |
| <b>Australasia</b>                    |             |          |         |         |
| Tolukuma <sup>3</sup> .....           | N/A         | 2 years  | N/A     | N/A     |

Our Ore Reserves as of June 30, 2008 and 2007 are set forth in the table below.

<sup>1</sup> We have a 74% interest in DRDGOLD SA which in turn has a 100% interest in Blyvoor, Crown and ERPM.

<sup>2</sup> We have a 37% attributable interest in the Ergo Joint Venture.

<sup>3</sup> On October 22, 2007, we sold our entire shareholding in Emperor.

## Ore Reserves: Imperial

|                                       | At June 30, 2008    |                   |                               |                       |                   |                               | At June 30, 2007    |                   |                               |                       |                   |                               |
|---------------------------------------|---------------------|-------------------|-------------------------------|-----------------------|-------------------|-------------------------------|---------------------|-------------------|-------------------------------|-----------------------|-------------------|-------------------------------|
|                                       | Proven Ore Reserves |                   |                               | Probable Ore Reserves |                   |                               | Proven Ore Reserves |                   |                               | Probable Ore Reserves |                   |                               |
|                                       | Tons<br>(mill)      | Grade<br>(oz/ton) | Gold<br>Content<br>('000 ozs) | Tons<br>(mill)        | Grade<br>(oz/ton) | Gold<br>Content<br>('000 ozs) | Tons<br>(mill)      | Grade<br>(oz/ton) | Gold<br>Content<br>('000 ozs) | Tons<br>(mill)        | Grade<br>(oz/ton) | Gold<br>Content<br>('000 ozs) |
| <b>South African Operations:</b>      |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Blyvoor <sup>1</sup>                  |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Underground .....                     | 11.36               | 0.21              | 2,439                         | 3.04                  | 0.22              | 665                           | 13.40               | 0.20              | 2,744                         | 4.40                  | 0.20              | 899                           |
| Surface .....                         | 10.70               | 0.02              | 228                           | -                     | -                 | -                             | 14.19               | 0.02              | 243                           | -                     | -                 | -                             |
| <b>Total Blyvoor .....</b>            | <b>22.06</b>        | <b>0.12</b>       | <b>2,667</b>                  | <b>3.04</b>           | <b>0.22</b>       | <b>665</b>                    | <b>27.59</b>        | <b>0.11</b>       | <b>2,987</b>                  | <b>4.40</b>           | <b>0.20</b>       | <b>899</b>                    |
| ERPM <sup>1</sup>                     |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Underground .....                     | 0.58                | 0.22              | 129                           | 2.24                  | 0.20              | 453                           | 0.51                | 0.29              | 147                           | 0.58                  | 0.23              | 135                           |
| Surface .....                         | 10.19               | 0.02              | 185                           | -                     | -                 | -                             | 10.74               | 0.02              | 200                           | -                     | -                 | -                             |
| <b>Total ERPM .....</b>               | <b>10.77</b>        | <b>0.03</b>       | <b>314</b>                    | <b>2.24</b>           | <b>0.20</b>       | <b>453</b>                    | <b>11.25</b>        | <b>0.03</b>       | <b>347</b>                    | <b>0.58</b>           | <b>0.23</b>       | <b>135</b>                    |
| Crown <sup>1</sup>                    |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Surface .....                         | 9.22                | 0.01              | 123                           | 15.98                 | 0.01              | 227                           | 11.25               | 0.02              | 205                           | 8.91                  | 0.02              | 166                           |
| <b>Total Crown .....</b>              | <b>9.22</b>         | <b>0.01</b>       | <b>123</b>                    | <b>15.98</b>          | <b>0.01</b>       | <b>227</b>                    | <b>11.25</b>        | <b>0.02</b>       | <b>205</b>                    | <b>8.91</b>           | <b>0.02</b>       | <b>166</b>                    |
| Ergo Joint Venture <sup>2</sup>       |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Surface .....                         | 5.83                | 0.01              | 61                            | -                     | -                 | -                             | -                   | -                 | -                             | -                     | -                 | -                             |
| <b>Total Ergo Joint Venture .....</b> | <b>5.83</b>         | <b>0.01</b>       | <b>61</b>                     | <b>-</b>              | <b>-</b>          | <b>-</b>                      | <b>-</b>            | <b>-</b>          | <b>-</b>                      | <b>-</b>              | <b>-</b>          | <b>-</b>                      |
| <b>Australasian Operations:</b>       |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Tolukuma <sup>3</sup>                 |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Underground .....                     | -                   | -                 | -                             | -                     | -                 | -                             | -                   | -                 | -                             | 0.18                  | 0.60              | 108                           |
| Surface .....                         | -                   | -                 | -                             | -                     | -                 | -                             | -                   | -                 | -                             | -                     | -                 | -                             |
| <b>Total Tolukuma .....</b>           | <b>-</b>            | <b>-</b>          | <b>-</b>                      | <b>-</b>              | <b>-</b>          | <b>-</b>                      | <b>-</b>            | <b>-</b>          | <b>-</b>                      | <b>0.18</b>           | <b>0.60</b>       | <b>108</b>                    |
| <b>Total Group</b>                    |                     |                   |                               |                       |                   |                               |                     |                   |                               |                       |                   |                               |
| Underground .....                     | 11.94               | 0.22              | 2,568                         | 5.28                  | 0.21              | 1,118                         | 13.91               | 0.21              | 2,891                         | 5.16                  | 0.22              | 1,142                         |
| Surface .....                         | 35.94               | 0.02              | 597                           | 15.98                 | 0.01              | 227                           | 36.18               | 0.02              | 648                           | 8.91                  | 0.02              | 166                           |
| <b>Total<sup>4</sup> .....</b>        | <b>47.88</b>        | <b>0.07</b>       | <b>3,165</b>                  | <b>21.26</b>          | <b>0.06</b>       | <b>1,345</b>                  | <b>50.09</b>        | <b>0.07</b>       | <b>3,539</b>                  | <b>14.07</b>          | <b>0.09</b>       | <b>1,308</b>                  |

<sup>1</sup> Proven and Probable Ore reserves for fiscal 2008 reflect our attributable 74% interest in Blyvoor, ERPM and Crown.

<sup>2</sup> Proven and Probable Ore reserves for fiscal 2008 reflect our attributable 37% interest in the Ergo Joint Venture.

<sup>3</sup> Proven and Probable Ore reserves for fiscal 2007 reflect our attributable 79% interest in Tolukuma. On October 22, 2007, we sold our entire shareholding in Emperor.

<sup>4</sup> The Ore reserves listed in the above table are estimates of what can be legally and economically recovered from operations, and, as stated, are estimates of mill delivered in tons.

**Ore Reserves: Metric**

|                                       | At June 30, 2008    |                    |                             |                       |                    |                             | At June 30, 2007    |                    |                             |                       |                    |                             |
|---------------------------------------|---------------------|--------------------|-----------------------------|-----------------------|--------------------|-----------------------------|---------------------|--------------------|-----------------------------|-----------------------|--------------------|-----------------------------|
|                                       | Proven Ore Reserves |                    |                             | Probable Ore Reserves |                    |                             | Proven Ore Reserves |                    |                             | Probable Ore Reserves |                    |                             |
|                                       | Tonnes<br>(mill)    | Grade<br>(g/tonne) | Gold<br>Content<br>(tonnes) | Tonnes<br>(mill)      | Grade<br>(g/tonne) | Gold<br>Content<br>(tonnes) | Tonnes<br>(mill)    | Grade<br>(g/tonne) | Gold<br>Content<br>(tonnes) | Tonnes<br>(mill)      | Grade<br>(g/tonne) | Gold<br>Content<br>(tonnes) |
| <b>South African Operations:</b>      |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Blyvoor <sup>1</sup>                  |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Underground .....                     | 10.30               | 7.36               | 75.87                       | 2.76                  | 7.51               | 20.70                       | 12.16               | 7.02               | 85.35                       | 3.99                  | 7.01               | 27.97                       |
| Surface .....                         | 9.71                | 0.73               | 7.08                        | -                     | -                  | -                           | 12.87               | 0.59               | 7.56                        | -                     | -                  | -                           |
| <b>Total Blyvoor .....</b>            | <b>20.01</b>        | <b>4.15</b>        | <b>82.95</b>                | <b>2.76</b>           | <b>7.51</b>        | <b>20.70</b>                | <b>25.03</b>        | <b>3.71</b>        | <b>92.91</b>                | <b>3.99</b>           | <b>7.01</b>        | <b>27.97</b>                |
| ERPM <sup>1</sup>                     |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Underground .....                     | 0.53                | 7.61               | 4.02                        | 2.03                  | 6.93               | 14.08                       | 0.46                | 9.97               | 4.56                        | 0.52                  | 8.03               | 4.20                        |
| Surface .....                         | 9.24                | 0.62               | 5.76                        | -                     | -                  | -                           | 9.74                | 0.64               | 6.23                        | -                     | -                  | -                           |
| <b>Total ERPM .....</b>               | <b>9.77</b>         | <b>1.00</b>        | <b>9.78</b>                 | <b>2.03</b>           | <b>6.93</b>        | <b>14.08</b>                | <b>10.20</b>        | <b>1.06</b>        | <b>10.79</b>                | <b>0.52</b>           | <b>8.03</b>        | <b>4.20</b>                 |
| Crown <sup>1</sup>                    |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Surface .....                         | 8.37                | 0.46               | 3.81                        | 14.49                 | 0.49               | 7.07                        | 10.21               | 0.63               | 6.39                        | 8.08                  | 0.64               | 5.18                        |
| <b>Total Crown .....</b>              | <b>8.37</b>         | <b>0.46</b>        | <b>3.81</b>                 | <b>14.49</b>          | <b>0.49</b>        | <b>7.07</b>                 | <b>10.21</b>        | <b>0.63</b>        | <b>6.39</b>                 | <b>8.08</b>           | <b>0.64</b>        | <b>5.18</b>                 |
| Ergo Joint Venture <sup>2</sup>       |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Surface .....                         | 5.29                | 0.36               | 1.91                        | -                     | -                  | -                           | -                   | -                  | -                           | -                     | -                  | -                           |
| <b>Total Ergo Joint Venture .....</b> | <b>5.29</b>         | <b>0.36</b>        | <b>1.91</b>                 | <b>-</b>              | <b>-</b>           | <b>-</b>                    | <b>-</b>            | <b>-</b>           | <b>-</b>                    | <b>-</b>              | <b>-</b>           | <b>-</b>                    |
| <b>Australasian Operations:</b>       |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Tolukuma <sup>3</sup>                 |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Underground .....                     | -                   | -                  | -                           | -                     | -                  | -                           | -                   | -                  | -                           | 0.16                  | 20.58              | 3.35                        |
| Surface .....                         | -                   | -                  | -                           | -                     | -                  | -                           | -                   | -                  | -                           | -                     | -                  | -                           |
| <b>Total Tolukuma .....</b>           | <b>-</b>            | <b>-</b>           | <b>-</b>                    | <b>-</b>              | <b>-</b>           | <b>-</b>                    | <b>-</b>            | <b>-</b>           | <b>-</b>                    | <b>0.16</b>           | <b>20.58</b>       | <b>3.35</b>                 |
| <b>Total Group</b>                    |                     |                    |                             |                       |                    |                             |                     |                    |                             |                       |                    |                             |
| Underground .....                     | 10.83               | 7.38               | 79.89                       | 4.79                  | 7.27               | 34.78                       | 12.62               | 7.13               | 89.91                       | 4.67                  | 7.60               | 35.52                       |
| Surface .....                         | 32.61               | 0.57               | 18.56                       | 14.49                 | 0.49               | 7.07                        | 32.82               | 0.61               | 20.18                       | 8.08                  | 0.64               | 5.18                        |
| <b>Total<sup>4</sup> .....</b>        | <b>43.44</b>        | <b>2.27</b>        | <b>98.45</b>                | <b>19.28</b>          | <b>2.17</b>        | <b>41.85</b>                | <b>45.44</b>        | <b>2.42</b>        | <b>110.09</b>               | <b>12.75</b>          | <b>3.19</b>        | <b>40.70</b>                |

<sup>1</sup> Proven and Probable Ore reserves for fiscal 2008 reflect our attributable 74% interest in Blyvoor, ERPM and Crown.

<sup>2</sup> Proven and Probable Ore reserves for fiscal 2008 reflect our attributable 37% interest in the Ergo Joint Venture.

<sup>3</sup> Proven and Probable Ore reserves for fiscal 2007 reflect our attributable 79% interest in Tolukuma. On October 22, 2007, we sold our entire shareholding in Emperor.

<sup>4</sup> The Ore reserves listed in the above table are estimates of what can be legally and economically recovered from operations, and, as stated, are estimates of mill delivered in tons.

The measurement and classification of our Proven and Probable Ore Reserves are sensitive to the fluctuation of the gold price. If we had used different gold prices than the three-year average prices at the time of reserve determination as of June 30, 2008, 2007 and 2006 respectively, we would have had significantly different reserves as of those dates. Using the same methodology and assumptions as were used to estimate Ore Reserves but with different gold prices, our attributable ore reserves as of June 30, 2008, 2007 and 2006 would be as follows:

| <b>Year ending June 30, 2008</b>                | <b><u>Three-year<br/>average price</u></b> | <b><u>Business Plan<br/>at prevailing<br/>price</u></b> | <b><u>10% Below<br/>prevailing<br/>price</u></b> | <b><u>10% Above<br/>prevailing<br/>price</u></b> |
|---|--|---|--|--|
| Rand gold price per kilogram.....               | 150,622                                    | 208,287   | 187,458  | 229,115  |
| Dollar gold price per ounce.....                | 664  | 853   | 768  | 938  |
| Attributable ore reserves (million ounces)..... | 4.5  | 7.9   | 7.4  | 8.4  |
| <b>Year ending June 30, 2007</b>                | <b><u>Three-year<br/>average price</u></b> | <b><u>Business Plan<br/>at prevailing<br/>price</u></b> | <b><u>10% Below<br/>prevailing<br/>price</u></b> | <b><u>10% Above<br/>prevailing<br/>price</u></b> |
| Rand gold price per kilogram.....               | 115,314                                    | 154,437   | 138,994  | 169,881  |
| Dollar gold price per ounce.....                | 553  | 660   | 594  | 726  |
| Attributable ore reserves (million ounces)..... | 4.8  | 6.3   | 5.9  | 6.8  |
| <b>Year ending June 30, 2006</b>                | <b><u>Three-year<br/>average price</u></b> | <b><u>Business Plan<br/>at prevailing<br/>price</u></b> | <b><u>10% Below<br/>prevailing<br/>price</u></b> | <b><u>10% Above<br/>prevailing<br/>price</u></b> |
| Rand gold price per kilogram.....               | 93,800                                     | 117,055   | 105,300  | 127,700  |
| Dollar gold price per ounce.....                | 453  | 582   | 524  | 640  |
| Attributable ore reserves (million ounces)..... | 7.5  | 8.8   | 8.2  | 9.5  |

The approximate mining recovery factors for the 2008 ore reserves shown in the above table are as follows:

|                         |  | <b><u>Underground</u></b>      |   | <b><u>Surface</u></b>          |   |
|-------------------------|--|--------------------------------|---|--------------------------------|---|
|                         | <b><u>Dilution<br/>(Sundries,<br/>Shortfall and<br/>Development)</u></b> | <b><u>Mine Call Factor</u></b> | <b><u>Metallurgical and<br/>recovery factor</u></b> | <b><u>Mine Call Factor</u></b> | <b><u>Metallurgical and<br/>recovery factor</u></b> |
| <b><u>Mine</u></b>      | <b><u>(%)</u></b>  | <b><u>(%)</u></b>              | <b><u>(%)</u></b>                                   | <b><u>(%)</u></b>              | <b><u>(%)</u></b>                                   |
| Blyvoor .....           | 22.8   | 86.8                           | 94.7  | 100.0                          | 50.3  |
| Crown .....             | Not applicable   | Not applicable                 | Not applicable                                      | 100.0                          | 64.0  |
| ERPM .....              | 21.0   | 85.0                           | 94.0  | 100.0                          | 66.0  |
| Ergo Joint Venture .... | Not applicable   | Not applicable                 | Not applicable                                      | 100.0                          | 49.3  |

The approximate mining recovery factors for the 2007 ore reserves shown in the above table are as follows:

|                    |  | <b><u>Underground</u></b>      |   | <b><u>Surface</u></b>          |   |
|--------------------|--|--------------------------------|---|--------------------------------|---|
|                    | <b><u>Dilution<br/>(Sundries,<br/>Shortfall and<br/>Development)</u></b> | <b><u>Mine Call Factor</u></b> | <b><u>Metallurgical and<br/>recovery factor</u></b> | <b><u>Mine Call Factor</u></b> | <b><u>Metallurgical and<br/>recovery factor</u></b> |
| <b><u>Mine</u></b> | <b><u>(%)</u></b>  | <b><u>(%)</u></b>              | <b><u>(%)</u></b>                                   | <b><u>(%)</u></b>              | <b><u>(%)</u></b>                                   |
| Blyvoor .....      | 22.0   | 83.8                           | 95.8  | 100.0                          | 48.0  |
| Crown .....        | Not applicable   | Not applicable                 | Not applicable                                      | 100.0                          | 64.0  |
| ERPM .....         | 21.0   | 87.0                           | 94.0  | 100.0                          | 66.0  |
| Tolukuma .....     | 29.5   | 79.7                           | 92.0  | 95.0                           | 91.0  |

The following table shows the average drill/sample spacing (rounded to the nearest foot), as at June 30, 2008, for each category of Ore Reserves at our mines calculated based on a three year average Dollar price of gold.

| <u>Mine</u>              | <u>Proven<br/>Reserves</u> | <u>Probable<br/>Reserves</u> |
|--------------------------|----------------------------|------------------------------|
| Blyvoor.....             | 16 ft. by 24 ft.           | Nil                          |
| Crown.....               | 328 ft. by 328 ft.         | 328 ft. by 328 ft.           |
| ERPM.....                | 16 ft. by 19 ft.           | Nil                          |
| Ergo Joint Venture ..... | 328 ft. by 328 ft.         | 328 ft. by 328 ft.           |

The pay-limit grades based on the three year average Dollar price for gold and costs used to determine reserves as of June 30, 2008 are as follows:

| <u>Mine</u>              | <u>Underground</u>     |   | <u>Surface</u>         |                          |
|--------------------------|------------------------|---|------------------------|--------------------------|
|                          | <u>Pay-limit grade</u> | <u>Costs used to<br/>determine pay-</u> | <u>Pay-limit grade</u> | <u>Costs used to</u>     |
|                          |                        | <u>limit grade</u>                      |                        | <u>determine pay-</u>    |
|                          | <u>(g/t)</u>           | <u>(R/t)</u>                            | <u>(g/t)</u>           | <u>limit grade (R/t)</u> |
| Blyvoor .....            | 11.13                  | 1,059.72                                | 0.27                   | 20.13                    |
| Crown .....              | -                      | -                                       | 0.47                   | 45.47                    |
| ERPM .....               | 10.33                  | 999.45                                  | 0.54                   | 53.99                    |
| Ergo Joint Venture ..... | -                      | -                                       | 0.23                   | 23.10                    |

The pay-limit grades and costs used to determine reserves as of June 30, 2007 are as follows:

| <u>Mine</u>   | <u>Underground</u>     |   | <u>Surface</u>         |                          |
|---------------|------------------------|---|------------------------|--------------------------|
|               | <u>Pay-limit grade</u> | <u>Costs used to<br/>determine pay-</u> | <u>Pay-limit grade</u> | <u>Costs used to</u>     |
|               |                        | <u>limit grade</u>                      |                        | <u>determine pay-</u>    |
|               | <u>(g/t)</u>           | <u>(R/t)</u>                            | <u>(g/t)</u>           | <u>limit grade (R/t)</u> |
| Blyvoor ..... | 10.99                  | 800.81                                  | 0.27                   | 15.08                    |
| Crown .....   | -                      | -                                       | 0.59                   | 43.44                    |
| ERPM .....    | 13.04                  | 988.64                                  | 0.63                   | 53.99                    |
| Tolukuma..... | 11.0                   | 1,617.01                                | -                      | -                        |

We apply the pay-limit approach to the mineralized material database of our various shafts or business units in order to determine the tonnage and grade available for mining.

## **Governmental regulations and their effects on our business**

### **South Africa**

#### *Common Law Mineral Rights and Statutory Mining Rights*

Prior to the introduction of the MPRD Act in 2002, private ownership in mineral rights and statutory mining rights in South Africa could be acquired through the common law or by statute. Under the old regime, the term freehold title refers to a right of ownership of land and the surface thereof and the term “mining title” refers to a right of ownership of the minerals below the surface or the right to mine such minerals. With effect from May 1, 2004, all minerals have been placed under the custodianship of the South African government under the provisions of the MPRD Act, and old order proprietary rights, need to be converted to new order rights of use within certain prescribed periods, as dealt with in more detail below.

#### *Old Order Rights - Mining Authorizations*

Mining authorizations issued under the previous regime remain valid until May 1, 2009. No person or mining entity may prospect or mine for minerals without being granted a prospecting or mining authorization. Prior to granting a prospecting or mining authorization, two requirements had to be fulfilled. First, the mining entity must either be the registered holder of the mineral rights or have obtained the written consent of the registered holder of the mineral rights to mine the minerals concerned for its own account. Second, the Department of Minerals and Energy, or the DME, must be satisfied with the scale, manner and duration of the intended prospecting or mining operations and must approve an Environmental Management Program, or EMP. A prospecting permit was issued for a limited period but could be renewed on application. A mining license was generally issued until such time that the minerals could no longer be mined in an economically viable manner. The rights enjoyed under these authorities will endure until they are converted within the period of time prescribed in the MPRD Act. Thereafter, such rights will lapse.

#### *Conversion of Rights under the Mineral and Petroleum Resources Development Act, 2002*

Existing common law prospecting, mining and mineral rights, or old order rights, need to be converted into new order rights in order to ensure exclusive access to the mineral for which rights existed at the time of the enactment of the MPRD Act.

In respect of used old order mining rights, the DME is obliged to convert the rights if the applicant complies with certain statutory criteria. These include the submission of a mining works program, demonstrable technical and financial capability to give effect to the program, provision for environmental management and rehabilitation, and compliance with certain black economic empowerment and the social and labor plan. These applications had to be submitted within five years after the promulgation of the MPRD Act on May 1, 2004. Similar procedures apply where we hold prospecting rights and a prospecting permit and conduct prospecting operations. Where we hold unused old order rights however, the application for conversion to mining or prospecting rights had to be submitted within one year from May 1, 2004. The requirements for unused old order rights are more stringent than for used old order rights, particularly insofar as the percentage of ownership from historically disadvantaged groups is concerned. Under the MPRD Act, mining rights are not perpetual, but endure for a maximum of thirty years, after which they may be renewed for a further thirty years. Prospecting rights are limited to five years, with one renewal of three years. Applications for conversion of our mining rights have been submitted to the DME.

If any of our applications for conversion are refused, a claim for compensation, based on expropriation may be lodged against the State. The DME may attach specific conditions and limitations to the exercise of new order rights. It may, for example, reduce the area over which the new order right applies, if it is of the view that the prospecting or mining works programs submitted by an applicant do not justify the extent of the area covered by the old order right. They may also be suspended or cancelled by the Minister of Minerals and Energy in the event of a breach or, in the case of mining rights, of non-optimal mining in accordance with the mining works program.



## *Mining royalties*

Royalties from mining activities will become payable to the state, as from May 1, 2009, under provisions contained in the Mineral and Petroleum Resources Royalty Bill, or the Royalty Bill. The Royalty Bill was promulgated by government on August 14, 2008. The most significant feature of the Royalty Bill is that the royalty is to be determined in accordance with a formula based system and no longer to be a predetermined specific rate for the different types of minerals. The royalty will be deductible for normal income tax purposes.

The Royalty Bill defines the tax base as gross sales excluding the transportation and handling costs of the final product. The final product can be either the “refined” or “unrefined” mineral depending on the nature of the mineral in question. There has been general consensus that a formula derived mineral royalty rate regime is more equitable and provides the necessary relief for mines during times of difficulties, e.g. low commodity prices and mines that become marginal due to low grades. The formula-based mineral royalty rate regime also ensures that the State shares in the benefits of higher commodity prices. The State will thus share in the downside risks, when mines become marginal, and in the upside benefits during times of high commodity prices. Based on the comments received the formulae were adjusted to take into account the capital intensive nature of certain mining operations, especially Gold mining and Oil and Gas. The final formulae will thus use earnings before income tax, or EBIT, with 100 percent capital expensing. Given that a distinction will be drawn between refined and unrefined minerals, it is expected that two royalty percentage rate formulae will be required.

The mineral royalty percentage rates (Y%) will be based on the following formulae:

For refined minerals:  $Y (\%) = 0.5 + [(EBIT \text{ divided by } (Gross \text{ Sales multiplied by } 12.5)) \text{ multiplied by } 100]$ . This rate will be capped at a maximum of 5.0%.

For unrefined minerals:  $Y (\%) = 0.5 + [(EBIT \text{ divided by } (Gross \text{ Sales multiplied by } 9.0)) \text{ multiplied by } 100]$ . This rate will be capped at a maximum of 7.0%.

For the purpose of calculating the royalty percentage rates a negative EBIT will be set equal to zero.

For illustrative purposes, based on the latest available financial statistics for the mining sector published by Statistics South Africa the average estimated royalty percentage rate for refined minerals would have been only 1.56% in 2006. Due to higher commodity prices this rate would have increased to 2.55% in 2007. For unrefined minerals, the average estimated royalty rates would have been 1.97% and 3.4% for 2006 and 2007 respectively.

## *The Broad Based Socio-Economic Empowerment Charter*

In order to promote broader based participation in mining revenue, the MPRD Act provides for a Mining Charter to be developed by the Minister within six months of commencement of the MPRD Act, beginning May 1, 2004. The Mining Charter came into effect in August 2004. In its current format its objectives include:

- increased direct and indirect ownership of mining entities;
- expansion of opportunities for persons disadvantaged by unfair discrimination under the previous political dispensation;
- expansion of the skills base of such persons, the promotion of employment and advancement of the social and economic welfare of mining communities; and
- promotion of beneficiation.

The Mining Charter sets certain numerical and timeframe goals on equity participation by historically disadvantaged South Africans of South African mining assets. It recommends that these are achieved by, among other methods, disposal of assets by mining companies to historically disadvantaged persons on a willing seller, willing buyer basis at fair market value. The goals set by the Mining Charter require each mining company to achieve 15 percent ownership by historically disadvantaged South Africans of its South African mining assets within five years and 26 percent ownership within ten years from May 1, 2004. It also sets out guidelines and goals in respect of employment equity at management level with a view to achieving 40 percent participation by historically disadvantaged persons in management and ten percent participation by women in the mining industry, each within five years from May 1, 2004. Compliance with these objectives is measured on the weighted average “scorecard” approach in accordance with a scorecard which was first published by the government in February 2003.

We are unable to identify any permits, rights or investments which we may lose as a result of any non-compliance. The provisions of the Mining Charter apply to each mining company individually. As transactions, to comply with the Mining Charter, are to be at fair market value, we do not anticipate incurring any loss in fulfilling our obligations provided that we are able to identify suitable partners that are able to obtain adequate funding.

We have achieved our commitment to compliance with the MPRD Act by extending our existing black economic empowerment structure with Khumo Gold. The new structure resulted in Khumo Gold acquiring, as a first step, a 15% interest in a newly created vehicle, DRDGOLD SA, which holds 100% of ERPM, Crown and Blyvoor. Khumo Gold acquired an additional 5% interest in DRDGOLD SA with the employee trust acquiring 6% in fiscal 2007. (See Item 4A.: "History and Development of the Company").

#### *Mine Health and Safety Regulation*

The South African Mine Health and Safety Act, 1996 (as amended), or the Mine Health and Safety Act, came into effect in January 1997. The principal object of the Mine Health and Safety Act is to improve health and safety at South African mines and to this end, imposes various duties on us at our mines, and grants the authorities broad powers to, among other things, close unsafe mines and order corrective action relating to health and safety matters. In the event of any future accidents at any of our mines, regulatory authorities could take steps which could increase our costs and/or reduce our production capacity. There are amendments to the act currently before parliament to ratify the stopping of production and increase punitive measures including increased financial fines and legal liability of mine management. Four of the more important new provisions in the bill as approved by the Portfolio Committee are a new section 50(7A) that obliges an inspector to impose a prohibition on the further functioning of a site where a person's death, serious injury or illness to a person, or a health threatening occurrence has occurred; a new section 86A(1) creating a new offence for any person who contravenes or fails to comply with the provisions of the Mine Health and Safety Act thereby causing a person's death or serious injury or illness to a person. Subsection (3) further provides that (a) the "fact that the person issued instructions prohibiting the performance or an omission is not in itself sufficient proof that all reasonable steps were taken to prevent the performance or omission"; and that (b) "the defense of ignorance or mistake by any person accused cannot be permitted"; or that (c) "the defense that the death of a person, injury, illness or endangerment was caused by the performance or an omission of any individual within the employ of the employer may not be admitted"; a new section 86A(2) creating an offence of vicarious liability for the employer where a Chief Executive Officer, manager, agent or employee of the employer committed an offence and the employer either connived at or permitted the performance or an omission by the Chief Executive Officer, manager, agent or employee concerned; or did not take all reasonable steps to prevent the performance or an omission. The maximum fines have also been increased. Any owner convicted in terms of section 86 or 86A may be sentenced to "withdrawal or suspension of the permit" or to a fine of R3 million or a period of imprisonment not exceeding five years or to both such fine and imprisonment, while the maximum fine for other offences and for administrative fines have all been increased, with the highest being R1 million.

Under the South African Compensation for Occupational Injuries and Diseases Act, 1993 (as amended), or COID Act, employers are required to contribute to a fund specifically created for the purpose of compensating employees or their dependants for disability or death arising in the course of their work. Employees who are incapacitated in the course of their work have no claim for compensation directly from the employer and must claim compensation from the COID Act fund. Employees are entitled to compensation without having to prove that the injury or disease was caused by negligence on the part of the employer, although if negligence is involved, increased compensation may be payable by this fund. The COID Act relieves employers from the prospect of costly damages, but does not relieve employers from liability for negligent acts caused to third parties outside the scope of employment. In fiscal 2008, we contributed approximately R9.8 million under the COID Act to a multi-employer industry fund administered by Rand Mutual Assurance Limited.

Under the Occupational Diseases in Mines and Works Act, 1973 (as amended), or the Occupational Diseases Act, the multi-employer fund pays compensation to employees of mines performing "risk work," usually in circumstances where the employee is exposed to dust, gases, vapors, chemical substances or other working conditions which are potentially harmful, or if the employee contracts a "compensatable disease," which includes pneumoconiosis, tuberculosis, or a permanent obstruction of the airways. No employee is entitled to benefits under the Occupational Diseases Act for any disease for which compensation has been received or is still to be received under the COID Act. Currently the Group is compliant with these payment requirements, which are based on a combination of the employee costs and claims made during the fiscal year.

Uranium and radon are often encountered during the ordinary course of gold mining operations in South Africa, and present potential risks for radiation exposure of workers at those operations and the public to radiation in the nearby vicinity. We monitor our uranium and radon emissions and believe that we are currently in compliance with all local laws and regulations pertaining to uranium and radon management and that we are within the current legislative exposure limits prescribed for workers and the public, under the Nuclear Energy Act, 1999 (as amended) and Regulations from the National Nuclear Regulator.

#### *Environmental Regulation*

Managing the impact of mining on the environment is extensively regulated by statute in South Africa. Recent statutory enactments set compliance standards both generally, in the case of the National Environmental Management Act, and in respect of specific areas of environment impact, as in the case of the Air Quality Act 2004, the National Water Act (managing effluent), and the Nuclear Regulator Act 1999. Liability for environmental damage is also extended beyond the corporate veil to impose personal liability on managers and directors of mining corporations that are found to have violated applicable laws.

The impact on the environment by mining operations is extensively regulated by in the MPRD Act. The MPRD Act has onerous provisions for personal liability of directors of companies whose mining operations have an unacceptable impact on the environment.

Under the MPRD Act, new order mining rights are not issued unless a complete environmental impact assessment is conducted and all potentially affected parties have been given an opportunity to comment on the proposed mining. Mining companies are also required to demonstrate both the technical and financial ability to sustain an ongoing environmental management program, or EMP, and achieve ultimate rehabilitation, the particulars of which are to be incorporated in an EMP. This program is required to be submitted and approved by the DME as a prerequisite for the issue of a new order mining right. Various funding mechanisms are in place, including trust funds and concurrent rehabilitation budgets, to fund the rehabilitation liability.

The MPRD Act imposes specific, ongoing environmental monitoring and financial reporting obligations on the holders of mining rights.

Because of the diverse nature of our operations, ranging from underground mining to surface reclamation activities, environmental risks vary from site to site. These risks have been addressed in EMPs which have been submitted to the DME for approval. In November 2006, amended EMPs to conform to the required format of the MPRD Act were submitted for all operations in South Africa for approval. Additionally, the key environmental issues have been prioritized and are being addressed through active management input and support as well as progress measured in terms of activity schedules and timescales determined for each activity. Two environmental compliance assessments have been conducted at Blyvoor and Crown, which both show that these mines are in substantial compliance with the conditions of their EMPs.

Our existing reporting and controls framework is consistent with the additional reporting and assessment requirements of the MPRD Act.

#### *Financial Provision for Rehabilitation*

We are required to make financial provision for the cost of mine closure and post-closure rehabilitation, including monitoring once the mining operations cease. We have funded these environmental rehabilitation costs by making contributions over the life of the mine to environmental trust funds established for each operation. Funds are irrevocably contributed to trusts that function under the authority of trustees that have been appointed by, and who owe a statutory duty of trust, to the Master of the High Court of South Africa. The funds held in these trusts are invested primarily in interest bearing debt securities. As of June 30, 2008, we held a total of R110.8 million (2007: R75.8 million) in trust, the balance held in each fund being R15.7 million (2007: R14.2 million) for West Wits, R26.9 million (2007: R24.3 million) for Blyvoor, R18.2 million (2007: R16.4 million) for Durban Deep, R37.2 million (2007: R11.9 million) for Crown and R12.8 million (2007: R9.0 million) for ERPM. Trustee meetings are held as required, and quarterly reports on the financial status of the funds, are submitted to our board of directors.

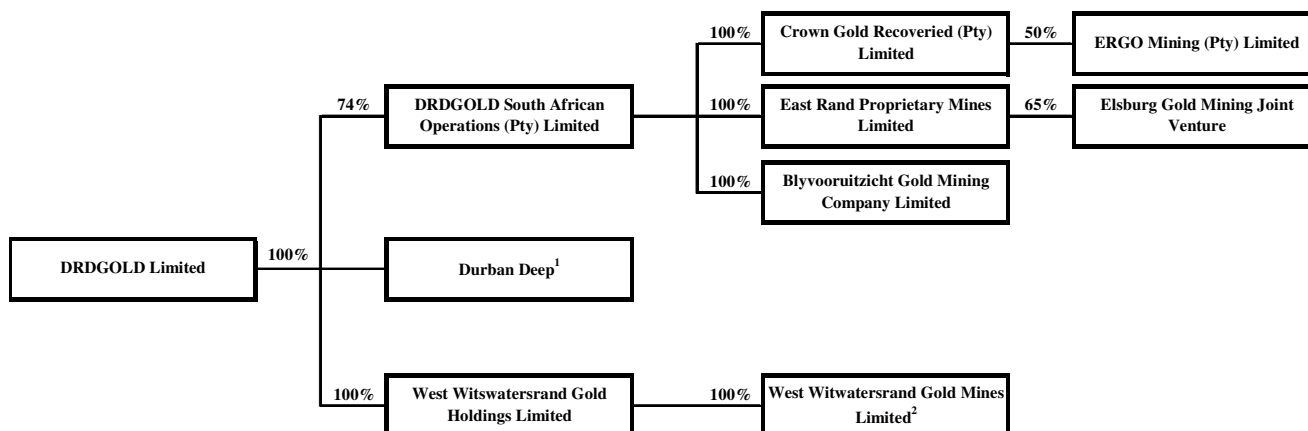
The financial provisions for West Wits and Durban Deep have been consolidated into a single fund. We address shortfalls in the funds by accruing trust investment income for the benefit of the funds and by replenishing it with the proceeds from the sale of redundant mining equipment at the end of the life of the mine. If any of the operations are prematurely closed, the rehabilitation funds may be insufficient to meet all the rehabilitation obligations of those operations.

Whereas the old Minerals Act allowed for the establishment of a fully funded rehabilitation fund over the life of mine, the MPRD Act assumes a fully compliant fund at any given time in the production life of a mine. The DME appears to have taken a practical approach in dealing with this change, and has indicated that the traditional ring fencing of funds may, for investment purposes be relaxed, and that insurance instruments may also be received subject to the DME's consent, to make up the shortfall in available cash funds.

The aggregate group rehabilitation, reclamation and closure cost provision was R381.3 million at June 30, 2008, compared to R282.6 million at June 30, 2007.

#### 4C. ORGANIZATIONAL STRUCTURE

The following chart shows our principal subsidiaries and joint venture as of October 31, 2008. All of our subsidiaries are incorporated in South Africa unless otherwise indicated. We hold the majority of the investments directly or indirectly as indicated below. Refer to Exhibit 8.1 for a list of our directly held subsidiaries.

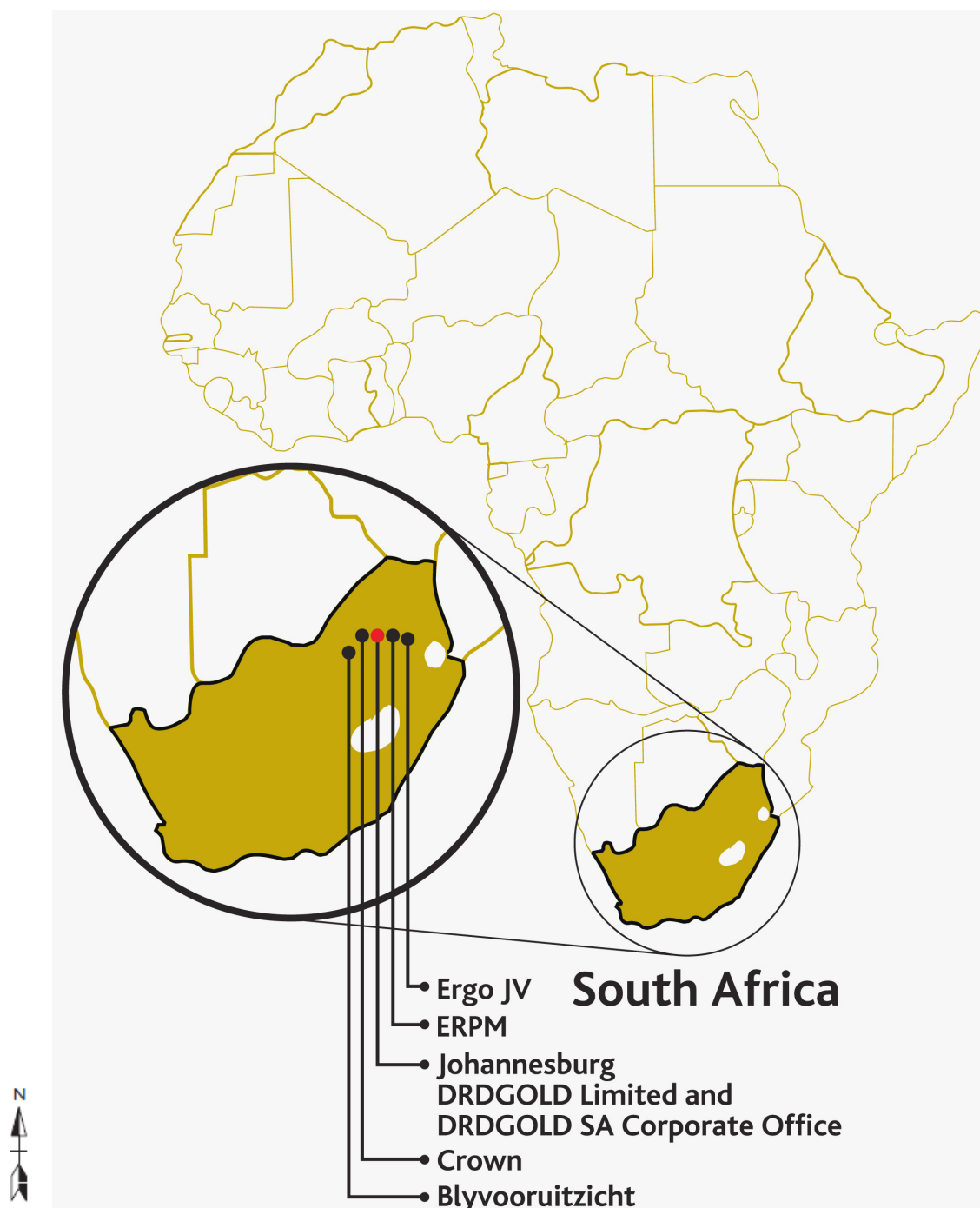


<sup>1</sup> All shafts at Durban Deep have been closed.

<sup>2</sup> West Wits will be used going forward to extract and dispose of underground water.

#### ***4D. PROPERTY, PLANTS AND EQUIPMENT***

**DRDGOLD OPERATIONS  
OCTOBER 31, 2008**



## **Description of Significant Subsidiaries, Properties and Mining Operations**

### **Witwatersrand Basin Geology**

Blyvoor is predominantly an underground operating mine located within a geographical region known as the Witwatersrand Basin, exploiting gold bearing reefs in addition to certain surface sources. Crown and ERPM are also located within the Witwatersrand Basin. Crown exploits various surface sources, including sand and slime tailings deposited as part of historical mining operations. ERPM is predominantly an underground mining operation with a surface operation for the processing of sand from the Cason Dump. Our underground operations are typical of the many gold mining operations in the area which together have produced approximately 1.5 billion ounces of gold over a period of more than 100 years.

The Witwatersrand Basin comprises a 4 mile (6 kilometers) vertical thickness of sedimentary rocks situated within the Kaapvaal Craton, extending laterally for approximately 186 miles (299 kilometers) east-northeast and 62 miles (100 kilometers) south-southeast. The sedimentary rocks generally dip at shallow angles towards the center of the basin though locally this may vary. The Witwatersrand Basin is Achaean in age and the sedimentary rocks are considered to be approximately 2.7 to 2.8 billion years old.

Gold mineralization in the Witwatersrand Basin occurs within horizons termed reefs. These occur within seven separate goldfields located along the eastern, northern and western margins of the basin. These goldfields are known as the Evander Goldfield, the East Rand Goldfield, the West Rand Goldfield, the Far West Rand Goldfield, the Central Rand Goldfield, the Klerksdorp Goldfield and the Free State Goldfield. As a result of faulting and other primary controls of mineralization, the goldfields are not continuous and are characterized by the presence or dominance of different reef units. The reefs are generally less than 6 feet (2 meters) thick but, in certain instances, these deposits form stacked elastic wedges which are hundreds of feet thick.

The gold generally occurs in native form within the various reefs, often associated with pyrite and carbon.

### **Blyvoor**

#### **Overview**

We own 74% of the Blyvooruitzicht Gold Mining Company Limited, (through our 74% holding in DRDGOLD SA), which in turn owns 100% of the Doornfontein Gold Mining Company Limited. The consolidated mining operation, referred to as Blyvoor, consists of the adjacent mines of Blyvooruitzicht and Doornfontein which are located within the Far West Rand Goldfields on the northwestern edge of the Witwatersrand Basin. Blyvoor was the first mine in the “West Wits” line. Together, these two operations have produced over 37 million ounces of gold since inception.

At June 30, 2008, Blyvoor had 4,511 employees, including contractors.

#### **Property**

Blyvoor is located on the West Wits line within the Far West Rand Goldfields on the northwestern rim of the Witwatersrand Basin, near the town of Carletonville, Gauteng Province, about 50.0 miles (80.5 kilometers) south-west of Johannesburg and is reached via the R528 road to Carletonville on the N12 Johannesburg-Potchefstroom-Kimberly highway.

The climate of the Highveld area (at an elevation of 5,249 feet (1,600 meters) above mean sea level), where the mine is situated, is humid continental with warm summers and cold winters. Temperatures range from a minimum of 23 degrees Fahrenheit (-5 degrees Celsius) in June and July to a maximum of 93 degrees Fahrenheit (34 degrees Celsius) in December and January.

The operating facilities are all situated on property belonging to Blyvoor, and include the shaft complexes, administrative offices for the managerial, administrative, financial and technical disciplines, extensive workshops and consumable stores, the metallurgical plants, tailings dams and waste rock dumps. Blyvoor also houses the majority of its employees in Blyvoor-owned houses on the property and in the town of Carletonville. The normal support structures, including training, security, sport and recreational facilities, schools and churches are situated on the property. Blyvoor has mining title to 16,242 acres (6,573 hectares) and owns 5,138 acres (2,079 hectares) of freehold property.

Blyvoor consists of one mining license, ML46/99, in respect of statutory mining rights and mineral rights held by Blyvoor. We are in the process of converting these old order property rights to new order rights under the MPRD Act. The net book value of the mining assets at Blyvoor is R432.7 million at June 30, 2008, with 3.3 million attributable ounces of Ore Reserves.

## History

- 1937** Blyvoornitzicht Gold Mining Company Limited was incorporated and registered as a public company in South Africa on June 10, 1937.
- 1942** Gold production commenced.
- 1995** Blyvoor acquired the Doornfontein Gold Mining Company Limited in November 1995.
- 1996** Blyvoor acquired the mineral rights representing the Western Deep Levels tribute area.
- 1997** We acquired the entire share capital of Blyvoor on September 15, 1997.
- 2001** Implementation of the Blyvoor expansion project.
- 2003** Commissioning of No. 4 and 5 Slimes Dam retreatment facility at a cost of R48.0 million.
- 2004** On June 28, 2004, we entered into a 60-day review period on Blyvoor. The 60-day review was extended to September 13, 2004. By October 5, 2004, 1,619 employees had been retrenched at a cost of approximately R19.0 million.
- 2005** In August 2005, our Board of Directors approved No. 2 Sub-Shaft Project (now called the WAP Project) and the Slimes Dam Project to establish mining operations from the No. 2 Shaft and expansion to further improve plant efficiency, respectively.
- On July 6, 2005, we signed a Memorandum of Understanding with KBH regarding the acquisition by Khumo Gold of a 15% stake in our South African Operations.
- On October 27, 2005, our Board of Directors approved the transaction with Khumo Gold. The new structure resulted in Khumo Gold acquiring a 15% interest in a newly created vehicle, DRDGOLD SA, which owns ERPM, Crown and Blyvoor. We owned an 85% interest in DRDGOLD SA.
- 2006** On December 11, 2006, Khumo Gold, on behalf of itself and an employee trust, exercised the option granted by us pursuant to the option agreement concluded between us and Khumo Gold in October 2005 to acquire a further 11% in DRDGOLD SA.
- 2007** After completion of a drilling program to define the uranium resource in Blyvoor's slimes dam material, a 17.5 million pound uranium and 0.8 million ton sulphur resource was declared in November 2007.
- 2008** In January 2008, electricity supply to the mine was interrupted by Eskom which is government owned and production suspended for a week due to safety concerns.

## Geology and Mineralization

Blyvoor exploits the two gold-bearing pebble horizons in the Central Rand Goldfields, the Carbon Leader, which is one of the principal ore bodies in the goldfield, and the Middelvlei Reef horizons which occur in discrete channels over parts of the lease area approximately 246 feet (75 meters) vertically above the Carbon Leader Reef horizon. The Carbon Leader Reef is the principal economic horizon across the lease area and is a planar single sheet conglomerate. The Carbon Leader Reef typically comprises basal carbon seam, overlain by a thin, small pebble conglomerate, enriched in carbon in the lower portion. The grade of the Carbon Leader Reef is more variable than the Middelvlei Reef. The Middelvlei Reef consists of a variable number of polymictic quartz conglomerate bands, interbedded with coarse grain quartzite. The grade of the Middelvlei Reef is more erratic, with distinctive pay shoots forming as southward-orientated linear zones.

Blyvoor was established in 1937 to exploit the rich Carbon Leader Reef but by the late 1980s had reached a position where continued existence of mining operations was dependent upon the mining of scattered Carbon Leader Reef remnants and limited sections of the lower grade Middelvlei Reef.

## Mining and Processing

Access from the surface to the current underground workings of the mines is through a system of vertical and incline shafts situated at the Blyvoor and Doornfontein mines. Doornfontein was previously a separate mine adjacent to the Blyvoor mine but has since been merged to form Blyvoor. The shaft system consists of four vertical shafts from the surface, thirteen sub-incline shafts and two sub-vertical shafts underground. Of these thirteen sub-incline shafts, only nine are in operation and are used for the conveyance of personnel, pumping and hoisting of mined ore and waste.

Two levels have been holed between the previous Doornfontein mine and workings within the Blyvoor lease extension (purchased in 1996 from Western Deep Levels Limited) to allow ore from the bottom of the Blyvoor workings to be trammed across and hoisted up via the Blyvoor No. 5 Shaft, from where it is trucked to the gold plant. The average mining depth at Blyvoor is 10,541 feet (3,213 meters), 5,292 feet (1,613 meters) below mean sea level.

Mining of the reef takes place in stope panels. Holes are drilled into the solid rock and are charged with explosives and blasted. The loosened rock is removed from the stope panels and is conveyed to the shaft, tipped into the ore-pass systems, hoisted to the surface and transported to the metallurgical plant for gold extraction.

Metallurgical processing facilities at Blyvoor are comprised of a single metallurgical plant. The process route is based on a conventional flow sheet comprising multi-stage crushing, open circuit primary and closed circuit secondary milling with hydro cyclones, thickening and cyanide leaching in a Carbon-in-Pulp, or CIP, carousel arrangement. The gold is recovered through electrowinning followed by smelting to doré. The circuit was recently modified by the closure of the filtration system and the commissioning of a modern carbon Kemix pumpcell plant. As at June 30, 2008, the overall plant utilization was 95%.

In fiscal 2005, mining of the lower grade Main Reef at No. 6 Shaft was cut by 50% in favor of increased mining of the higher grade Carbon Leader Reef at No. 5 Shaft. Accelerated development, however, has ensured that the mine was well positioned to restore Main Reef mining to appropriate levels at No. 5 and No. 6 Shafts in response to gold price fluctuations.

In fiscal 2006, increasing levels of seismicity were experienced in the high-grade No. 5 Shaft area in the first half of the year. Consequently concerns for employee safety prompted the development of a volume-driven mine plan involving less mining from the affected high-grade No. 5 Shaft and more from the lower-grade No. 6 Shaft areas. By the end of fiscal 2006, implementation of the new plan was under way with ore milled of 70,000 tons per month targeted. In August 2005, our board of directors approved a project to re-establish mining operations from the No. 2 Sub-Shaft in three phases at a total capital cost of R80.5 million. In total, the No. 2 Sub-Shaft Project was expected to yield some 770,491 ounces of gold from 2.4 million tons of ore with an average delivered grade of 8.18 g/t, over a 20 year period. This project has been re-designed in two phases now called the Way-Ahead Project, or WAP Project.

In fiscal 2007, good progress was made on Blyvoor's WAP Project, which replaced the No. 2 Sub-Shaft Project. The WAP Project involves accessing the No. 2 sub-shaft reserves from levels 27 to 35 of No. 5 shaft. The cost of the project is estimated at R36.7 million of which R24.9 million has already been spend as at June 30, 2008 and started production in October 2008.

Electricity for South Africa is provided by Eskom, which is government owned. Eskom is the largest producer of electricity in Africa. In South Africa, Eskom operates a national power supply grid consisting of 24 power stations across the country. Electricity to Blyvoor is provided from the West Wits substation outside Carletonville at 44,000 volts. Further substations, located on mine site, transform the power to 6,600 volts or 22,000 volts for direct supply to the shaft winder and air compressors. The power supply is further reduced to 525 volts for smaller devices and equipment used on the mine. The average annual power consumption is about 432 GWhr and the maximum demand is about 66 MW.

In fiscal 2008, electricity supply to the mine was interrupted by Eskom and production suspended for a week due to safety concerns. The situation did improve during March 2008, however the operation is still on a six hour standby notice in the event that power supply becomes unstable in the area. Eskom has requested all of its "Key Customers" to reduce power consumption by 10%. Blyvoor has managed to adhere to this request and will continue to save the maximum amount of energy possible.

Several capital expansion projects were conducted over the period fiscal 2007 to fiscal 2008, including the WAP project (R14.3 million) and a residue pipeline project (R1.0 million). During fiscal 2008 an additional amount was spent on risk prevention to specifically address the following areas: a surface compressed air ring feed (R4.5 million) and an improved ore transfer system (R5.7 million) In addition, approximately R31.1 million was spent on opening-up and development at Blyvoor.

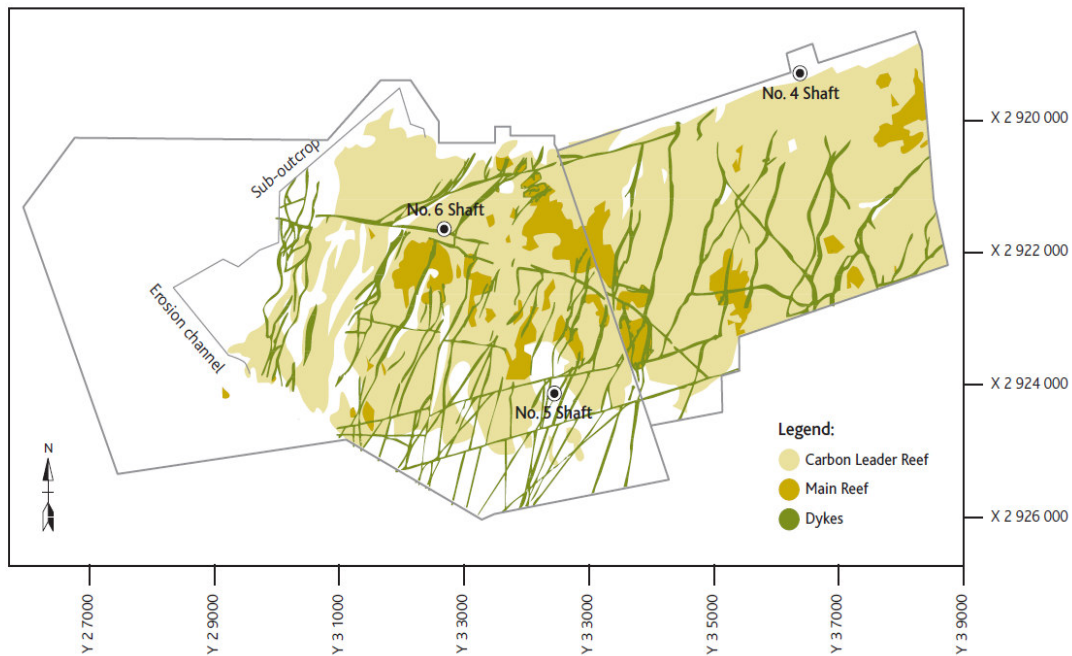
## **Exploration and Development**

At the beginning of fiscal 2003, Blyvoor began a feasibility study looking at the opportunity to re-mine and treat the slimes dam material from the No. 4 and 5 Slimes Dam Project. The project was commissioned during November 2003 and completed at a cost of R48.0 million including the conversion of leaching tanks, linear screens, pipes and site construction. The No. 6 Slimes Dam has been extended to provide additional capacity for the tailings from this project at a cost of R2.0 million. The project involves the reclamation of approximately 24 million tonnes of slime material at a rate of 240,000 tpm by high water monitoring and processed through a CIP circuit. The project has an estimated life until 2016 and an average recovery grade of 0.02 ounces per ton. The project costs were funded from the R65.0 million loan facility from the IDC. This facility is described in more detail in note 20 to the consolidated financial statements. Refer Item 18: "Financial Statements."

In November 2007 encouraging results had been obtained from a drilling program to define the uranium resource in Blyvoor's slimes dam material and a 17.5 million pound uranium and 0.8 million ton sulphur resource was declared. For fiscal 2009, an exploration drilling program linked to opening up and development has been scheduled to evaluate the south-west down-dip extension of the Blyvoor ore body south of the Boulder Dyke. If encouraging results are obtained, various mining options will be investigated to exploit the ore body, including the possibility of a trackless decline.



### Blyvoor: Underground Plan



### Environmental and Closure Aspects

The predominantly dolomitic geology of the area in and around Blyvoor, and the resultant occasional occurrence of sinkholes and subsidences, exposes Blyvoor to relatively unique environmental risks and costs associated with the remediation and filling of these sinkholes.

Blyvoor has to maintain a rate of pumping of fissure water sufficient to keep the rate of rise of underground water below the level of underground workings. The required rate is in the order of 2 million gallons (8 million liters) per day. Water not used in the operations is discharged into the Wonderfontein spruit (a stream adjacent to the Blyvoor mine). In order to address the risk of contamination of ground water, streams and wetlands, water is sampled and the level of contaminants monitored in accordance with Blyvoor's water management plan. Fissure water at Blyvoor is generally of a good quality, therefore we believe that the contribution of this water to pollution of water in the area is minimal.

Blyvoor is a member of the Mining Interest Group consisting of all mines operating in the Wonderfontein spruit catchment area. This group was formed to coordinate efforts and studies in the Wonderfontein spruit and to liaise with government departments to determine what action if any is required in cleaning the stream. The government has also established a specialist task team to determine what needs to be done. At this stage there is no clear solution. The Mining Interest Group is also represented on the various catchment forums where NGO's and other interested and affected parties are present. Blyvoor continues to meet with the Potchefstroom municipality on a monthly basis where the quality of Blyvoor's discharge water is assessed. Blyvoor remains in compliance with the Potchefstroom agreement.

Sinkholes are caused by ground water seeping into the underground dolomitic structures, which dissolve and weaken causing a collapse in the rock structure. Dolomitic rock could be dissolved, resulting in an increased risk of sinkholes and possible pollution of fresh water resources stored in the dolomitic formations. The occurrence of sinkholes is limited to a particular area of Blyvoor, which requires an active program in water management and control. Water from leaking pipes is reported to a monitoring committee and the necessary repairs are undertaken promptly. Ground subsidence surveys are undertaken to timely identify any possible sinkholes. Sinkholes that do occur are filled to prevent further inflow of surface water and potential enlargement of the hole. Sinkholes which form outside of our property are repaired by the Far West Rand Dolomitic Water Association.

Pollution from slime dams is controlled by dust suppression and water management programs. Short-term dust control is accomplished through ridge ploughing the top surface of dormant tailings dams. Environmentally friendly dust suppressants, such as molasses, are also applied when deemed necessary. In the long-term, dust suppression and water pollution is managed through a program of progressive vegetation of the tailings complexes followed by the application of lime, to neutralize the natural acidic conditions, and fertilizer as the organic growth medium.

During 2004, Blyvoor implemented a tailings reclamation project and as a result of this new project being implemented amendments to Blyvoor's EMP have had to be made by the relevant regulator. The EMP identified the impacts associated with the reclamation of the dams and the extension of the No. 6 return water dam and identified remedial measures to minimize the risk. The DWAF visited the site in August 2004 and was satisfied with our environmental performance.

Blyvoor has updated its EMP to meet the new requirements of the MPRD Act. The EMP has been submitted to the DME for approval. Blyvoor is currently demolishing and rehabilitating redundant surface infrastructures, including the defunct uranium plant.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, we have estimated that the total cost for Blyvoor, in current monetary terms as at June 30, 2008, is R35.3 million. This has been included in the provision for environmental rehabilitation, restoration and closure costs on our balance sheet. A total of R26.9 million has been contributed to a Rehabilitation Trust Fund. This is an irrevocable trust, managed by specific responsible people who we nominated and who are appointed as trustees by the Master of the High Court of South Africa.

## Ore Reserves and Life of Mine

As at June 30, 2008, the attributable Proven and Probable Ore Reserves of Blyvoor were 3.3 million ounces. At June 30, 2007, the attributable Proven and Probable Ore Reserves of Blyvoor were 3.9 million ounces. A Mineral Resource competent person is appointed at each operation to review our Ore Reserve calculations for accuracy. For Blyvoor, Mr. David Edwin James Whittaker (SACNASP) is the appointed Mineral Resource competent person.

As a result of the implementation of the WAP Project and the higher gold price, Blyvoor's life-of-mine business plan remains at 20 years, as at June 30, 2008.

## Current Production

Blyvoor produced a total of 141,172 ounces of gold in fiscal 2008, with 103,813 ounces from underground areas and 37,359 ounces from surface areas. This represents 46% of our total production from continuing operations of 308,005 ounces.

Underground gold production has decreased from 110,471 ounces in fiscal 2007 to 103,813 ounces in fiscal 2008. Reduced underground production reflects the implementation during fiscal 2007 of a new, "lower grade, higher volume" mine plan to address safety concerns arising from increased levels of seismicity in the high-grade No. 5 Shaft area. Surface gold production decreased from 40,798 ounces in fiscal 2007 to 37,359 ounces in fiscal 2008.

Cash costs of \$675 per ounce in fiscal 2008 increased from \$552 per ounce in fiscal 2007. Total costs for fiscal 2008 of \$761 per ounce also show an increase compared to \$590 per ounce in fiscal 2007. The increase in both cash costs and total costs per ounce of gold produced was primarily attributable to the lower production at Blyvoor in fiscal 2008.

The following table details the operating and production results from Blyvoor for the past three fiscal years.

|  | <b><u>Year ended June 30,</u></b> |                    |                    |
|--|-----------------------------------|--------------------|--------------------|
|  | <b><u>2008</u></b>                | <b><u>2007</u></b> | <b><u>2006</u></b> |
| <b>Production</b>                        |                                   |                    |                    |
| Surface Operations                       |                                   |                    |                    |
| Ore mined ('000 tons) .....              | 4,099                             | 4,072              | 4,005              |
| Recovered grade (oz/ton) .....           | 0.009                             | 0.010              | 0.010              |
| Gold produced (ounces) .....             | 37,359                            | 40,798             | 39,515             |
| Underground Operations                   |                                   |                    |                    |
| Ore mined ('000 tons) .....              | 757                               | 761                | 742                |
| Recovered grade (oz/ton) .....           | 0.137                             | 0.145              | 0.162              |
| Gold produced (ounces) .....             | 103,813                           | 110,471            | 120,178            |
| Total ounces produced .....              | 141,172                           | 151,269            | 159,693            |
| <b>Results of Operations (R)</b>         |                                   |                    |                    |
| Revenues ('000) .....                    | 848,229                           | 694,611            | 538,842            |
| Operating cost ('000) .....              | 697,281                           | 602,871            | 495,779            |
| Cash cost per ounce of gold (\$)¹ .....  | 675                               | 552                | 483                |
| Total cost per ounce of gold (\$)¹ ..... | 761                               | 590                | 532                |

¹ Cash cost per ounce and total cost per ounce are financial measures of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations.

## **Crown**

### **Overview**

We own 74% of DRDGOLD SA, which in turn owns 100% of Crown. Crown has a surface retreatment operation consisting of the Crown Central, City Deep and Knights business units, collectively referred to as Crown. ERPM's Cason Dump surface re-treatment operation is expected to continue to operate until 2013 under the management of Crown based on the current rate of production of approximately 178,000 tpm. Crown undertakes the retreatment of surface sources deposited as tailing from non-operating mining sites across central Johannesburg.

At June 30, 2008, Crown had 1,179 employees, including contractors.

### **Property**

Crown is situated on the outskirts of Johannesburg, South Africa and consists of three separate locations. It has mining rights to 5,787 acres (2,342 hectares) and has the right to occupy 1,490 acres (603 hectares) of freehold property. Crown is in the process of converting these old order rights to new order rights under the MPRD Act.

The Crown Central operation is located on the West Wits line within the Central Goldfields of the Witwatersrand Basin, approximately 6 miles (10 kilometers) west of the Johannesburg central business district in the province of Gauteng. Access is via Xavier Road on the M1 Johannesburg-Kimberley-Bloemfontein highway. The City Deep operation is located on the West Wits line within the Central Goldfields of the Witwatersrand Basin, approximately 3 miles (5 kilometers) south-east of the Johannesburg central business district in the province of Gauteng. Access is via the Heidelberg Road on the M2 Johannesburg-Germiston motorway. The Knights operation is located at Stanley and Knights Road Germiston off the R29 Main Reef Road.

As of June 30, 2008, the net book value of Crown's mining assets was R103.0 million with 0.4 million attributable ounces of Ore Reserves.

### **History**

- 1979** Rand Mines Limited directors approved the formation of the company Rand Mines Milling and Mining Limited (RM3) to treat the surface gold tailings created from the underground section of the original Crown Mines, which had been in operation since the start of gold mining on the Witwatersrand in the late 1800's.
- 1982** First plant commissioned at Crown Mines to process surface material.
- 1986** Second plant commissioned at City Deep to process surface material.
- 1997** Randgold Exploration Limited and Continental Goldfields of Australia entered into a joint venture with the intention to establish a company that would acquire dump retreatment operations on the Witwatersrand. This resulted in the formation of Crown Consolidated Gold Recoveries Limited, or CCGR, which was incorporated as a public company in South Africa in May 1997. Crown was a wholly owned subsidiary of CCGR and consists of the surface retreatment operations of Crown Central, City Deep and Knights.
- 1998** We purchased 100% of CCGR.
- 2002** KBH purchased 60% of Crown. We were appointed as joint manager of the operation with KBH.
- 2005** On July 6, 2005 we signed a Memorandum of Understanding with KBH regarding the acquisition by Khumo Gold of a 15% stake in our South African Operations.
- On October 27, 2005, our board of directors approved the transaction with Khumo Gold. The new structure resulted in Khumo Gold acquiring a 15% interest in a newly created vehicle, DRDGOLD SA, which includes 100% of ERPM, Crown and Blyvoor. We owned an 85% interest in DRDGOLD SA.
- 2006** On December 11, 2006, Khumo Gold, on behalf of itself and an employee trust, exercised the option granted by us pursuant to the option agreement concluded between us and Khumo Gold in October 2005 to acquire a further 11% in DRDGOLD SA.
- On August 28, 2006, we concluded an agreement with Anglo Gold Ashanti to purchase the Top Star Dump.
- 2008** The Department of Minerals and Energy issued in favour of Crown a mining right for gold recovery over the Top Star Dump.

## Mining and Processing

Crown undertakes the re-treatment of surface sources deposited as tailings from non-operational mining sites across central Johannesburg.

Material processed by Crown is sourced from numerous secondary surface sources namely, sand and slime. The surface sources have generally undergone a complex depositional history resulting in grade variations associated with improvements in plant recovery over the period of time the material was deposited. Archive material is a secondary source of gold bearing material. This material is generally made up of old gold metallurgical plant sites as well as “river bed” material.

The three metallurgical plants, known as Crown Mines, City Deep and Knights, have an installed capacity to treat approximately 11.0 million tons of material per year. Up to fiscal 2003, Crown also operated the West Wits gold plant for the processing of sand and slime. Crown also operates the ERPM surface operations with ore being treated at the Knights plant. All of the plants have undergone various modifications during recent years resulting in significant changes to the processing circuits.

Electricity to Crown is supplied to the Crown Central and City Deep business units from separate substations referred to as Jupiter and No. 15 Shaft Crown Mines, and for the Knights by the Ekurhuleni Town Council. Electricity is supplied directly from the national power grid to the substation and town council at 44,000 volts. Substations, located on mine sites, transform the power to 6,600 volts for direct supply to the plants. The power supply is further reduced to 525 volts for smaller devices and equipment.

For Crown Central and City Deep, the average annual power consumption is about 72 GWhr and the maximum demand is about 3.7 MW. For Knights the average annual power consumption is about 36 GWhr and the maximum demand is about 1.8 MW.

Crown operates three plants with slight variations in design in each plant, with a processing capacity of approximately 1 million tpm, yielding approximately 0.01 oz/t (0.4 g/t). The feed stock is made up of sand and slime which are reclaimed separately. Sand is reclaimed using mechanical front-end loaders, re-pulped with water and pumped to the plant. Slime is reclaimed using high pressure water monitoring guns. The re-pulped slime is pumped to the plant and the reclaimed material is treated using screens, cyclones, ball mills and CIL technology to extract the gold. As at June 30, 2008, the overall plant utilization was 95%.

**City Deep Plant:** Commissioned in 1987, this surface/underground plant is comprised of a circuit including screening, primary, secondary and tertiary cycloning in closed circuit milling, thickening, oxygen preconditioning, CIL, elution and zinc precipitation followed by calcining and smelting to doré. In 1998, the plant was converted to a slimes only operation. However, due to operational difficulties caused by the particulate nature of the slimes, the milling circuit has subsequently been recommissioned to facilitate the treatment of sand.

**Crown Mines Plant:** Commissioned in 1982, this surface/underground plant has already been modified and is comprised of a circuit including screening, primary cycloning, open circuit milling, thickening, oxygen preconditioning, CIP and CIL, elution, zinc precipitation followed by calcining and smelting to doré.

**Knights Plant:** Commissioned in 1988, this surface/underground plant is comprised of a circuit including screening, primary cycloning, spiral pre-concentration, milling in closed circuit with hydrocyclones, thickening, oxygen preconditioning, CIL, elution, electrowinning and smelting to doré.

## Exploration and Development

Exploration and development activity at Crown involves the drilling of existing surface dumps and evaluating the potential gold bearing surface material owned by third parties that could be processed on a full treatment basis or purchased outright by Crown.

On August 28, 2006, we concluded an agreement with Anglo Gold Ashanti to purchase the Top Star Dump. The Top Star Dump has been evaluated geostatistically and has a probable reserve of 5.2Mt, at a grade of 0.775g/t. The Top Star Dump mining right has been granted with effect from August 21, 2008 until August 20, 2013. We expect that Top Star will contribute approximately 45,000 ounces of gold per annum for a period of 20 months.

Additional exploration drilling is being planned for the current fiscal year to define the uranium and sulphur potential of all Crown's current deposition sites.

## Environmental and Closure Aspects

Crown operates at sites located in close proximity to significant municipal infrastructure, commercial and residential development. The major environmental risks are associated with dust from various recovery sites, and effective management of relocated process material on certain tailings dams. The impact of windblown dust on the surrounding environment and community is addressed through a scientific monitoring and evaluation process, with active input from the University of Witwatersrand and appropriate community involvement. Environmental management programs, addressing a wide range of environmental issues, have been prepared by specialist environmental consultants and applied specifically to each dust sample recovery monitoring site and integrated into Crown's internal environmental assessment process. Although Crown completed a project for thickening re-processed tailings, there also remains a risk of localized sloughing which can result in that section of the tailings dam being closed temporarily, with repair work being done to the dam wall. Water pollution is controlled by means of a comprehensive system of return water dams which allow for used water to be recycled for use in Crown's metallurgical plant. Overflows of return water dams may, depending on their location, pollute surrounding streams and wetlands. Crown has an ongoing monitoring program to ensure that its water balances (in its reticulation system, on its tailings and its return water dams) are maintained at levels that are sensitive to that capacity of return water dams.

Dust pollution is controlled through an active environmental management program for the residue disposal sites and chemical and organic dust suppression on recovery sites. Short-term dust control is accomplished through ridge ploughing the top surface of dormant tailings dams. Additionally, environmentally friendly dust suppressants, such as molasses, are applied. Dust fall-out is also monitored. In the long-term, dust suppression and water pollution is managed through a program of progressive vegetation of the tailings followed by the application of lime, to reduce the natural acidic conditions, and fertilizer to assist in the growth of vegetation planted on the tailings dam.

A program of environmental restoration that provides for the rehabilitation of areas affected by mining operations during the life of the mine is in place. The surface reclamation process at Crown has several environmental merits as it has removed a potential pollution source and opens up land for development. Crown has conducted its environmental management program performance assessment, which was submitted to and approved by the DME during fiscal 2005. Crown has updated its EMP in compliance with the MPRD Act and submitted it to the DME for approval.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, we estimate that the total cost for Crown, in current monetary terms as at June 30, 2008, is approximately R154.4 million. A total of R37.2 million has been contributed to the Crown Rehabilitation Trust Fund. This is an irrevocable trust, managed by specific responsible people who we nominated and who are appointed as trustees by the Master of the High Court of South Africa.

## Ore Reserves and Life of Mine

As at June 30, 2008, our 74% share of the Proven and Probable Ore Reserves of Crown was 0.4 million ounces. In fiscal 2007, our 74% share of Proven and Probable Ore Reserves of Crown was 0.4 million ounces. Crown's Ore Reserves have not changed from the previous year. A Mineral Resource competent person is appointed at each operation to review our Ore Reserve calculations for accuracy. For Crown Surface, Mr. William John Laing (PLATO) is the appointed Mineral Resource competent person. The current life-of-mine business plan is estimated to be nine years.

## Current Production

Gold production for Crown was 87,354 ounces in fiscal 2008 compared to gold production of 103,011 ounces in fiscal 2007. The decrease in gold production in fiscal 2008 was the result of a lower yields reflected in the ever-diminishing reserves of higher yielding material available.

In fiscal 2008, cash costs increased to \$567 per ounce of gold from \$462 per ounce of gold in fiscal 2007, as a result of lower gold production. Total cost per ounce of gold increased to \$672 per ounce from \$558 per ounce in fiscal 2007.

The following table details our attributable share of the production results from Crown for the past three fiscal years:

|   | <u>Year ended June 30,</u> |             |             |
|---|----------------------------|-------------|-------------|
|   | <u>2008</u>                | <u>2007</u> | <u>2006</u> |
| <b>Production</b>                                   |                            |             |             |
| Surface operations                                  |                            |             |             |
| Ore mined ('000 tons) .....                         | 9,077                      | 9,265       | 6,795       |
| Recovered grade (oz/ton) .....                      | 0.010                      | 0.011       | 0.012       |
| Gold produced (ounces) .....                        | 87,354                     | 103,011     | 75,959      |
| <b>Results of Operations (R)</b>                    |                            |             |             |
| Revenues ('000) .....                               | 528,625                    | 472,842     | 206,546     |
| Operating cost ('000) .....                         | 362,237                    | 343,476     | 176,894     |
| Cash cost per ounce of gold (\$) <sup>1</sup> ..... | 567                        | 462         | 491         |
| Total cost per ounce of gold (\$) .....             | 672                        | 558         | 644         |

<sup>1</sup> Cash cost per ounce and total cost per ounce are financial measures of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations.

## ERPM

### Overview

We own 74% of ERPM, which is consolidated as a subsidiary, through our 74% holding in DRDGOLD SA. ERPM consists of an underground section and the Cason Dump surface retreatment operation. The Cason Dump surface re-treatment operation will continue to operate until 2014 under the management of Crown based on the current rate of production of approximately 178,000tpm.

At June 30, 2008, ERPM had 1,900 employees, including contractors. On November 19, 2008, the Company advised unions of its intention to place on care and maintenance the underground operations of ERPM and to proceed with a consultation process under Section 189A of the Labour Relations Act to determine the future of the mine's employees.

### Property

ERPM is situated on the Central Rand Goldfield located within and near the northern margin of the Witwatersrand Basin in the town of Boksburg, 20 miles (32 kilometers) east of Johannesburg. Access is via Jet Park Road on the N12 Boksburg-Benoni highway. Underground mining and recovery operations comprise relatively shallow remnant pillar mining in the central area and conventional longwall mining in the south-eastern area. Surface reclamation operations including the treatment of sand from the Cason Dump, is conducted through the metallurgical plant, tailings deposition facilities and associated facilities. The mine exploits the conglomeratic South Reef, Main Reef Leader and Main Reef in the central area and the Composite Reef in the south-eastern area. ERPM operates under mining license ML5/1995 in respect of statutory mining and mineral rights.

During fiscal 2005, all mining activity was moved to the Far East Vertical, or FEV, Shaft lease area. The South East Vertical Shaft was maintained for hoisting and pumping, the Central Shaft was placed on care and maintenance and the Hercules Shaft was decommissioned resulting in the retrenchment of 806 employees in August 2004. At FEV, there has been a drive on development and a focus on improving recovered grade.

At June 30, 2008, the net book value of ERPM's mining assets was R73.9 million (of which R28.1 million is attributable to the Cason Dump) with 0.8 million attributable ounces of Ore Reserves.

### History

- 1895** Formation of East Rand Proprietary Mines Limited.
- 1991** The FEV shaft was commissioned.
- 1999** East Rand Proprietary Mines Limited was liquidated in August 1999. The mine was run by a small number of employees during liquidation. Underground flooding continued during liquidation.
- 2000** KBH took over control of the mine in January 2000. Operating as Enderbrooke Investments (Pty) Limited, or Enderbrooke, and employing an outside contractor, the mine re-commenced mining operations in February 2000.
- 2002** Crown purchased 100% of ERPM, from Enderbrooke.
- 2003** An underground fire occurred at FEV Shaft, in February 2003. There was also the loss of Hercules Shaft in June 2003 and the loss of a secondary outlet at the FEV shaft in November 2003.
- 2004** In July 2004 it was determined that the underground section would undergo a controlled closure program ending March 2005. The closure program was prevented by a reduction in costs and improved productivity at the mine.
- 2005** Central Shaft placed on care and maintenance.  
On July 6, 2005, we signed a Memorandum of Understanding with KBH regarding the acquisition by Khumo Gold of a 15% stake in our South African Operations.  
On October 27, 2005, our board of directors approved the transaction with Khumo Gold. The new structure resulted in Khumo Gold acquiring a 15% interest in a newly created vehicle, DRDGOLD SA, which includes 100% of ERPM, Crown and Blyvoor. We owned an 85% interest in DRDGOLD SA.
- 2006** On December 11, 2006, Khumo Gold, on behalf of itself and an employee trust, exercised the option granted by us pursuant to the option agreement concluded between us and Khumo Gold in October 2005 to acquire a further 11% in DRDGOLD SA.  
A prospecting right covering an area of 1,252 hectares (3,093 acres) of the neighboring Sallies lease area, referred to as ERPM Extension 1 was granted by the DME.
- 2007** A prospecting right, incorporating the southern section of the old Van Dyk mining lease area and a small portion of Sallies, was granted by the DME. Known as ERPM Extension 2, the additional area is 5,500ha (13,590 acres).
- 2008** On April 25, 2008, ERPM gave notice of intention to restructure the work force due to operational requirements and 239 employees were retrenched during June 2008.  
On October 23, 2008, ERPM announced the suspension of drilling and blasting operations underground following the cessation of pumping of underground water at the South West Vertical shaft on October 6, 2008 for safety reasons following the deaths of two employees.  
On November 19, 2008, we announced our intention to place on care and maintenance the underground operations of the ERPM, and to proceed with a consultation process in terms of Section 189A of the Labour Relations Act to determine the future of the mine's 1,700 employees

## **Mining and Processing**

Underground mining operations at ERPM are comprised of two vertical shafts known as FEV Shaft and the Central Shaft. There are also three additional shafts namely the South East Vertical Shaft, or SEV Shaft, used for the transport of employees and materials and the hoisting of rock, the South West Vertical, or SWV, Shaft and the Hercules Shaft that are used for water pumping only. The Cason Dump Project is used for the retreatment of surface material mined from the defunct Cason shaft.

Early in the second quarter of fiscal 2006, a 16 meter up-throw fault in the 70 level east area of the mine was encountered and work to traverse this continued for the remainder of the year. Refurbishment of the Far East Vertical, or FEV, Shaft decline and decline conveyor was another key focus of attention during the year. Production build-up from newly opened-up, lower grade areas above 70 level – both to relieve pressure on the decline conveyor and as a safety response to increasing seismicity in higher grade areas below 70 level began during the last quarter of fiscal 2006.

In fiscal 2007, a planned shift from lower volume, higher grade scattered mining in the west of the lease area to higher volume, lower grade longwall mining in the east below 70 level proved problematic. Delays in the supply of services to the newly developed longwalls reduced volumes mined and navigation of faulting encountered had a negative impact on both volumes and yield. By the end of fiscal 2007 a catch-up in the delivery of services saw a recovery in volumes and a higher level of throughput for the year. The average grade recovered was lower, however. To limit the negative impacts of this, more focus will be directed towards improving recovered grade. A three-year, R35.0 million plugging program to isolate ERPM's FEV Shaft from water rising in the Central Witwatersrand Basin was completed in fiscal 2008. Increased throughput from ERPM's Cason Dump made possible through upgrades to pumps and piping and an increased milling capacity at the Knights plant, offset the impact of a slight drop in grade, resulting in higher surface gold production.

In fiscal 2008, the ERPM underground operations were restructured in an attempt to return the mine to profitability. A retrenchment agreement was reached with representative unions and associations without recourse to industrial action, and successful application of various avoidance measures contained the number of employees retrenched to 239.

On October 23, 2008, drilling and blasting operations were suspended after the cessation of pumping of underground water at SWV Shaft on October 6, 2008 for safety reasons following the deaths of two employees at the shaft on September 19, 2008. Although the FEV Shaft where production is taking place is sealed off from water ingress from the SWV Shaft, the pumps at FEV Shaft will no longer be able to cope with rising water, which includes the water resulting from the ice sent underground every day to cool down the underground working places. Without being able to continue to supply ice underground for this purpose, the underground temperature will become unacceptably high and it will not be safe for employees to continue work underground at the FEV shaft.

On November 19, 2008, we announced our intention to place on care and maintenance the underground operations of the ERPM, and to proceed with a consultation process in terms of Section 189A of the Labour Relations Act to determine the future of the mine's 1,700 employees

Electricity to ERPM is provided to the Cason Dump, SEV and FEV Shafts from the Bremmer substation, located in close proximity to the mine in Boksburg. Transmission is at the rate of 88,000 volts. The Simmer Pan substation, located approximately 10 miles (16 kilometers) away from the mine site in Germiston, supplies the SWV and Hercules Shafts. Transmission is at the rate of 44,000 volts. The two substations, located on mine site, transform the power to 6,600 volts for direct supply to the shaft winder and air compressors. The power supply is further reduced to 525 volts for smaller devices and equipment used on the mine. The average annual power consumption is about 240 GWhr and the maximum demand is about 52 MW. The on-mine substations are older in nature and undergo annual infrared testing to identify hot connections which are potential fire hazards and are subject to regular maintenance which includes the inspection of the settings, blades and changing the transformer oil in the circuit breakers.

In fiscal 2008, electricity supply to the mine was interrupted by Eskom. The operation is on a six hour standby notice, in the event that power supply becomes unstable in the area. Eskom has requested all of its "Key Customers" to reduce power consumption by 10%. ERPM has managed to adhere to this request and will continue to save the maximum amount of energy possible.

## **Exploration and Development**

The necessity to extend the FEV decline from 75 to 78 levels to replace face length has been postponed due to the cessation of drilling and blasting operations in October 2008.

An additional application to extend ERPM's existing prospecting right eastwards into the Rooikraal/Withok area, incorporating the southern section of the old Van Dyk mining lease area and a small portion of Sallies, was granted by the DME in fiscal 2007. Known as ERPM Extension 2, the additional area is 5,500ha (13,590 acres).

## Environmental and Closure Aspects

There is a regular ingress of water into the underground workings of ERPM, which was contained by continuous pumping from the underground section. On May 31, 2004, ERPM stopped continuous pumping of water from the underground section for financial reasons due to the withdrawal of the State pumping subsidy and the low Rand gold price making the cost of full time pumping unaffordable, with occasional pumping to surface conducted on weekends. In December 2004, the mine received the pumping subsidy funds and continuous pumping was reinstated. Studies on the estimates of the probable rate of rise of water have been inconsistent, with certain theories suggesting that the underground water might reach a natural subterranean equilibrium, whilst other theories maintain that the water could decant on surface. A program is in place to routinely monitor the rise in water level in the various underground compartments and there has been a substantial increase in the subsurface water levels. ERPM's SWV Shaft has been used for some time to manage the rising water level on the Central Witwatersrand Basin. Some 60 megalitres of water were pumped daily from a depth of approximately 1,000 meters.

In fiscal 2007, ERPM updated its EMP to meet MPRDA requirements and submitted it to the DME for approval. The concurrent rehabilitation of redundant structures and holdings continued throughout fiscal 2007. The pumping infrastructure has been upgraded at the South West Vertical Shaft in anticipation of the additional water from the Hercules basin expected at the end of October 2007. Pumping continued during fiscal 2007 at the South West Vertical Shaft.

On October 6, 2008, pumping of underground water at the South West Vertical Shaft was stopped for safety reasons following the death of two employees at the shaft on September 19, 2008. Management has concluded that the project to upgrade the total pumping capacity at South West Vertical Shaft with a more efficient system as part of an Eskom-funded demand-side management project is not economically viable and on November 19, 2008, we announced our intention to put the underground operations at ERPM on care and maintenance.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, ERPM have estimated that the total cost for ERPM, in current monetary terms as at June 30, 2008, is R52.4 million. A total of R12.8 million has been contributed to the ERPM Rehabilitation Trust Fund. This is an irrevocable trust, managed by specific responsible people who we nominated and who are appointed as trustees by the Master of the High Court of South Africa.

## Ore Reserves and Life of Mine

As at June 30, 2008, our 74% share of Proven and Probable Ore Reserves of ERPM was 0.8 million ounces, of which 0.6 million ounces relate to the underground section. The remaining 0.2 million ounces relate to the surface material from the Cason Dump which, based on the estimated rate of production, will be processed over a remaining seven year period ending in fiscal 2015. As at June 30, 2007, our 74% share of Proven and Probable Ore Reserves of ERPM were 0.5 million ounces. The year on year increase is mostly attributable to a rise in underground reserves. A Mineral Resource competent person is appointed at each operation to review our Ore Reserve calculations for accuracy. For ERPM, Mr. Johan Smit (PLATO) is the appointed Mineral Resource competent person. The current underground life-of-mine business plan is seven years.

## Current Production

Gold production for ERPM was 79,479 ounces in fiscal 2008 compared to gold production of 80,216 ounces in fiscal 2007.

The following table details our attributable share of the production results from ERPM for the past three fiscal years:

|  | <b>Year ended June 30,</b> |                    |                    |
|--|----------------------------|--------------------|--------------------|
|  | <b><u>2008</u></b>         | <b><u>2007</u></b> | <b><u>2006</u></b> |
| <b>Production</b>                        |                            |                    |                    |
| Surface Operations                       |                            |                    |                    |
| Ore mined ('000 tons).....               | 2,049                      | 1,932              | 1,761              |
| Recovered grade (oz/ton) .....           | 0.011                      | 0.011              | 0.012              |
| Gold produced (ounces) .....             | 22,667                     | 22,153             | 20,325             |
| Underground Operations                   |                            |                    |                    |
| Ore mined ('000 tons).....               | 334                        | 297                | 248                |
| Recovered grade (oz/ton) .....           | 0.170                      | 0.196              | 0.242              |
| Gold produced (ounces) .....             | 56,812                     | 58,063             | 59,999             |
| Total ounces produced .....              | 79,479                     | 80,216             | 80,324             |
| <b>Results of Operations (R)</b>         |                            |                    |                    |
| Revenues ('000) .....                    | 467,057                    | 367,323            | 225,217            |
| Operating cost ('000) .....              | 428,255                    | 358,716            | 191,803            |
| Cash cost per ounce of gold (\$)¹ .....  | 737                        | 619                | 487                |
| Total cost per ounce of gold (\$)¹ ..... | 963                        | 692                | 577                |

¹ Cash cost per ounce and total cost per ounce are financial measures of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations.



## **Ergo and Elsburg Joint Ventures**

### **Overview**

The Ergo and Elsburg Joint Ventures consist of one carbon-in-leach, or CIL, circuit at the Brakpan plant, the Withok deposition complex purchased from Anglo Gold Ashanti and the Elsburg tailings complex, comprising approximately 180 Mt of tailings. Since 1987, Anglo Gold Ashanti treated surface material at Ergo until the operation was closed during March 2005.

DRDGOLD SA, through its subsidiaries, initially owned 50% of the Ergo and Elsburg Joint Ventures. On September 29, 2008, DRDGOLD SA acquired a further 15% interest in the Elsburg Joint Venture, or Ergo Phase 1, from Mintails SA resulting in DRDGOLD SA, which holds its interest through its subsidiary, ERPM, holding a 65% interest and Mintails SA a 35% interest in the joint venture. The Ergo Joint Venture will operate for its own account, under the Anglo Gold Ashanti authorizations, until new order mining rights have been obtained. These assets comprise servitudes, or access agreements, infrastructure, piping, equipment and old order mining rights.

On December 8, 2008, DRDGOLD acquired the remaining 35% of the Elsburg Joint Venture for a purchase consideration of R177.0 million

### **Property**

The Ergo and Elsburg operations are located approximately 43 miles (70 kilometers) east of the Johannesburg central business district in the province of Gauteng. Access to the Brakpan plant is via the Ergo Road on the N17 Johannesburg-Springs motorway.

The acquisition of the Withok deposition site provides the expanded Ergo Joint Venture with extensive additional deposition capacity commensurate with the substantial increases in tailings material and processing capacity.

The refurbishment of one CIL circuit at the Brakpan plant will have the capacity to treat an estimated 15Mt of tailings a year. Phase 2, now under investigation, envisages the expansion of the gold plant by refurbishing the second CIL circuit and developing uranium and acid plants. A feasibility study for Phase 2 is currently underway and will be completed in the final quarter of calendar 2009.

As of June 30, 2008, the net book value of the Ergo and Elsburg Joint Ventures' mining assets was R359 million.

### **Environmental and Closure Aspects**

The Ergo and Elsburg Joint Ventures will be operating sites located in close proximity to significant municipal infrastructure, commercial and residential development. Environmental management programs, addressing a wide range of environmental issues, have been prepared by specialist environmental consultants and integrated into the internal environmental assessment process.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, we estimate that the total cost for the Ergo and Elsburg Joint Ventures, in current monetary terms as at June 30, 2008, is approximately R150.0 million.

### **Ore Reserves and Life of Mine**

As at June 30, 2008, our 37% share of the Proven and Probable Ore Reserves of the Ergo Joint Venture was 0.06 million ounces. For the Ergo Joint Venture, Mr. William John Laing (PLATO) is the appointed Mineral Resource competent person. The current life-of-mine business plan is estimated to be two years.

## **Exploration Projects**

Our exploration and project development activities during fiscal 2008 continued to enhance our growth strategy by extending and replacing existing production ounces. In addition, escalations in the Uranium Oxide price prompted us to embark on an exploration program to determine the uranium potential of our extensive surface dumps. The main area of exploration during fiscal 2008 was focused on ERPM's surface resources which will be mined by the Ergo and Elsburg Joint Ventures. Core from the drilling program is in the process of being analyzed following which the competent persons report will be finalized in December 2008.

### **Blyvoor**

In November 2007, encouraging results had been obtained from a drilling program to define the uranium resource in Blyvoor's slimes dam material and a 17.5 million pound uranium and 0.8 million ton sulphur resource was declared. During fiscal 2008, Murray and Roberts, a construction company, was awarded the tender to do all underground drilling at Blyvoor. Cover drilling together with exploration drilling was done in current mining operational areas. All Middelvlei and Carbon Leader reef information gets analyzed and incorporated into the current geological structure models. Development in the South West Block is ongoing and drilling will continue as development ends advance. The mining of the South West Block will be further evaluated once more information becomes available.

Drilling of 12 additional holes on No. 7 Slimes Dam was done during fiscal 2008. Test work on the recoveries has also been completed on three of the holes and indicates recoveries in excess of 40%. Test work on the recoveries for the Doornfontein slimes dam is currently being done and once completed the strategy regarding the surface operations at Blyvoor will be done.

### **ERPM Extension 1**

ERPM has a prospecting right covering an area of 1,252 hectares (3,093 acres) of the neighboring Sallies lease area, referred to as ERPM Extension 1. The regional geology of the area indicates that there will be a strike change due to faulting associated with an east-west trending sinistral tear fault.

In fiscal 2007, four exploration boreholes were drilled from current mining areas into ERPM Extension 1.

An application to convert the prospecting right for ERPM Extension 1 to a mining right has been submitted during October 2007. In accordance with a revised prospecting works program granted in November 2007, ERPM had penetrated the Sallies Boundary with two panels in the 71E upper long wall.

A revised structure plan for Extension 1 has been produced, utilizing geophysical information and historical Sallies' data. An unconformity between the Jeppetown Shales and the Composite reef has been identified which results in a narrowing of their middling towards the east and north.

### **ERPM Extension 2**

An application to extend ERPM's existing prospecting right eastwards into the Rooikraal/Withok area, incorporating the southern section of the old Van Dyk mining lease area and a small portion of Sallies, was granted by the DME in fiscal 2007. Known as ERPM Extension 2, the additional area is 5,500ha (13,590 acres).

The resource for ERPM Extension 2 was estimated by independent consultants and audited by Coffey Mining. An Inferred Resource of 28.6 Mt at 9.06 g/t (8.3 Moz), at a stope width of 125 cm was declared. The payshoot area equates to 17% of the prospecting right, after applying 4% geological losses. The evaluation methodology applied was a global Sichel 't' estimate based on five historical surface boreholes with grades ranging from 1.13 g/t (0.033 oz/ton) over 94.6 cm to 216 g/t (6.307 oz/ton) over 15.5 cm. A sixth hole drilled from under ground and reportedly assaying at 84.9 g/t (2.479 oz/ton) over 29.2 cm was excluded from the estimate, as it could not be verified.

## **Argonaut Project**

The Argonaut project represents the southern down-dip extension of the Central Rand Goldfields. It relates to the possible exploitation of part of the potential resource at 3,000 to 4,500 meters below surface, situated south of the Robinson Deep mine and extending eastwards to the Simmer and Jack mine.

On February 6, 2006, a prospecting right covering an area of 2,394 acres (969 hectares) over part of the project was obtained. As the area covered by the current prospecting right is not large enough to sustain an ultra-deep mining operation, an application for an extension to the current prospecting right by an additional 9,889 acres (4,002 hectares) was submitted to the DME. The application was rejected on the grounds that prospecting would take place within a residential township. A request for ministerial approval in terms of Section 48 of the MPRDA to apply for a permit over the residential area is being pursued.

## **Uranium Exploration**

In November 2007, encouraging results had been obtained from a drilling program to define the uranium resource in Blyvoor's slimes dam material and a 17.5 million pound uranium and 0.8 million ton sulphur resource was declared.

Exploration drilling is currently under way to define the uranium potential of all Crown and ERPM current deposition sites. Independent Competent Person Reports on Uranium, sulphur and gold for resources and reserves have been, and are in the process of being compiled pursuant to the drilling of various tailings dams in the Central and East Rand. Beneficiation will be effected at the Ergo Joint Venture plant.

Additional drilling for uranium and sulphur potential of the current Crown reserves and resources are being planned, also for future beneficiation at the Ergo Joint Venture plant. An independent Competent Person Report for this work will be done. Competent Person Reports for gold on these resources already exist.

## **Discontinued Operations**

### **Tolukuma**

#### **Overview**

Dome Resources (Pty) Limited, or Dome, was incorporated on May 17, 1984, under the name Dome Resources NL. Dome owned and operated the Tolukuma gold and silver mine in PNG. During September 1999, we purchased 28,693,002 (19.93%) of Dome's ordinary shares for A\$0.30 (\$0.19) per share. In June 2001, we increased our shareholding to 100%.

On September 10, 2007, Emperor which held 100% interest in Tolukuma announced its intention to divest the Tolukuma gold mine. On October 22, 2007, we sold our entire interest in Emperor.

The Tolukuma gold mine is located approximately 6 kilometers east of Fane Mission, 12 kilometers west of Wotape and 100 kilometers north of Port Moresby in Central Province, Papua New Guinea. The mine is in an area of steep mountainous terrain in the headwaters of Iwu Creek, which drains into the Auga River. Elevations in the mine lease area range from 1,100 meters above sea level (asl) at the Auga River to 1,750 meters asl at the top of Tolukuma hill.

#### **Property**

Tolukuma consists of one mining lease, ML104, covering 1,898 acres (768 hectares) and five current exploration licenses covering an area of approximately 513,962 acres (208,000 hectares), two licenses under renewal covering 125,525 acres (50,800 hectares) and four licenses under application totaling 1,073,884 acres (434,600 hectares). The total exploration area amounts to approximately 2,456,144 acres (994,000 hectares).

The mine is located about 62 miles (100 kilometers) north of Port Moresby in the Central Province of Papua New Guinea at an elevation of 5,115 feet (1,560 meters) above mean sea level. The mine is situated in very steep mountainous terrain that is not accessible by road. All transport of employees, materials and equipment to and from the mine is by helicopter. Tolukuma is worked on a "fly-in-fly-out basis," with all staff being accommodated in quarters when at the mine.

The climate of the Central Province area is temperate with year round rainfall. Temperatures range from 50 to 77 degrees Fahrenheit (10 to 25 degrees Celsius) and rainfall averages 144 inches (3,650 millimeters) per year. The vegetation is largely rainforest and thick vegetation associated with high rainfall and mountainous regions.

At Tolukuma, the traditional landowners are the Yulai people who belong to the Auga tribes – Auga being the main river in the area. There are three clans and at the head of each clan is a chief. The population around the mine is approximately 2,700, with 700 being landowners and the rest made up of outsiders coming into the area to seek employment. There is a Memorandum of Agreement, or MOA, between National Government, Provincial Government, the landowners and Tolukuma. The MOA is a working document which indicates the responsibilities of each party and their role in the sustainable development of the community. The MOA is reviewed every two years, with an MOA to be mutually agreed by the parties if revised. Currently, there is an agreed MOA in place.

Production from Tolukuma is subject to a 2% net smelter royalty. This royalty is distributed to the Yulai future generation fund, a landowners' association, the landowners, and to a Central Provincial Government fund for projects outside the mine area.

#### **History**

|             |   |
|-------------|---|
| <b>1984</b> | Dome Resource (Pty) Limited was incorporated on May 17, 1984, under the name Dome Resources NL, or Dome.  |
| <b>1987</b> | Tolukuma mine was discovered by Newmont Proprietary Limited.  |
| <b>1993</b> | Tolukuma Gold Mines Limited was acquired by Dome from Newmont Second Capital Corporation.   |
| <b>1999</b> | In September, we purchased an initial stake of 19.93% of Dome.  |
| <b>2001</b> | In June, we acquired all outstanding shares of Dome we did not already own, bringing our shareholding to 100%.  |
| <b>2006</b> | We concluded a sale and purchase agreement with Emperor, where initially we held 88.3% of Emperor which in turn holds the 100% interest in Tolukuma.  |
| <b>2007</b> | On September 10, 2007, Emperor announced its intention to divest the Tolukuma gold mine situated in PNG. Accordingly, the Company initiated a divestment process for the mine and a portfolio of associated exploration tenements.<br>On October 22, 2007, we sold our entire interest in Emperor for R355.8 million (A\$55.9 million). |

## **Mining and Processing**

The Tolukuma plant was built in 1995. Historically ore has been mined from both underground and open pit areas. No open pit mining is currently carried out. Ore is sourced primarily from underground mining with mill feed supplemented by ore recovered from low grade stockpiles. All mining is conducted using mining plant and equipment owned by Tolukuma. The average mining depth at Tolukuma is 490 feet (150 meters) below surface or approximately 4,760 feet (1,450 meters) above mean sea level. Access to underground workings is via decline shafts. Mining methods vary according to local ground conditions and are generally mechanized cut and fill shrinkage methods.

The metallurgical plant is compact and is located on a steep ridge in very mountainous terrain. Ore is trucked to the plant, then milled and treated through a conventional gravity and CIL circuit. The plant consists of a closed circuit semi-autogenous mill that was at the time of disposition capable of processing 18,000 tpm. Cyanide in the residue is neutralized in a detoxification plant prior to riverine discharge.

Tolukuma is situated in a remote area, and as a result is forced to be self sufficient with regard to the generation of power. Power is generated through a combination of diesel driven generator sets and hydro-turbine driven generator sets. Three hydro units are installed, capable of generating 1.8 MW of power. These units are dependant on the supply of adequate water. These generators supply 32,000 volts via overhead lines to the mine, where it is transformed down to either 6,600 volts, 1,000 volts or 525 volts, depending on the requirement. On average the mine consumes 30 MW of power. Any shortfall from the hydro units is made up by the diesel units (a total of 3.2 MW of diesel generating power is installed).

## **Environmental and Closure Aspects**

Tolukuma has been developed in accordance with an environmental plan approved by the Papua New Guinea authorities in July 1994. Tolukuma is compliant with the Papua New Guinea Government's regulatory requirements. To ensure continuing compliance with the government's regulatory requirements, Tolukuma has implemented a broad-based Environmental Management and Monitoring Program, or EMMP. The measures we have taken to implement this program include addressing water quality, population dietary surveys and aquatic fauna and metals-in-tissue surveys. These surveys were conducted during July and September of 2003. During March 2003, an environmental audit was concluded at Tolukuma which found the operations to be in substantial compliance with applicable Papua New Guinea legislation and the EMMP environmental plan. The studies conducted in 2003 confirmed existing trends that had been established over recent years. The water quality meets legal requirements, as per the criteria set by the water license.

Tailings are routinely discharged into the Auga/Angabanga river system. The discharging of tailings into riverine and marine systems in Papua New Guinea is an acceptable practice due to the seismic instability of the area and the dangers this poses for the stability of conventional tailings dams. Due to the fact that ore mined at the Tolukuma Mine, and the surrounding land in general is high in mercury, the potential does exist that levels of mercury discharged into the river system might expose us to criminal liability under Papua New Guinea legislation. As a result of an internal study of the Tolukuma Mine in 2000, in order to ensure that mercury discharges remain within allowable limits, the following program is being followed:

- daily monitoring of mercury levels at the tailings discharge point and approximately 1500 feet downstream (grab sampling);
- monthly monitoring of mercury and other heavy metals at government mandated water quality inspection points; and
- biennial monitoring of stream sediments.

## **Ore Reserves and Life of Mine**

Our attributable Proven and Probable Ore Reserves for Tolukuma, as at June 30, 2007, were 0.108 million ounces, determined assuming a gold price of K2,024 per ounce (\$660 per ounce). Based on a gold price of K1,840 per ounce (\$582 per ounce), at June 30, 2006, the Proven and Probable Ore Reserves of Tolukuma were 0.195 million ounces. The decrease in Ore Reserves was primarily as a result of depletion.

A Mineral Resource competent person is appointed at each operation to review our Ore Reserves calculations for accuracy. For Tolukuma, Mr. Roger Cooper (MAusIMM and MAIG) is the appointed Mineral Resource competent person. As at June 30, 2007, Tolukuma has been assessed with a two year life of mine for its underground operations.

## Production

Gold production from July 2007 to October 2007 was 13,427 ounces. In fiscal 2007 gold produced was 44,181 ounces.

The following table details the operating and production results from Tolukuma for the past three fiscal years.

|  | <u>Year ended June 30,</u> |             |             |
|--|----------------------------|-------------|-------------|
|  | <u>2008</u>                | <u>2007</u> | <u>2006</u> |
| <b>Production</b>                        |                            |             |             |
| Underground Operations                   |                            |             |             |
| Ore mined ('000 tons).....               | 62                         | 204         | 213         |
| Recovered grade (oz/ton) .....           | 0.22                       | 0.22        | 0.26        |
| Gold produced (ounces) .....             | 13,427                     | 44,181      | 54,790      |
| <b>Results of Operations (R)</b>         |                            |             |             |
| Revenues ('000) .....                    | 89,235                     | 224,872     | 194,430     |
| Operating cost ('000) .....              | 107,381                    | 277,191     | 222,476     |
| Cash cost per ounce of gold (\$)¹ .....  | 1,094                      | 869         | 632         |
| Total cost per ounce of gold (\$)¹ ..... | 1,767                      | 1,338       | 775         |

## Porgera

### Overview

Through our subsidiary, Emperor, we owned a 20% interest in an unincorporated joint venture, the Porgera Joint Venture, which held certain mining leases, easements and exploration licenses which form part of the Porgera gold mine, or Porgera, in the highlands of PNG. We purchased this interest in October 2003 for a purchase consideration of \$77.1 million. Barrick was the owner of a 75% interest. The remaining 5% interest was held by Mineral Resources Enga Limited, or MRE (on behalf of Enga Provincial Government and landowners in PNG). All of the various mineral tenements making up Porgera were exploited collectively by the joint venture partners.

Barrick is the operator of Porgera and is subject to the control of a management committee made up of representatives of the joint venture partners. Decisions regarding the assets which comprise Porgera, including any sale thereof, are made collectively by the parties through the management committee. The parties also have a right of first refusal with regard to certain assignments of assets which make up Porgera. Each party has the right to own and to take in kind and dispose of its share of all ores, concentrates and refined products produced by Porgera. Each party also pays for its proportionate share of the costs associated with the mining activities.

Production from Porgera is subject to a 2% net smelter royalty payable to the National Government Department of Mining which then distributes it to the Enga Provincial Government, the Porgera District Authority and local landowners.

On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick for a final cash consideration of \$255.0 million, which included interest on the original purchase price.

### Property

The Porgera deposit and the mine are located in the Enga Province in the highlands of PNG, approximately 7,260 feet (2,213 meters) to 8,910 feet (2,716 meters) above mean sea level, about 82 miles (132 kilometers) west of the established town of Mount Hagen, 275 miles (443 kilometers) northwest of Port Moresby, and about 425 miles (684 kilometers) by road from the coastal port of Lae from which all materials are freighted. The road is partly paved and passes through unstable mountainous terrain with many major river crossings. Personnel are transported to mine site by bus, fixed wing aircraft and helicopter.

Temperatures range from 50 to 77 degrees Fahrenheit (10 to 25 degrees Celsius) and rainfall averages 3,650 mm per year. The vegetation is largely rainforest below an elevation of 7,920 feet (2,414 meters).

In addition to a Special Mining Lease, the Porgera Joint Venture also holds additional mining tenements for utilities such as power transmission lines and water supply pipelines and other activities incidental to the main mining activity. Separate from the mining tenements, there are two Exploration Licenses adjacent to the Porgera Mine, namely EL454 and EL858.

Porgera is operated subject to the requirements of the PNG Mining Safety Act and Regulations as applied by the Mines Inspectorate.

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¹ Cash cost per ounce and total cost per ounce are financial measures of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations.

## History

|             |  |
|-------------|--|
| <b>1938</b> | Alluvial gold was first reported at Porgera.   |
| <b>1975</b> | Placer (PNG) Limited, or Placer (PNG), a wholly owned subsidiary of Placer Dome Inc., became the operator and owner of a two-third interest in an exploration venture with Mount Isa Mines Limited (now MIM Holdings Limited.), or MIM.  |
| <b>1979</b> | A Joint Venture Agreement was signed whereby Placer (PNG), MIM and New Guinea Goldfields Limited. (a subsidiary of Goldfields Limited) each held a one third interest and the Independent State of Papua New Guinea had the right to acquire at cost up to a 10% interest in the project if developed.   |
| <b>1989</b> | The joint venturers' application for a Special Mining Lease was approved in May and construction began immediately. The State of Papua New Guinea accepted its full 10% entitlement (inclusive of 5% on behalf of the Enga Provincial Government), thus diluting each of the other joint ventures down to 30% each. The State of Papua New Guinea took its interest in the name of a corporate nominee, Mineral Resources Porgera Limited. |
| <b>1990</b> | Commercial production commenced in August. MIM sold its 30% interest to Highlands Gold Limited., or Highlands Gold.  |
| <b>1993</b> | Placer (PNG), Goldfields and Highland Gold each sold a further 5% to the State of Papua New Guinea (15%). The additional 15% was taken by the State of Papua New Guinea in the name of a corporate nominee, Orogen Minerals (Porgera) Limited.   |
| <b>1997</b> | Placer Dome's joint venture interest was increased from 25% to 50% as of January 1, 1997, following the completion of the acquisition of Highlands Gold.   |
| <b>1999</b> | The State of Papua New Guinea reorganized the holding of Mineral Resources Porgera Limited by transferring a 5% direct interest in the Joint Venture to Mineral Resources Enga Limited owned by the Enga Provincial Government and project area landowners.  |
| <b>2002</b> | Placer Dome's joint venture interest in Porgera was increased from 50% to 75% through the acquisition of AurionGold. The State of Papua New Guinea reorganized its holdings in the Joint Venture such that Oil Search Limited then held a 20% direct interest in the Joint Venture through two subsidiaries.   |
| <b>2003</b> | We acquired the shares of Oil Search Limited in Orogen Minerals (Porgera) Limited and Mineral Resources Porgera Limited through the amalgamation of Mineral Resources Porgera Limited with Orogen Minerals (Porgera) Limited and Dome Resources (PNG) Limited, our wholly-owned subsidiary.  |
| <b>2004</b> | Porgera concentrated on upgrading East Zone and drilling was carried out on the Lower Central Zone.  |
| <b>2005</b> | Expansion of existing exploration projects continues but under a project termed Porgera Deep Minex.  |
| <b>2006</b> | Barrick acquired Placer Dome's 75% stake in Porgera. We concluded a sale and purchase agreement with Emperor, where effectively we held 88.3% of Emperor who in turn held the 20% interest in the Porgera Joint Venture.   |
| <b>2007</b> | On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick for a final cash consideration of \$255.0 million, which included interest on the original purchase price.   |

## Mining and Processing

The Porgera deposit is being extracted using open pit and underground mining methods. Mill feed, on a tonnage basis, was sourced 88% from open pit and run of mine stockpiled ore, and 12% from underground. Underground ore accounted for 14% of the contained gold in mill feed.

Open pit mining is a typical hard rock operation utilizing 33 feet (10 meter) benches. The current mining fleet of DML blast hole drills, O&K RH200 hydraulic face shovels and Caterpillar 789 haul trucks, gives a nominal capacity in the order of 80 million tonnes per annum. Waste stripping requirements will reduce as the open pit mining operation approaches closure in calendar 2008, allowing a progressive retirement of the mining fleet.

Underground mining was suspended in 1997, and subsequently recommenced in 2002. Underground production was expected to continue through to late 2008. Ore is being mined from the 2,210 meter level in Stage 4, and waste is being mined from the 2,390 meter level in Stage 5. Stage 5 is the final open pit development stage and will be completed in late 2008 at the 2,050 meter level. Stockpiled low grade ore was expected to form the basis of ongoing gold production from mid 2008 until 2015. Remediation work following the failure of the West Wall during the previous fiscal year continued during fiscal 2007, leading to reliance on low-grade, long-term stockpile material as the primary feed.

On completion of the open pit operation, the mill was expected to continue to process accumulated lower grade ore stockpiles through to 2015, supplemented by the underground ore until 2008. Gold production from the open pit and underground from 2008 onward will fall, as lower grade stockpile ore replaces the open pit ore feed.

The Porgera plant was completed in 1996. The mill has undergone four stages of improvement and expansion, since it was first commissioned in September 1990. The last expansion was completed in 1996 with the installation of additional milling, flotation and leaching capacity increasing the nominal throughput from 10,000 tonnes per day to 17,700 tonnes per day. Further improvements were made in 1999 with the addition of further flotation capacity and the installation of gravity concentrators to remove free gold and to improve overall recoveries.

The main water supply for the mine is the Waile Creek Dam, located approximately 4 miles (7 kilometers) from the mine. Water for the grinding circuit is also extracted from Kogai Creek, which is located adjacent to the grinding circuit. The mine operates four water treatment plants for potable water and five sewage treatment plants.

The principal source of power for Porgera is supplied by a 45 mile (73 kilometer) transmission line from the gas fired Hides Power Station. The station has a total output of 62 MW. A back up diesel power station is located at the mine and has an output of 13MW. The average power requirement of the mine is about 60 MW. Average annual power consumption is 518 GWhr.

## Environmental and Closure Aspects

Porgera is located in extremely rugged mountainous terrain, subject to seismic activity, high rainfall and landslides. In such conditions construction of a tailings impoundment would be very difficult and the risk of an engineering failure high. Therefore the Papua New Guinea Government approved riverine disposal as the most appropriate method for treated tailing and soft incompetent waste rock. Competent rock is stored in stable waste dumps. The mine follows a government approved Environmental Management and Monitoring Program.

In 1996, an independent study was undertaken by the Commonwealth Scientific & Industrial Research Organization, or CSIRO, an Australian based independent research organization, to assess the mine's impact on the downstream river system and local people. In its report CSIRO made certain recommendations to the Porgera Joint Venture that have either been implemented or are in the advanced stages of implementation. An advisory group, called the Porgera Environmental Advisory Komiti, or PEAK, was formed as a result of the CSIRO recommendations. PEAK comprises representatives from the Papua New Guinea Government and international non-governmental organization groups, Barrick and independent technical experts. The primary function of PEAK is to enhance understanding and provide transparency of Porgera's environmental (physical and social) issues with external stakeholders and to assist in reviewing its environmental performance and public accountability. In 2002, PEAK had its terms of reference expanded to include mine closure.

## Production

Attributable production for the nine months ended March 31, 2007 from Porgera amounted to 71,570 ounces at a cash cost and total cost per ounce of gold of \$519 and \$606, respectively. Production during the period was impacted by unplanned mill downtime, suspension of mining in the mini-pit to allow construction of the lower buttress, unseasonably high rainfall and the Hides power interruptions from lightning strikes in early December 2006, with production returning to normal levels by the end of the March 2007 quarter. Low grade long term stockpiles and lower grades from the pit resulted in lower than expected gold feed grades; however this was partly offset by higher grade open pit and underground ore for the period. In April 2007, Emperor announced the sale of its 20% interest in the Porgera Joint Venture to Barrick. The effective date of the transaction was April 1, 2007.

The following table details the attributable operating and production results from the Porgera Joint Venture for the past three fiscal years.

|  | Year ended June 30,     |             |             |
|--|-------------------------|-------------|-------------|
|  | <u>2008<sup>1</sup></u> | <u>2007</u> | <u>2006</u> |
| <b>Production</b>                                    |                         |             |             |
| Surface and underground operations                   |                         |             |             |
| Ore mined ('000 tons).....                           | N/A                     | 787         | 1,209       |
| Recovered grade (oz/ton) .....                       | N/A                     | 0.091       | 0.106       |
| Gold produced (ounces) .....                         | N/A                     | 71,570      | 128,238     |
| <b>Results of Operations (R)</b>                     |                         |             |             |
| Revenues ('000) .....                                | N/A                     | 328,094     | 419,156     |
| Operating cost ('000) .....                          | N/A                     | 235,525     | 239,348     |
| Cash cost per ounce of gold (\$) <sup>2</sup> .....  | N/A                     | 456         | 290         |
| Total cost per ounce of gold (\$) <sup>2</sup> ..... | N/A                     | 521         | 460         |

<sup>1</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick. The legal effective date of the transaction was April 1, 2007.

<sup>2</sup> Cash cost per ounce and total cost per ounce are financial measures of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations.



## **Durban Deep**

### **Overview**

The Durban Deep mine was the original gold mine of the Group. Durban Deep is situated on the northern edge of the Witwatersrand Basin immediately to the west of Johannesburg. Mining had been taking place within the lease area since the discovery of the Witwatersrand Goldfield in 1886 at nearby Langlaagte.

As of August 2000, we ceased all underground and open pit mining operations at Durban Deep. Following the withdrawal of our underground pumping subsidy, the deeper sections of the mine were flooded. On a combined basis, Durban Deep produced more than 37 million ounces of gold prior to the cessation of operations.

We concluded an agreement with M5 on July 21, 2005, in terms of which M5, against payment of a non-refundable fee of R1.5 million, was granted an option to acquire Durban Deep's mine village for R15.0 million. The option lapsed on November 19, 2005. On the exercising of the option the option fee would be deemed part payment of the purchase consideration. If not, the option fee would be forfeited to us.

On November 18, 2005, M5 exercised the option and provided a guarantee for payment. Prior to the registration of the transfer occurring, we were notified by Rand Leases Properties Limited (formerly JCI Properties Limited) of an alleged pre-emptive right in respect of the property in terms of an agreement dated December 1996, pursuant to which the property should be sold to them on similar terms. We subsequently repudiated our agreement with M5 and notified Rand Leases Properties Limited that we did not intend offering the property to them. Both parties indicated to us their intentions to institute legal proceedings for the sale and transfer of the property. On December 12, 2006, Rand Leases Properties Limited issued a summons against us and we filed an Appearance to Defend. A trial date has been allocated by the High Court of South Africa for April 25, 2008, but the case was postponed. A new date has not yet been set.

### **Property**

Durban Deep is located within the Central Witwatersrand Basin which stretches from Durban Deep in the west to ERPM in the east. Durban Deep is situated 9.3 miles (15 kilometers) west of Johannesburg and contains mining title to 14,262 acres (5,772 hectares) and owns 3,667 acres (1,484 hectares) of freehold property. These include administrative buildings, hospital, recreation complexes, housing in both hostel and free-standing houses and a security complex. We have title to substantial land tracts on the outskirts of the City of Roodepoort, which is located in this section. We do not intend to convert our rights under the MPRD Act.

### **Mining and Processing**

Five different ore bodies have been mined at Durban Deep. Ore was mined from outcrops at the surface down to a maximum depth of 9,200 feet (2,804 meters) and the reefs are known to persist to 13,000 feet (3,962.4 meters) below the surface within the lease area.

### **Environmental and Closure Aspects**

Underground mining at Durban Deep ceased in August 2000. A detailed closure program was prepared and submitted to the DME in December 2000. The drafting of the program was preceded by a comprehensive risk assessment process, during which both residual and latent environmental risks and impacts were identified and prioritized. The risks identified are currently being addressed in accordance with the closure program.

A revised closure program in the required format of the MPRD Act is in the process of being completed.

In order to mitigate the impact of windblown dust from dormant tailings dams in proximity to surrounding communities, short-term dust suppression methods are currently being employed. In addition to dust suppression, amelioration and vegetation of the tailings dams, the closure program is also focused on the sealing of shafts and openings to the surface, the demolition and rehabilitation of shaft infrastructure and the rehabilitation of open surface areas.

Durban Deep is located in the geographical area known as the Central Basin. There is no hydraulic continuity between the Western Basin and the Central Basin. Underground water is of poor quality, containing heavy metals, sulphates and other pollutants. The Central Basin water level is being maintained by pumping operations at ERPM, approximately 900 meters below surface.

We developed a program to progressively seal all potential ingress points at Durban Deep. During fiscal 2008, our rehabilitation and environmental closure efforts continued in pursuit of the objectives of the mine's Environmental Management Program. A total of 41 hectares of additional vegetation was established on 2L24 Dump and, with the exception of Circular Shaft, all previously operational shafts have now been closed and filled. All plugs used have been approved by the DME which also performs periodic inspections during the sealing phase to monitor progress. However, despite these sealing programs, naturally occurring water conduits and other geological features which are not mine-related and may not be located on mine property will allow surface water, especially storm runoff, to reach underground aquifers. This will eventually cause water levels to rise.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, we have estimated that the remaining cost for Durban Deep, in current monetary terms as at June 30, 2008, is R50.7 million. This has been included in the provision for environmental rehabilitation, restoration and closure costs on the balance sheet. A total of R18.2 million has been contributed to the Environmental Trust Fund. This is an irrevocable trust, managed by specific responsible people who we nominated and who are appointed as trustees by the Master of the High Court of South Africa.

## **West Wits**

### **Overview**

We own 100% of West Witwatersrand Gold Holdings Limited, or WWGH, which holds West Witwatersrand Gold Mines Limited, or West Wits. We acquired the entire share capital of WWGH, as well as Consolidated Mining Corporation Limited's loan to WWGH, on April 1, 1996. We also acquired the entire issued share capital and the shareholders' claim and loan account of East Champ d'Or Gold Mine Limited, a gold mining company with mining title in the West Rand. The mining assets were sold to Bophelo Trading (Pty) Limited, subsequently renamed, Mogale Gold (Pty) Limited, or Mogale, during fiscal 2004, effectively leading to the closure of the mining operation.

West Wits is situated on the northern edge of the Witwatersrand Basin near the town of Krugersdorp to the west of Johannesburg.

### **Property**

West Wits was formed out of the northern section of Randfontein Estates located in the West Rand Goldfields, about 22 miles (35 kilometers) west of Johannesburg, Gauteng Province. The mine was reached via the R28 Johannesburg-Krugersdorp highway.

West Wits also had rights to mine on three adjacent mining leases, namely, East Champ d'Or, West Rand Consolidated and Luipaardsvlei. West Wits had mining title to 8,364 acres (3,790 hectares) and owned 72 acres (29 hectares) of freehold property on which all of its mining operations were situated. These rights were sold to Mogale during fiscal 2004.

The climate of the Highveld area (at an elevation of 5,249 feet (1,600 meters) above mean sea level), where the mine is situated, is humid continental with warm summers and cold winters. Temperatures range from a minimum of 23 degrees Fahrenheit (-5 degrees Celsius) in June and July to a maximum of 93 degrees Fahrenheit (34 degrees Celsius) in December and January.

West Wits has entered into an agreement with Randfontein Estates Gold Mines Limited (represented by Harmony Gold) and Atomaer (Pty) Limited, for the establishment of a regional underground water management vehicle. The ultimate objective of this initiative is to collectively collect, process and report environmentally sensitive information relating to the impact of underground water seepage on to surface to DWAF. It has set itself the objective of putting in place the requisite infrastructure and technology to establish a commercially self-sustainable entity to extract underground water, treat the same and to dispose of it either for commercial or agricultural use. Representations to DWAF to allow the treatment and disposal of water on commercial terms were favorably received.

An integrated water management process for this area is important, both from the perspective of optimizing natural water resources, considering the predominantly dry climate of South Africa, and also from an environmental perspective – a program that captures and treats underground water before it decants into the Tweelopiesspruit area and the Krugersdorp Game Reserve (which is just upstream from the Sterkfontein Caves system) is in place. If the above initiatives fail and the ingress of water and the subsequent flooding into sensitive areas occur, and to the extent that liability is attributed to us, and not only to West Wits, the amounts involved could be significant.

## History

- 1967** West Wits was incorporated and registered as a public company in South Africa on December 21, 1967.
- 1996** We acquired the entire share capital of West Wits on April 1, 1996.
- 2000** All mining ceased at West Wits in August 2000.
- 2002** We entered into an agreement with Bophelo Trading (Pty) Limited, subsequently renamed Mogale Gold (Pty) Limited, or Mogale, for the sale of the West Wits gold plant, freehold areas, surface rights permits and certain related assets.
- 2003** The agreement with Mogale was subsequently amended by a Memorandum of Agreement on June 6, 2003. The effective date of this sale was July 21, 2003.
- 2004** Mogale was placed under judicial management on April 13, 2004. As a result, the remaining balance on the purchase price was impaired for R8.3 million.
- 2005** West Wits entered into an agreement with Randfontein Estates Gold Mines Limited and Atomaer (Pty) Limited, for the establishment of a regional underground water management vehicle.

## Mining and Processing

In August 2000, we decided to cease all operations at both the underground and open pit operations at West Wits. This decision was taken after the South African government withdrew the water pumping subsidy. Without the subsidy, mining at West Wits became prohibitively expensive. The mining operation is an agglomeration of old mines on the Randfontein Basin separated from the main part of the Witwatersrand Basin by a geological structure known as the Witpoortjie Horst. Over fifteen different gold-bearing pebble horizons have been mined. Ore has been mined from outcrops at the surface down to a maximum depth of 5,900 feet (1,798.3 meters).

West Wits mined the Livingston Reef package, locally known as the East Reef. It comprises a 100-foot thick package of conglomerates and quartzites dipping at an average of 18 degrees. The combined West Wits produced more than 1.0 million ounces of gold since inception, before the cessation of underground and open-pit operations at the end of August 2000. Subsequent to the cessation of mining operations, the metallurgical plant at West Wits was taken over by Crown for the processing of sand dumps only.

## Environmental and Closure Aspects

Underground mining at West Wits ceased as of August 2000. We are required to affect environmental closure at West Wits although certain aspects of this have been assumed by Mogale. Commensurate with the decision to close these operations, a detailed closure program was prepared and submitted to the DME in December 2000. The drafting of the program was preceded by a comprehensive risk assessment process, during which both residual and latent environmental risks and impacts were identified and prioritized. The risks identified are currently being addressed by West Wits, in accordance with the closure program submitted to the DME. In order to mitigate the impact of windblown dust from dormant tailings dams in proximity to surrounding communities, dust monitoring and mitigating measures are implemented as required. These surface deposits have been purchased by Mogale, who are actively prospecting to determine mining potential and are therefore not being vegetated at present.

Shaft rehabilitation is continuing. This will in effect reduce the ingress of surface water to the groundwater system.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, we have estimated that the remaining cost for West Wits, in current monetary terms as at June 30, 2008, is R4.5 million. This has been included in the provision for environmental rehabilitation, restoration and closure costs on the balance sheet. A total of R15.7 million has been contributed to the Environmental Trust Fund. This is an irrevocable trust, managed by specific responsible people who we nominated and who are appointed as trustees by the Master of the High Court of South Africa.

## Legal Proceedings

### *Invalid Issuance of Ordinary Shares in Connection with the Rawas Acquisition and other related legal proceedings*

During the months of July and October of 1999, we issued and allotted a total of 8,282,056 ordinary shares to Rothschild Nominees Pty Limited, Maxidrill Pty Limited, PT Petrosea TBK, Repadre International Corporation, Minproc Engineering Pty Limited, Rio Tinto Rawas Holdings Limited, Continental Goldfields Limited, Consolidated African Mines Limited, JCI (Isle of Man) Limited, Weston Inv. Limited and Consolidated African Mines Australia Pty Limited, all of which were creditors of Laverton or Laverton subsidiaries, below the average stated capital price. At the time, our then executive chairman, Mr. R.A.R. Kebble, was a director of Laverton Gold NL and JCI Gold Limited. These ordinary shares were ostensibly issued pursuant to the planned acquisition of Rawas, a gold mine located in Indonesia, in consideration for, or in anticipation of receiving, shares in and claims against various companies with ownership interests in Rawas and its mining rights. Evidence came to light revealing that the ordinary shares were issued without our legal authority and suggesting that this occurred as a result of a transaction entered into for the benefit of certain third parties. However, because of subsequent trades, splits and consolidations, it was no longer possible to distinguish the affected shares from all our other ordinary shares and therefore it was no longer possible to identify the invalidly issued shares or their holders. Accordingly, it was not possible to remove these invalidly issued shares from our members' register. Under the South African Companies Act, 1973 (as amended), the High Court of South Africa is permitted to validate an invalid share issuance. During a shareholders' meeting in 2002, our shareholders, by special resolution, resolved to ratify the share issuance. We subsequently made an application to the High Court of South Africa to validate the invalid issuance. This application was successful and the High Court validated the issuance in July 2002.

We did not institute any actions against the recipients of our shares in this transaction as each of these entities had ceded to us their claims against the companies in the Rawas group in exchange for those shares. In July 2003, we, DRD Australia Pty Limited and DRD Australasia Aps instituted action in the High Court of South Africa, against Messrs. R.A.R. Kebble, M. Prinsloo, J. Stratton and H. C. Buitendag and JCI Limited. Subsequently the claim was withdrawn against M. Prinsloo. The following claims were pursued:

- R69.6 million for the 7,644,944 ordinary shares issued on July 9, 1999, at a price per share of R9.10; and
- R7.6 million for the 637,062 ordinary shares issued on October 8, 1999, at a price per share of R11.90.

We instituted a separate action in Australia on the December 12, 2003 against Mr. C. Mostert, Mr. J. Stratton, Continental Gold Fields Limited, CAM Australia, (Pty) Limited, Weston Investments (Pty) Limited, CAM Jersey Limited, and JCI (Isle of Man) Limited for:

- R67,942 being the costs of issuing our shares;
- R77.0 million being profits made by third parties who were issued our shares at the time; and
- R4.7 million being costs incurred to validate the shares invalidly issued.

The Supreme Court of Western Australia ordered all parties to submit to mediation of their disputes, which was held during December 2006. The mediation *per se* did not result in any settlement. The background to these matters is as follows:

- On June 12, 2002, DRD Australasia Aps and DRD Australia Pty Limited instituted proceedings against Mr. J. Stratton in the Supreme Court of Western Australia for payment of A\$3.3 million plus interest in respect of dishonestly assisting Mr. C. Mostert in making payments referred to below and receiving part of the proceeds of these wrongful actions.
- On May 3, 2003, DRD Australasia Aps instituted proceedings against Mr. C. Mostert, Newshore Nominees (Pty) Limited and Mr. R. Bryer in the Supreme Court of Western Australia for payment of A\$378,000 in respect of undue payments made to Newshore Nominees (Pty) Limited.
- On June 7, 2002, we instituted action against Mr. C. Mostert, Mr. J. Stratton, Advent Investors (Pty) Limited, Leadenhall Australia Limited, Noble Investments (Pty) Limited and Mr. T. Lebbon for unauthorized and undue payment of A\$5.9 million in connection with the purchase of 11,150,000 shares, of Continental Goldfields Limited, a publicly traded company in Australia.

Mr. M. Silver and Fairchoice Limited brought an action against us and Dome in the Supreme Court of New South Wales, Australia seeking to enforce a contract under which Dome agreed to pay, and we agreed to guarantee, a payment of \$475,000 to Mr. M. Silver upon his retirement from the board of directors of Dome. Mr. M. Silver retired from Dome's board of directors in May 2000. The contract was also entered into in May 2000. However, we believe that this contract is not enforceable as it was not authorized by our directors or shareholders nor was it authorized by Dome's directors or shareholders. Therefore, we and Dome have not made any payment to Mr. M. Silver. On June 29, 2007 judgment was delivered by the Supreme Court of New South Wales in favor of Mr. M. Silver for payment of an amount of A\$780,000.

On May 20, 2003, a summons was issued by our former chairman, Mr. R.A.R. Kebble and his son, Mr. B. Kebble, against us, our then executive chairman, Mr. M.M. Wellesley-Wood and Associated Intelligence Network (Pty) Limited, or AIN. AIN is a private investigator firm. Their claim was based on allegations that we hired AIN to invade their privacy by obtaining personal information about them and to cause them embarrassment and commercial harm. They were seeking compensation for damages suffered as a result of these alleged actions in an amount of R1.0 million each from us, Mr. M.M. Wellesley-Wood and AIN jointly and severally. In addition, they were seeking punitive damages in a total amount of R10.0 million from us and AIN jointly and severally. The punitive damages claim is unique under South African law. Initial hearings have taken place to decide a preliminary point raised by us that no such claim exists in South African law. The court ruled against us on a technicality, making a ruling to the effect that the trial court should hear and adjudicate this issue.

On May 22, 2003, we issued a summons in the High Court of Johannesburg against Mr. R.A.R. Kebble in which we sought payment of R3.2 million plus interest. This amount represented a sum paid to Mr. R.A.R. Kebble by us during the period beginning in September 1999, and ending in April 2000, under a restraint of trade agreement entered into between us and Mr. R.A.R. Kebble. We believe that Mr. R.A.R. Kebble had repudiated and/or materially breached the provisions of this agreement. We have, accordingly, cancelled the agreement and we were seeking restitution of the amounts paid. Mr. R.A.R. Kebble had lodged a counterclaim, claiming cancellation of an agreement providing for the payment of retirement benefits, and challenging the cancellation of share-options that he held at the time of his resignation from the our board.

On September 16, 2008 a Deed of Settlement was signed by the parties in terms of which the above actions were compromised, settled and withdrawn on the basis that JCI Limited shall pay us an amount of R25.0 million in respect of capital and interest and R0.5 million as a contribution towards costs. We received the amount of R25.5 million in September 2008. However, T Lebbon, R Bryer and their companies were not parties to the Deed of Settlement.

#### *Application to reverse the granting of a mining right*

In June 2008, we and Durban Roodepoort Deep (Pty) Limited (DRD) brought an application in the High Court of South Africa against Main Reef Crushers CC (MRC) and the Minister of Minerals and Energy because *inter alia* the latter granted MRC a mining right:

- in respect of an old waste rock dump which is not regulated by the MPRDA and therefore the right was unlawfully granted;
- over an area in which DRD had already been granted a prospecting right which gives DRD the exclusive right to apply for a mining right in terms of the MPRDA; and
- the Environmental Impact Assessment and the Environmental Management Program submitted by MRC are fatally defective.

#### *Lawsuit by French Shareholders*

In August 2008, the Company received by post a summons issued in the “Tribunal De Grande Instance [District Court] of Paris” by the Association for the Defense of the Shareholders of East Rand (“the Association”) against DRDGOLD SA.

The claim is based on the following allegations:

- that the members of the Association were shareholders of ERPM;
- that the non-audited ERPM results of the six-month period from July to December 1998 were misleading regarding the ‘healthiness’ of ERPM prior to its winding up in 1999;
- that the 1999 liquidation of ERPM was fraudulently approved by 15% of shareholders who were representatives of the South African state against the interests of French shareholders;
- that the subsequent scheme of arrangement to remove ERPM from liquidation in 1999 was approved by 15% of shareholders without consultation of French shareholders.

On the basis of these allegations, the Association is claiming a payment of 5 million Euros for damages, 10 000 Euros for costs and costs of suit. We are in the process of preparing a defense against this action.

### *Competition tribunal case*

On September 23, 2002, we and Harmony Gold Mining Company Limited, another South African gold mining company, filed a complaint with the South African Competition Commission against Mittal Steel (previously Iscor), a South African steel producer. The complaint alleges that Mittal Steel is abusing its dominant position by charging excessive prices for its local flat steel products and providing inducements for steel purchasers to refrain from importing competing steel products. The Competition Commission dismissed our claim, and the matter has since been referred to the Competition Tribunal, who has the authority to overrule the determination of the commission. On the March 27, 2007 the Competition Tribunal delivered its judgment in terms of which the Tribunal made the following findings:

- that Mittal Steel has abused its dominant position by engaging in excessive pricing; and
- that Mittal Steel did not induce customers not to deal with its competitors.

On September 6, 2007, the Competition Tribunal imposed an administrative penalty of R691.8 million against Mittal Steel. Mittal Steel filed its Notice of Appeal with the Competition Appeal Court challenging the decision of the Competition Tribunal. The hearing of the appeal took place on October 23 and 24, 2008 and judgment has been postponed.

### *Litigation regarding environmental issues*

On August 2, 2006 and September 4, 2006, two virtually identical applications were brought against the Company and its directors for relief under the MPRDA, by the Legal Resources Centre on behalf of the residents of two communities, Davidsonville and Kagiso, who reside adjacent to tailings deposition sites of the now dormant Durban Deep mine, and at West Wits mine, respectively. Whilst no financial compensation is sought, the communities are seeking orders for the revision of the EMPs of both sites, and for the sites to be rehabilitated and closed in accordance with the standards of the MPRDA. Whilst we are challenging the sustainability of the legal basis on which the claims have been brought, as well the extent of the relief sought we have:

- in respect of the Davidsonville action, accelerated certain rehabilitation measures which would effectively address dust issues; and
- in respect of the Kagiso action, engaged the new owners of deposition sites, Mogale. Mogale recognize these tailings as an inferred resource and in collaboration with us implement interim dust suppression measures pending their receipt of prospecting and mining permits for these sites.

The settlement negotiations have not been successful. We have filed our answering affidavits and are awaiting the Applicants' replying affidavits.

### *Legal proceedings relating to an agreement to sell Durban Deep's mine village*

We concluded an agreement with M5 on July 21, 2005, pursuant to which M5, against payment of a non-refundable fee of R1.5 million, was granted an option to acquire Durban Deep's mine village for R15.0 million. On November 18, 2005, M5 exercised the option and provided a guarantee for payment. Prior to the registration of the transfer occurring, we were notified by Rand Leases Properties Limited (formerly JCI Properties Limited) of an alleged pre-emptive right in respect of the property in terms of an agreement dated December 1996, pursuant to which the property should be sold to them on similar terms. We subsequently repudiated our agreement with M5 and notified Rand Leases Properties Limited that we did not intend offering the property to them. Both parties indicated to us their intentions to institute legal proceedings for the sale and transfer of the property. On December 12, 2006, Rand Leases Properties Limited issued a summons against us and we filed an Appearance to Defend. On April 25, 2008 the case was postponed by the High Court. A new date has not yet been set.

## **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Operating and Financial Review and Prospects section is intended to help the reader understand the factors that have affected the Company's financial condition and results of operations for the historical period covered by the financial statements and management's assessment of factors and trends which are anticipated to have a material effect on the Company's financial condition and results in future periods. This section is provided as a supplement to, and should be read in conjunction with, our audited financial statements and the other financial information contained elsewhere in this Annual Report. Our financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our discussion contains forward looking information based on current expectations that involve risks and uncertainties, such as our plans, objectives and intentions. Our actual results may differ from those indicated in such forward looking statements.

The Operating and Financial Review and Prospects include the following sections:

- Operating results:
  - *Business overview*, a general description of our business.
  - *Key drivers of our operating results and principal factors affecting our operating results*, a general description of the principal uncertainties and variables facing our business and the primary factors that have a significant impact on our operating performance.
  - *Recent acquisitions and dispositions*, a description of the recent acquisitions and other transactions that have impacted, or will impact, our performance.
  - *Key financial and operating indicators*, a presentation of the key financial measures we use to track our operating performance.
  - *Application of critical accounting policies*, a discussion of accounting policies that require critical judgments and estimates.
  - *Operating results*, an analysis of our consolidated results of operations during the three fiscal years presented in our financial statements. The analysis is presented both on a consolidated basis, and by geographic segment.
- Liquidity and capital resources, an analysis of our cash flows, borrowings and our anticipated funding requirements and sources.
- Outlook and trend information, a review of the outlook for, and trends affecting, our business.
- Off-balance sheet arrangements.
- Tabular disclosure of contractual obligations, being the numerical review of our contractual future cash obligations.

## **5A. OPERATING RESULTS**

### **Business overview**

We are a South African gold mining company engaged in underground and surface gold mining, including exploration, extraction, processing and smelting. We have operations comprising underground and surface retreatment operations, including the requisite infrastructure and metallurgical processing plants. Our operations are currently located in South Africa, but during fiscal 2008 we also had operations in Papua New Guinea, which were sold.

During the fiscal years presented in this Annual Report we divide our worldwide operations into two geographic regions, based on revenue generated from the location of the seller, as follows:

- South Africa comprising the deep-level Blyvoor and ERPM operations, in addition to the surface retreatment operations at Crown and the Ergo and Elsburg Joint Ventures (“South African Operations”).
- Australasia comprising Tolukuma and a 20% interest in the unincorporated Porgera Joint Venture, or Porgera (“Australian Operations”). On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007, we sold our entire shareholding in Emperor, which includes Tolukuma, to several institutional investors.

In fiscal 2008, the South African Operations accounted for 96% of our total production and a R141.2 million net profit after tax. The Australasian Operations accounted for 4% of our total production and a net loss after tax of R85.3 million.

Exploration activities are undertaken only in South Africa

From 1895 to 1997, our principal mining operation was the Durban Deep mine. Up to 1999, our general growth strategy was to acquire existing under-performing mines in South Africa at relatively low acquisition costs, and turn them into profitable business units by introducing low-cost mining methods and reducing costs through employing our experience in managing marginal gold mines to more efficiently utilize existing infrastructures. From 1999 to 2006 our focus was to expand our operations outside of South Africa by acquiring lower cash cost and higher margin mines than those in South Africa, through the acquisition of Tolukuma, our 20% interest in Porgera and our 78.9% interest in Emperor (Vatukoula). With the recent exit from our Australasian operations our strategy has now changed to refocus on our operations in South Africa and in particular on the expansion of our surface retreatment operations. We are currently using the proceeds we received from the disposal of our Australasian operations to stabilize our mature underground mining operations, to expand our retreatment of surface tailings to recover gold, and to pursue our program of brownfields exploration in South Africa.

An increase in revenue from our continuing operations, mainly due to a higher gold price, and a profit arising from the disposal of our discontinued operations has resulted in an improvement of our results for fiscal 2008 in comparison to fiscals 2007 and 2006. We had R846.1 million in cash and cash equivalents as at June 30, 2008, primarily as a result of the disposal of our Australasian Operations, and we are able to fund our short- and medium term projects from this cash.

As at June 30, 2008, we had Ore Reserves of approximately 4.5 million ounces, compared to 4.8 million ounces as at June 30, 2007. The decrease in our Ore Reserves was primarily as a consequence of depletion and the discontinued operations in Australasia.

### **Key drivers of our operating results and principal factors affecting our operating results**

The principal uncertainties and variables facing our business and, therefore, the key drivers of our operating results are:

- The price of gold, which fluctuates widely in Rands;
- The tonnages and gold content thereof, impacting on the amount of gold we produce at our operations;
- The cost of producing that gold as a result of mining efficiencies; and
- General economic factors, such as exchange rate fluctuations and inflation, and factors affecting mining operations particularly in South Africa.



## Gold price

Our revenues are derived primarily from the sale of gold produced at our mines. As a result, our operating results are directly related to the price of gold which can fluctuate widely and is affected by numerous factors beyond our control, including industrial and jewellery demand, expectations with respect to the rate of inflation, the strength of the Dollar (the currency in which the price of gold is generally quoted) and of other currencies, interest rates, actual or expected gold sales by central banks, forward sales by producers, global or regional political or economic events, and production and cost levels in major gold-producing regions such as South Africa. In addition, the price of gold sometimes is subject to rapid short-term changes because of speculative activities. The demand for and supply of gold may affect gold prices, but not necessarily in the same manner that supply and demand affect the prices of other commodities. The supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. As a general rule we sell the gold produced at market prices to obtain the maximum benefit from prevailing gold prices.

The following table indicates the movement in the Dollar gold spot price for the 2008, 2007 and 2006 fiscal years:

|   | <b>2008 fiscal year</b> | <b>2007 fiscal year</b> | <b>% change</b> |
|---|-------------------------|-------------------------|-----------------|
| Opening gold spot price on July 1, .....            | \$651 per ounce         | \$599 per ounce         | 9%              |
| Closing gold spot price on June 30, .....           | \$930 per ounce         | \$651 per ounce         | 43%             |
| Lowest gold spot price during the fiscal year ..... | \$648 per ounce         | \$561 per ounce         | 16%             |
| Highest gold spot price during the fiscal year..... | \$1,011 per ounce       | \$691 per ounce         | 46%             |
| Average gold spot price for the fiscal year .....   | \$821 per ounce         | \$638 per ounce         | 29%             |
|   | <b>2007 fiscal year</b> | <b>2006 fiscal year</b> | <b>% change</b> |
| Opening gold spot price on July 1, .....            | \$599 per ounce         | \$437 per ounce         | 37%             |
| Closing gold spot price on June 30, .....           | \$651 per ounce         | \$599 per ounce         | 9%              |
| Lowest gold spot price during the fiscal year ..... | \$561 per ounce         | \$418 per ounce         | 34%             |
| Highest gold spot price during the fiscal year..... | \$691 per ounce         | \$726 per ounce         | -5%             |
| Average gold spot price for the fiscal year .....   | \$638 per ounce         | \$526 per ounce         | 21%             |
|   | <b>2006 fiscal year</b> | <b>2005 fiscal year</b> | <b>% change</b> |
| Opening gold spot price on July 1, .....            | \$437 per ounce         | \$396 per ounce         | 10%             |
| Closing gold spot price on June 30, .....           | \$599 per ounce         | \$437 per ounce         | 37%             |
| Lowest gold spot price during the fiscal year ..... | \$418 per ounce         | \$387 per ounce         | 8%              |
| Highest gold spot price during the fiscal year..... | \$726 per ounce         | \$454 per ounce         | 60%             |
| Average gold spot price for the fiscal year .....   | \$526 per ounce         | \$421 per ounce         | 25%             |

A significant upward trend in the Dollar gold price has been noted over the past four fiscal years. Our production has been sourced from our South African Operations and Australasian Operations, therefore during those four fiscal years the impact of the relevant exchange rates has been significant on our operating results. The average gold price in Rand and Australian Dollars has shown the following movements:

- Rand gold price (based on average prices for the year) increased from R3,377 per ounce, in fiscal 2006, to R4,605 per ounce in fiscal 2007 (a 36% increase from fiscal 2006) and R6,003 per ounce in fiscal 2008 (a 30% increase from fiscal 2007).
- Australian gold price (based on average prices for the year) increased from A\$705 per ounce, in fiscal 2006, to A\$812 per ounce in fiscal 2007 (a 15% increase from fiscal 2006) and A\$914 per ounce in fiscal 2008 (13% increase from fiscal 2007).

Based on our latest forecast gold price of R246,326 for fiscal 2009, a 10% increase in the Rand gold price received will increase our forecast profit after taxation by R184.2 million and a 10% decrease in the Rand gold price received will decrease our profit after taxation by R153.6 million.

### ***Gold production and operating costs***

Attributable gold production from our continuing operations totaled 308,005 ounces during fiscal 2008, in comparison to 334,496 ounces in fiscal 2007, and 315,976 ounces in fiscal 2006. Our discontinued operations (comprising Tolukuma, Porgera, Vatukoula and the North West Operations) recorded production of 13,427 ounces in fiscal 2008, 142,661 ounces in fiscal 2007 and 211,425 ounces in fiscal 2006.

Our costs and expenses consist primarily of operating costs, royalties and depreciation. Operating costs include labor, contractor services, stores, electricity and other related costs, incurred in the production of gold. Labor is the largest component of operating costs, constituting 41% of operating costs for fiscal 2008, as the majority of our mining operations are deep level underground mines which are more labor intensive.

At our continuing South African Operations, production decreased from 334,496 ounces in fiscal 2007, produced from 14.8 million tonnes milled at an average yield of 0.70g/t, to 308,005 ounces in fiscal 2008, produced from 14.8 million tonnes milled at an average yield of 0.65g/t. Production increased from 315,976 ounces in fiscal 2006, produced from 12.3 million tonnes milled at an average yield of 0.80g/t, to 334,496 ounces in fiscal 2007. During fiscal 2008, the average Rand gold price strengthened by 30%, creating an opportunity to mine ore grades that were previously seen to be unprofitable

Blyvoor produced 141,172 ounces from 4.4 million tonnes milled at an average yield of 1.00g/t in fiscal 2008, in comparison with 151,269 ounces from 4.4 million tonnes milled at an average yield of 1.07g/t in fiscal 2007 and 159,693 ounces, produced from 4.3 million tonnes milled at an average yield of 1.15g/t in fiscal 2006. The decrease in production at Blyvoor resulted from lower grades being mined due to a decision taken to move out of seismically active areas.

Crown produced 87,354 ounces from 8.2 million tonnes milled at an average yield of 0.33g/t in fiscal 2008, in comparison with 103,011 ounces from 8.4 million tonnes milled at an average yield of 0.38g/t in fiscal 2007 and 75,959 ounces, produced from 6.2 million tonnes milled at an average yield of 0.38g/t in fiscal 2006. The lower grade at Crown reflects diminishing reserves of higher grade material available, which resulted in lower production.

ERPM produced 79,479 ounces from 2.2 million tonnes milled at an average yield of 1.14g/t in fiscal 2008, in comparison with 80,216 ounces from 2.0 million tonnes milled at an average yield of 1.23g/t in fiscal 2007 and 80,324 ounces, produced from 1.8 million tonnes milled at an average yield of 1.37g/t in fiscal 2006. The decrease in production at ERPM also resulted from lower grades being mined.

### ***General economic factors***

As at October 31, 2008, all our operations are in South Africa and we are exposed to a number of factors, which could affect our profitability, such as exchange rate fluctuations, inflation and other risks relating to South Africa. In conducting mining operations, we recognize the inherent risks and uncertainties of the industry, and the wasting nature of the assets.

#### ***Effect of exchange rate fluctuations***

For the year ended June 30, 2008, approximately 95% of our total revenues were generated from South African Operations, and approximately 5% of our total revenues were generated from our Australasian Operations. In fiscal 2008, most of our operating costs were denominated in Rand and we derived all of our revenues in Dollars. Fiscal 2008 was marked by volatility in the Dollar and an overall weakening in the Rand-Dollar exchange rate. As the price of gold is denominated in Dollars and we realize our revenues in Dollars, the depreciation of the Dollar against the Rand reduces our profitability, whereas the appreciation of the Dollar against the Rand increases our profitability. Based upon average rates during the respective years, the Rand weakened by 1% against the Dollar in fiscal 2008, compared to fiscal 2007 and weakened by 12% in fiscal 2007 compared to fiscal 2006. This has led to an increase of 30% in the average Rand gold price in fiscal 2008 and an increase of 36% in fiscal 2007.

As an unhedged gold producer we do not enter into forward gold sales contracts to reduce our exposure to market fluctuations in the Dollar gold price or the exchange rate movements. If revenue from gold sales falls for a substantial period below our cost of production at our operations, we could determine that it is not economically feasible to continue commercial production at any or all of our operations or to continue the development of some or all of our projects. Our weighted average cash costs per kilogram for our continuing operations was R156,891 per kilogram of gold produced in fiscal 2008, R126,406 per kilogram of gold produced in fiscal 2007 and R101,362 per kilogram of gold produced in fiscal 2006. The average gold price received, from continuing operations, was R192,472 per kilogram of gold produced in fiscal 2008, R147,516 per kilogram of gold produced in fiscal 2007 and R112,665 per kilogram of gold produced in fiscal 2006.

### *Effect of inflation*

In the past, our operations have been materially adversely affected by inflation. As we are unable to control the prices at which our gold is sold, if there is a significant increase in inflation in South Africa, without a concurrent devaluation of the local currency or an increase in the price of gold, our costs will increase, negatively affecting our operating results.

The local annual inflation rate for the periods presented, as measured by the South African Consumer Price Index, or CPIX, are set out in the table below:

| <i>Year ended June 30,</i>  | <b>2008</b><br><b>(%)</b> | <b>2007</b><br><b>(%)</b> | <b>2006</b><br><b>(%)</b> |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| CPIX (inflation rate) ..... | 11.6                      | 6.4                       | 4.3                       |

The South African CPIX inflation rate increased significantly in fiscal 2008 and as at October 31, 2008, it was at 13%.

### *South African political, economic and other factors*

We are a South African company and subsequent to the sale of our stake in Emperor all our operations are based in South Africa. As a result, we are subject to various economic, fiscal, monetary and political factors that affect South African companies generally. South African companies are subject to exchange control regulations. Governmental officials have from time to time stated their intentions to lift South Africa's exchange control regulations when economic conditions permit such action. Over the last few years, certain aspects of exchange controls for companies and individuals have been incrementally relaxed. It is, however, impossible to predict when the South African Government will remove exchange controls in their entirety. South African companies remain subject to restrictions on their ability to export and deploy capital outside of the Southern African Common Monetary Area, unless dispensation has been granted by the South African Reserve Bank. For a detailed discussion of exchange controls, see Item 10D.: "Exchange controls."

On May 1, 2004, the MPRD Act became effective. Prior to the introduction of the MPRD Act, private ownership in mineral rights and statutory mining rights in South Africa could be acquired through the common law or by statute. Now, all mineral rights have been placed under the custodianship of the South African government under the provisions of the MPRD Act, and old order proprietary rights need to be converted to new order rights of use within certain prescribed periods. We have submitted certain applications in this regard. This process is described more fully under Item 4B.: "Business Overview – Governmental regulations and their effects on our business - South Africa – Common Law Mineral Rights and Statutory Mining Rights."

The MPRD Act makes reference to royalties being payable to the South African government in terms of the Royalty Bill. The fourth draft of the Royalty Bill was promulgated in Parliament on August 14, 2008 and provides for the payment of a royalty according to a formula based on earnings before interest, tax and after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold. It is estimated that the formula could translate to a royalty rate of more than 2% of revenue in terms of current pricing assumptions. The latest proposal results in a large increase from the 1.5% rate proposed in the second draft in 2006. The royalty is to become effective on May 1, 2009, if the Royalty Bill is passed by Parliament in its current form.

## Recent acquisitions and dispositions

The global gold mining industry has experienced active consolidation and rationalization activities in recent years. Accordingly, we have been, and may continue to be, involved in acquisitions and dispositions as part of this global trend and to identify value-adding business combinations and acquisition opportunities. To ensure that our Ore Reserve base is maintained, or increased, we are currently focusing on organic growth from our existing operations and brownfields exploration in South Africa.

The following is a description of acquisitions and dispositions completed by us since July 1, 2005:

### *DRDGOLD SA*

On July 6, 2005, we signed a Memorandum of Understanding with Khumo Bathong Holdings (Pty) Limited, or KBH, regarding the acquisition by Khumo Gold of a 15% stake in our South African Operations. The purpose of the transaction was to bring us into full compliance with the 10-year, 26% black economic empowerment equity requirement as stipulated in the Mining Charter of South Africa.

On July 20, 2005, we acquired from the IDC, all the debt which it held against Crown and ERPM for a consideration which was settled through the issue of 4,451,219 of our ordinary shares, which at the date of issue, represented approximately R28.9 million.

On October 27, 2005, our board of directors approved the extension of our existing black economic empowerment structure with Khumo Gold to cover all of our South African assets. The transaction was facilitated by the Industrial Development Corporation of South Africa, or IDC, which agreed to a debt restructuring in Crown. The new structure resulted in Khumo Gold acquiring, initially, a 15% interest in a newly created vehicle, DRDGOLD SA, which holds a 100% interest in ERPM, Crown and Blyvoor. We initially retained an 85% interest.

On November 18, 2005, we subscribed for R31.8 million new Khumo Gold preference shares. The proceeds from these preference shares were used by Khumo Gold to settle an existing loan to KBH of R7.9 million, subscribe for R4.1 million new preference shares in ERPM, subscribe for R2.7 million new preference shares in Crown, subscribe for R3.9 million new preference shares in Blyvoor and subscribe for an initial 15% of the issued ordinary shares in DRDGOLD SA for R13.2 million. Khumo Gold was granted an option, exercisable over three years, to acquire a further 11% interest in DRDGOLD SA for a cash consideration of R9.3 million. This further equity tranche included a 6% stake to be placed in a new employee trust.

On December 11, 2006, Khumo Gold exercised the option and acquired from us a further 50,000 ordinary shares in DRDGOLD SA for a total cash consideration of R4.3 million. After exercising the option, Khumo Gold's shareholding in DRDGOLD SA increased to 20%. In addition, Khumo Gold, as promoter for an employee trust, exercised the option for an employee trust to acquire from us 60,000 ordinary shares in DRDGOLD SA for a consideration of R5.1 million. After exercising the option, the trust's shareholding in DRDGOLD SA is 6%. Furthermore, Khumo Gold and the employee trust subscribed for R11.2 million new preference shares in ERPM, subscribed for R1.7 million new preference shares in Crown and subscribed for R2.7 million new preference shares in Blyvoor. We financed the transaction through the subscription of a further R11.4 million preference shares in Khumo Gold and by extending a loan to the employee trust of R13.6 million.

### *Emperor*

On November 16, 2005, we concluded a sale and purchase agreement with Emperor pursuant to which, on April 6, 2006, Emperor acquired our wholly owned subsidiary, DRD (Isle of Man) Limited, or DRD (Isle of Man), which in turn held our PNG assets, comprising the 20% interest in the Porgera Joint Venture, the 100% interest in Tolukuma Gold Mines Limited and all of our exploration tenements in PNG. The purchase consideration of \$237.3 million was subject to certain completion adjustments to reflect the change in the capital position of both Emperor and DRD Isle of Man between October 1, 2005, which was the effective date, and April 6, 2006, the date that the transaction was completed. The purchase consideration included 751,879,699 new Emperor shares issued to DRD (Offshore) Limited, or DRD (Offshore), and a cash consideration of \$37.3 million payable to DRD (Offshore). After the issue of the new Emperor shares, we held 88.3% of Emperor. Subsequently, our shareholding was diluted to 78.7%, following a number of share issues in which we did not participate.

In April 2006 Vatukoula implemented the new Accelerate Development and Training Program, or ACDTP, which involved a temporary shutdown of the mine on April 20, 2006 and a gradual start-up early in June 2006. The ACDTP was designed to introduce flexibility to production areas, improve infrastructure and increase the productivity of the workforce. The plan included development of higher grade areas at Philip Shaft and upgrading of associated shaft infrastructure. In addition, the entire workforce was to undergo comprehensive assessment, reskilling and retraining.

On October 14, 2006, a serious incident involving a mine shaft conveyance occurred in the Philip Shaft at the Vatukoula mine when, during testing of the shaft conveyance following maintenance, a skip-cage fell down the shaft, causing damage to the surface winder mechanism. The Philip Shaft was closed following the incident, while investigations and repairs were undertaken. Production at Philip Shaft recommenced on November 14, 2006.

On December 5, 2006, after an extensive three-month review of Vatukoula, we determined that continued mining operations at Vatukoula were no longer economically viable and that the mine would therefore cease production. Pending completion of a strategic review to optimize the value of Vatukoula and other Fijian land holdings, the mine was placed on a care and maintenance program. On March 28, 2007, Emperor sold all its Fijian assets, including the Vatukoula Mine to Westech Gold (Pty) Limited, a private company incorporated in Australia, for A\$1.00. Under the agreement, Emperor sold 100% of its shares in its Australasian subsidiaries (Emperor Finance Limited and Emperor Australia Limited) which in turn owned the Fijian assets.

On July 27, 2007, DRDGOLD shareholders at a general meeting approved the disposal by Emperor of its 20% interest in the Porgera Joint Venture to a subsidiary of Barrick for a purchase consideration of \$250.0 million and the grant of an option to Barrick or its nominee to subscribe for 153,325,943 shares in Emperor. Emperor shareholders also approved the disposal and a capital distribution of A\$0.05 per Emperor share to Emperor shareholders by way of a capital return out of the surplus cash realized from the disposal, at a general meeting held on July 30, 2007. The sale transaction was completed on August 17, 2007, for a final cash consideration of R1.9 billion (\$255.0 million), which included interest, and subsequently Emperor retired all its debt facilities. The capital distribution was completed on September 3, 2007.

On October 22, 2007, we sold our entire interest in Emperor for R355.8 million (A\$55.9 million) to 26 institutional investors with each acquired between 0.4% and 21.6% of the shares.

#### *Top Star Dump*

On August 28, 2006, we concluded an agreement with Anglo Gold Ashanti to purchase the remaining extent of Erf 1 Park Central Township, better known as The Top Star Dump in central Johannesburg for an amount of R8.0 million. In addition, a further R28.4 million was spent on the infrastructure required to process the dump. The Top Star Dump has been evaluated geostatistically by us and reviewed independently by Coffey Mining and has a probable reserve of 5.2 Mt, at a grade of 0.775 g/t.

On August 30, 2006, the Provincial Heritage Resources Authority of Gauteng, or PHRAG, published a notice in the Gauteng Provincial Gazette in terms of which the dump was provisionally protected for a period of two years. We lodged an appeal against the decision to issue the protection order, and on October 30, 2007 the PHRAG withdrew the protection order.

On August 21, 2008 a Mining Right was granted for gold recovery over the Top Star Dump, in favor of Crown by the Department of Minerals and Energy with effect from August 21, 2008. The mining right for the Top Star Dump has been granted until August 20, 2013.

#### *Ergo and Elsburg Joint Ventures*

On June 7, 2007, we and Mintails announced the formation of the Ergo Joint Venture between Mintails SA and DRDGOLD SA. Following discussions initiated in the first quarter of 2007, the Ergo Joint Venture parties agreed to pursue a strategy to consolidate certain of their assets on the East Rand. Mintails SA contributed one fully refurbished carbon-in-leach, or CIL, circuit at the Brakpan plant and DRDGOLD SA contributed the Elsburg tailings complex, comprising approximately 180 Mt of tailings. This part of the project, previously referred to as Phase 1 of the Ergo Joint Venture, was subsequently established under the Elsburg Gold Mining Joint Venture, or Elsburg Joint Venture. Mintails SA and DRDGOLD SA, through their subsidiaries, initially owned 50% of the Elsburg Joint Venture and the Ergo Joint Venture.

On August 6, 2007, the parties to the Ergo Joint Venture entered into a sale of assets agreement with Anglo Gold Ashanti pursuant to which it acquired the remaining moveable and immovable assets of Ergo for a consideration of R42.8 million. These assets will be operated by the Ergo Joint Venture for its own account, under the Anglo Gold Ashanti authorizations, until new order mining rights have been obtained. These assets, comprising servitudes (access agreements), infrastructure, piping, equipment, old order mining rights and the right to an additional 15 Mt of tailings material, provide a platform to consolidate these tailings assets with the Elsburg tailings.

On November 26, 2007, we announced that DRDGOLD SA signed a binding term sheet with Mintails SA, which provided for significant expansion of the joint venture through:

- the planned refurbishment of all infrastructure at the Brakpan plant, to increase capacity from one CIL gold recovery circuit to a plant capable of processing tailings for the recovery of gold, uranium and sulphuric acid; and
- substantially increasing available tailings material from 180 Mt to up to 1,700 Mt, by securing rights over tailings dumps and slimes dams in the region.

Additional agreements were concluded on November 14, 2007 for:

- the acquisition by the Ergo Joint Venture of additional tailings properties and the Withok deposition complex from Anglo Gold Ashanti for a payment of R45.0 million and assumption of rehabilitation obligations; and
- the acquisition by Mintails SA of an option to acquire tailings properties (the Grootvlei Properties), comprising some 105 Mt, from Pamodzi Gold Limited. The Grootvlei properties form part of the Mintails SA contribution to the expanded Ergo Joint Venture.

The acquisition of the Withok deposition site provides the expanded Ergo Joint Venture with considerable additional deposition capacity commensurate with the substantial increases in capacity for tailings material and processing. The expanded Ergo Joint Venture is conducting a feasibility study, which is expected to be completed in the final quarter of calendar 2009, to refurbish and reopen the full Brakpan plant, which historically produced gold, uranium and sulphuric acid

Phase 1 of the expanded Ergo Joint Venture involves the refurbishment of one CIL circuit at the Brakpan plant with the capacity to treat an estimated 15Mt of tailings a year, for the recovery of some 75,000 ounces of gold a year. Phase 2, for which we are currently completing a feasibility study, envisages the expansion of the gold plant by refurbishing the second CIL circuit and developing uranium and acid plants. The expanded Ergo Joint Venture is managed by Crown, which has treated more than 200Mt of sand and slime and produced approximately 2.8 million ounces of gold through its plants.

On September 29, 2008, DRDGOLD SA acquired a further 15% interest in the Elsburg Joint Venture from Mintails SA resulting in DRDGOLD SA, which holds its interest through its subsidiary, ERPM, holding a 65% interest and Mintails SA a 35% interest in the joint venture. In addition, Mintails has granted DRDGOLD SA a conditional option to acquire a further 11.4% interest in the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture were not affected by the acquisition and remained unchanged. The purchase consideration in respect of the acquisition was R100 million, which is to be re-invested by Mintails in the Elsburg Joint Venture and the Ergo Joint Venture. The effective date of the acquisition will be the date upon which it becomes unconditional. The option is exercisable between January 1, 2009 and January 15, 2009 at an exercise price of R75.9 million.

In terms of a binding heads of agreement dated December 8, 2008, DRDGOLD has agreed to acquire:

- the remaining 35% interest (or 23.6% if the Elsburg option is exercised prior to implementation of the acquisition) held by Mintails, through its subsidiary Mogale Gold (Pty) Limited, in the Elsburg Joint Venture; and
- all of the shareholder's loans from the Mintails group to the Elsburg Joint Venture

The implementation of the acquisition will result in the DRDGOLD group holding 100% of the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture are not affected by the acquisition. The purchase consideration in respect of the acquisition is R177.0 million, which is to be settled in cash. In the event that the Elsburg option is exercised prior to the implementation of the acquisition, the parties have agreed that the purchase price will be reduced by approximately R23.8 million in recognition of amounts that will have been paid by the DRDGOLD group on exercise of the Elsburg option. The effective date of the acquisition is December 8, 2008, although the risk and title in respect of the acquisition only passes to the DRDGOLD group on completion of the acquisition.

#### *Other*

We concluded an agreement with M5 Developments (Pty) Limited, or M5, on July 21, 2005, in terms of which M5, against payment of a non-refundable fee of R1.5 million, was granted an option to acquire Durban Deep's mine village for R15.0 million. On the exercise of the option, the option fee would be deemed part payment of the purchase consideration.

On November 18, 2005, M5 exercised the option and provided a guarantee for payment. Prior to the registration of the transfer occurring, we were notified by Rand Leases Properties Limited (formerly JCI Properties Limited) of an alleged pre-emptive right in respect of the property in terms of an agreement dated December 1996, pursuant to which the property should be first offered to be sold to them on similar terms. We subsequently repudiated our agreement with M5 and notified Rand Leases Properties Limited that we did not intend offering the property to them. Both parties indicated to us their intentions to institute legal proceedings for the sale and transfer of the property. On December 12, 2006, Rand Leases Properties Limited issued a summons against us and we filed an appearance to defend. A trial date was allocated by the High Court of South Africa for April 25, 2008 but was postponed. A new date has not yet been set.

On September 17, 2008, our wholly-owned subsidiary, DRD (Offshore) Limited, sold all of its shares in G.M. Network Limited, or GoldMoney, to other GoldMoney shareholders. The cash consideration in respect of the disposal amounted to R23.8 million (\$2.9 million). GoldMoney is a company that holds the rights, patents and other intellectual property of GoldMoney.com, which is a product specializing in digital gold currency. We previously held a 50.25% shareholding in Net-Gold Services Limited, which was converted on March 10, 2008 into a 12.3% shareholding in GoldMoney.

## Key financial and operating indicators

The financial results for the years ended June 30, 2008, 2007 and 2006 below are stated in accordance with IFRS as issued by the IASB.

We consider the key performance measures for the growth of our business and its profitability to be gold revenue, production, operating costs, cash costs per kilogram and total costs per kilogram, capital expenditure and Ore Reserves. The following table presents the key performance measurement data for the past three fiscal years:

### Operating data<sup>1</sup>

#### Continuing operations

|   | Year ended June 30, |           |           |
|---|---------------------|-----------|-----------|
|   | 2008                | 2007      | 2006      |
| Revenues (R'000) .....                      | 1,843,912           | 1,534,777 | 970,604   |
| Gold production (ounces) .....              | 308,005             | 334,496   | 276,971   |
| Gold production (kilograms) .....           | 9,580               | 10,404    | 8,615     |
| Revenue (R/kilogram) .....                  | 192,472             | 147,516   | 112,665   |
| Operating costs (R'000) .....               | 1,503,015           | 1,315,126 | 873,235   |
| Cash costs (R/kilogram) <sup>2</sup> .....  | 156,891             | 126,406   | 101,362   |
| Total costs (R/kilogram) <sup>3</sup> ..... | 183,488             | 146,921   | 121,333   |
| Capital expenditure (R'000) .....           | 251,180             | 139,428   | 90,351    |
| Ore Reserves (ounces) .....                 | 4,510,000           | 4,739,000 | 5,351,000 |

#### Discontinued operations<sup>4</sup>

|   | Year ended June 30, |         |           |
|---|---------------------|---------|-----------|
|   | 2008                | 2007    | 2006      |
| Revenues (R'000) .....                      | 89,235              | 674,928 | 629,390   |
| Gold production (ounces) .....              | 13,427              | 142,661 | 185,087   |
| Gold production (kilograms) .....           | 417                 | 4,435   | 5,757     |
| Revenue (R/kilogram) .....                  | 213,992             | 152,182 | 109,327   |
| Operating costs (R'000) .....               | 124,437             | 719,996 | 509,853   |
| Cash costs (R/kilogram) <sup>2</sup> .....  | 298,410             | 162,344 | 88,562    |
| Total costs (R/kilogram) <sup>3</sup> ..... | 631,149             | 435,485 | 88,785    |
| Capital expenditure (R'000) .....           | 47,572              | 173,606 | 172,935   |
| Ore Reserves (ounces) .....                 | -                   | 108,000 | 2,151,000 |

<sup>1</sup> For part of fiscal 2006 the operating data excludes our 40% share of our equity accounted associate Crown, which owned ERPM, and our 39.52% investment in Emperor, prior to these entities becoming subsidiaries. The operating data includes our 20% attributable interest in the proportionately consolidated Porgera Joint Venture.

<sup>2</sup> Cash costs per kilogram is a non-IFRS financial measure of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations. For a reconciliation to operating costs see Item 5A.: "Operating Results."

<sup>3</sup> Total costs per kilogram is a non-IFRS financial measure of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations. For a reconciliation to operating costs see Item 5A.: "Operating Results."

<sup>4</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor. As a result we report the Porgera, Tolukuma and Emperor information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.

## Revenue

Revenue is derived from the sale of gold. The following table analyzes the revenue per operation:

|  | Year ended June 30, |                  |                |
|--|---------------------|------------------|----------------|
|  | 2008                | 2007             | 2006           |
|  | R'000               | R'000            | R'000          |
| <b>Continuing operations</b>               |                     |                  |                |
| Blyvoor .....                              | 848,230             | 694,612          | 538,841        |
| Crown <sup>1</sup> .....                   | 528,625             | 472,842          | 206,546        |
| ERPM <sup>1</sup> .....                    | 467,057             | 367,323          | 225,217        |
| <b>Total</b> .....                         | <b>1,843,912</b>    | <b>1,534,777</b> | <b>970,604</b> |
| <b>Discontinued operations<sup>2</sup></b> |                     |                  |                |
| Porgera Joint Venture .....                | -                   | 328,094          | 419,156        |
| Vatukoula.....                             | -                   | 121,962          | 15,804         |
| Tolukuma.....                              | 89,235              | 224,872          | 194,430        |
| <b>Total</b> .....                         | <b>89,235</b>       | <b>674,928</b>   | <b>629,390</b> |

Revenue from continuing operations increased from R1,534.8 million in fiscal 2007 to R1,843.9 million in fiscal 2008. This increase was a consequence of the higher average gold price received by us of R192,472 per kilogram of gold produced, compared to R147,516 per kilogram of gold produced in fiscal 2007. The increase in revenue was marginally offset by production problems experienced at Blyvoor and ERPM, which resulted in production decreasing from 334,496 ounces in fiscal 2007 to 308,005 ounces in fiscal 2008.

For fiscal 2007, revenue from continuing operations increased from R970.6 million in fiscal 2006 to R 1,534.8 million, with the average gold price received by us increasing to R147,516 per kilogram of gold produced in fiscal 2007, compared to R112,665 per kilogram of gold produced in fiscal 2006 and production increasing from 276,971 ounces in fiscal 2006 to 334,496 ounces in fiscal 2007. The increase in revenue was as a result of the higher gold price and increased production from our South African Operations.

<sup>1</sup> With effect from December 1, 2005, we acquired 60% of Crown and ERPM. From that date these operations have been consolidated as subsidiaries. Previously we owned 40% of Crown and ERPM, which were treated as associates.

<sup>2</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor. As a result we report the Porgera, Tolukuma and Emperor information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.



## Gold production

The following table analyzes the attributable production per operation:

|   | Production in Year ended June 30 |              |                |               |                |              |
|---|----------------------------------|--------------|----------------|---------------|----------------|--------------|
|   | 2008                             |              | 2007           |               | 2006           |              |
|   | Ounces                           | Kilograms    | Ounces         | Kilograms     | Ounces         | Kilograms    |
| <b>Continuing operations</b>                |                                  |              |                |               |                |              |
| Blyvoor .....                               | 141,172                          | 4,391        | 151,269        | 4,705         | 159,693        | 4,967        |
| Surface operations.....                     | 37,359                           | 1,162        | 40,798         | 1,269         | 39,515         | 1,229        |
| Underground operations.....                 | 103,813                          | 3,229        | 110,471        | 3,436         | 120,178        | 3,738        |
| Crown <sup>1</sup> .....                    | 87,354                           | 2,717        | 103,011        | 3,204         | 75,959         | 2,363        |
| ERPM <sup>1</sup> .....                     | 79,479                           | 2,472        | 80,216         | 2,495         | 80,324         | 2,498        |
| Surface operations.....                     | 22,667                           | 705          | 22,153         | 689           | 20,325         | 632          |
| Underground operations.....                 | 56,812                           | 1,767        | 58,063         | 1,806         | 59,999         | 1,866        |
| <b>Total attributable production .....</b>  | <b>308,005</b>                   | <b>9,580</b> | <b>334,496</b> | <b>10,404</b> | <b>315,976</b> | <b>9,828</b> |
| Attributable production of associates.....  | -                                | -            | -              | -             | (39,005)       | (1,213)      |
| <b>Total South African Operations .....</b> | <b>308,005</b>                   | <b>9,580</b> | <b>334,496</b> | <b>10,404</b> | <b>276,971</b> | <b>8,615</b> |
| <b>Discontinued operations<sup>2</sup></b>  |                                  |              |                |               |                |              |
| Porgera Joint Venture .....                 | -                                | -            | 71,570         | 2,226         | 128,238        | 3,989        |
| Vatukoula.....                              | -                                | -            | 26,910         | 837           | 28,397         | 883          |
| Tolukuma.....                               | 13,427                           | 417          | 44,181         | 1,372         | 54,790         | 1,704        |
| <b>Total Australasian Operations .....</b>  | <b>13,427</b>                    | <b>417</b>   | <b>142,661</b> | <b>4,435</b>  | <b>211,425</b> | <b>6,576</b> |

For fiscal 2008, our total attributable gold production from continuing operations decreased by 26,491 ounces, or 8%, to 308,005 ounces from 334,496 ounces produced in fiscal 2007.

At Blyvoor, total production declined by 7% to 141,172 ounces from 151,269 ounces in fiscal 2007, reflecting a 6% decrease in gold from the underground operations to 103,813 ounces from 110,471 ounces in fiscal 2007 and an 8% drop in gold from surface sources to 37,359 ounces from 40,798 ounces in fiscal 2007. The loss of seven production shifts underground because of a stoppage imposed by the DME's Safety Inspectorate in October following two fatalities; the impact of power cuts by Eskom in January when five production days were lost; and a one-day illegal strike during May all contributed toward the lower production recorded.

At Crown, there was a 15% reduction in gold production to 87,354 ounces from 103,011 ounces in fiscal 2007 mainly because of a decline in yield, from 0.38g/t in fiscal 2007 to 0.33 g/t in fiscal 2008. This is a reflection of the ever-diminishing reserves of higher grade material available. There was also a 2% decrease in throughput to 8,235,000 tonnes from 8,405,000 tonnes in fiscal 2007.

At ERPM, although there was a slight increase in throughput to 2,162,000 tonnes from 2,022,000 tonnes in fiscal 2007, there was a marginal decrease of 1% in total gold production to 79,479 ounces from 80,216 ounces in fiscal 2007. Production was affected by Eskom's power cuts and the breakdown of a compressor at the No. 5 ice plant during the third quarter of fiscal 2008, the negative impact on the operations of four days of violence believed to be directed at foreign workers in communities close to the mine and to the cessation of mining of the unprofitable 73 and 74 long walls during the last quarter of the year.

For fiscal 2007, our total attributable gold production from continuing operations increased by 18,520 ounces, or 6%, to 334,496 ounces from 315,976 ounces produced in fiscal 2006.

<sup>1</sup> For part of fiscal 2006 the operating data excludes our 40% share of our equity accounted associate Crown, which owned ERPM prior to these entities becoming subsidiaries. The operating data includes our 20% attributable interest in the proportionately consolidated Porgera Joint Venture

<sup>2</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor to 26 institutional investors drawing a close to our mining investments in Australasia. As a result we report the 2008, 2007 and 2006 information relating to Porgera, Tolukuma, and Vatukoula information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.

At Blyvoor, reduced underground gold production was impacted by the new, “lower grade, higher volume” mine plan to address safety concerns arising from increasing levels of seismicity in the high-grade area of the mine’s No. 5 Shaft. ERPM’s planned shift from low volume, high grade scattered mining in the west of the lease area to high volume, lower grade longwall mining in the east below 70 level proved problematic. Delays in the supply of services to the newly developed longwalls reduced volumes mined and navigation of faulting encountered had a negative impact on both volumes and yield. Gold production at Crown for the year was significantly higher, reflecting an improvement in throughput tons made possible through improvements to pipelines and other infrastructure.

A more detailed review of gold production at each of our operations is provided under Item 4D.: “Property, Plant and Equipment.”

#### ***Cash costs<sup>1</sup> and total costs<sup>2</sup> per kilogram***

Our operational focus is to increase production, improve productivity and reduce costs. For fiscal 2008, cash costs from our continuing operations increased to R156,891 per kilogram of gold from R126,406 per kilogram of gold in fiscal 2007. Total costs from our continuing operations increased to R183,488 per kilogram of gold from R146,921 per kilogram of gold in fiscal 2007. The increase in cash costs per kilogram of gold produced in fiscal 2008 was due to price increases in key consumables (labor, consumables and electricity) and lower production.

In fiscal 2007, the cash costs per kilogram from our continuing operations increased by 25%, from R101,362 per kilogram to R126,406 per kilogram, compared to fiscal 2006. The increase in cash costs per kilogram of gold produced in fiscal 2007 was due to price increases in key consumables (labor, consumables and electricity).

#### ***Reconciliation of cash costs per kilogram, total costs and total costs per kilogram***

Cash costs of production include costs for all mining, processing, administration, royalties and production taxes, but exclude depreciation, depletion and amortization, rehabilitation, retrenchment costs, corporate administration costs and exploration costs. Cash costs per kilogram are calculated by dividing operating costs by kilograms of gold produced. Cash costs per kilogram have been calculated on a consistent basis for all periods presented.

Total operating costs include cash costs of production, depreciation, depletion and amortization and the accretion of rehabilitation, reclamation and closure costs.

Total costs, as calculated and reported by us, include total operating costs, plus other operating and non-operating income, finance expenses and other operating and non-operating costs, but exclude taxation, minority interest, equity in loss from associates and the cumulative effect of accounting changes. These costs are excluded as the mines do not have control over these costs and they have little or no impact on the day-to-day operating performance of the mines. Total costs per kilogram are calculated by dividing total costs by kilograms of gold produced. Total costs and total costs per kilogram have been calculated on a consistent basis for all periods presented.

Cash costs per kilogram, total costs and total costs per kilogram are non - IFRS financial measures that should not be considered by investors in isolation or as alternatives to operating costs, net profit/(loss) attributable to ordinary shareholders, profit/(loss) before tax and other items or any other measure of financial performance presented in accordance with IFRS or as an indicator of our performance. While the Gold Institute has provided definitions for the calculation of cash costs, the calculation of cash costs per kilogram, total costs and total costs per kilogram may vary significantly among gold mining companies, and these definitions by themselves do not necessarily provide a basis for comparison with other gold mining companies. However, we believe that cash costs per kilogram, total costs and total costs per kilogram are useful indicators to investors and management of an individual mine’s performance and of the performance of our operations as a whole as they provide:

- an indication of a mine’s profitability and efficiency;
- the trend in costs;
- a measure of a mine’s margin per kilogram, by comparison of the cash costs per kilogram by mine to the price of gold; and
- a benchmark of performance to allow for comparison against other mines and mining companies.

A reconciliation of operating costs to total costs, cash costs per kilogram and total costs per kilogram, for each of the three years in the period ending June 30, 2008, is presented below. In addition, we have also provided below details of the amount of gold produced by each mine for each of those periods.

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<sup>1</sup> Cash costs per ounce is a non - IFRS financial measure of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations. For a reconciliation to operating costs see Item 5A.: “Operating Results.”

<sup>2</sup> Total costs per ounce is a non - IFRS financial measure of performance that we use to determine cash generating capacities of the mines and to monitor performance of our mining operations. For a reconciliation to operating costs see Item 5A.: “Operating Results.”

**For the year ended June 30, 2008**  
*(in R'000, except as otherwise noted)*

|  | Continuing Operations |                |                |                    |                                |  |                             | Discontinued Operations |                       |                      |                               |
|--|-----------------------|----------------|----------------|--------------------|--------------------------------|--|-----------------------------|-------------------------|-----------------------|----------------------|-------------------------------|
|  | Blyvoor               | Crown          | ERPM           | Other <sup>1</sup> | Total South African Operations | Other-Offshore Operations <sup>1</sup> | Total Continuing Operations | Porgera <sup>2</sup>    | Tolukuma <sup>2</sup> | Other <sup>1 2</sup> | Total discontinued operations |
| <b>Operating costs<sup>3</sup></b> .....                     | 697,281               | 362,237        | 428,255        | 15,242             | <b>1,503,015</b>               | -                                      | <b>1,503,015</b>            | -                       | 107,381               | 17,056               | <b>124,437</b>                |
| <i>Plus:</i>   |                       |                |                |                    |                                |  |                             |                         |                       |                      |                               |
| Depreciation.....  | 22,671                | 20,548         | 25,269         | 589                | <b>69,077</b>                  | -                                      | <b>69,077</b>               | -                       | 348                   | 506                  | <b>854</b>                    |
| Retrenchment costs .....                                     | -                     | -              | 5,528          | 5,816              | <b>11,344</b>                  | -                                      | <b>11,344</b>               | -                       | -                     | -                    | <b>-</b>                      |
| Movement in provision for environmental rehabilitation ..... | 959                   | 20,334         | 10,976         | (2,098)            | <b>30,171</b>                  | -                                      | <b>30,171</b>               | -                       | 3,868                 | 151                  | <b>4,019</b>                  |
| Movement in gold in progress .....                           | (14,374)              | (1,354)        | 485            | -                  | <b>(15,243)</b>                | -                                      | <b>(15,243)</b>             | -                       | 9,675                 | 384                  | <b>10,059</b>                 |
| <b>Total operating costs</b> .....                           | <b>706,537</b>        | <b>401,765</b> | <b>470,513</b> | <b>19,549</b>      | <b>1,598,364</b>               | <b>-</b>                               | <b>1,598,364</b>            | <b>-</b>                | <b>121,272</b>        | <b>18,097</b>        | <b>139,369</b>                |
| <i>Plus:</i>   |                       |                |                |                    |                                |  |                             |                         |                       |                      |                               |
| Loss on derivative instruments .....                         | -                     | -              | -              | -                  | <b>-</b>                       | -                                      | <b>-</b>                    | -                       | -                     | 433                  | <b>433</b>                    |
| Impairments .....  | -                     | -              | 69,804         | (5,889)            | <b>63,915</b>                  | -                                      | <b>63,915</b>               | -                       | 46,718                | -                    | <b>46,718</b>                 |
| Administration expenses and general costs .....              | 17,333                | 12,294         | 17,622         | 30,083             | <b>77,332</b>                  | 2,107                                  | <b>79,439</b>               | 1,985                   | 9,898                 | 8,201                | <b>20,084</b>                 |
| Finance income .....   | (5,960)               | (10,796)       | (2,716)        | (64,754)           | <b>(84,226)</b>                | (7,749)                                | <b>(91,975)</b>             | (195,970)               | 375                   | 192,555              | <b>(3,040)</b>                |
| Finance expenses .....                                       | 67,232                | 25,926         | 4,360          | 18,118             | <b>115,636</b>                 | (7,568)                                | <b>108,068</b>              | (7,144)                 | (4,745)               | 71,514               | <b>59,625</b>                 |
| <b>Total costs</b> .....                                     | <b>785,142</b>        | <b>429,189</b> | <b>559,583</b> | <b>(2,893)</b>     | <b>1,771,021</b>               | <b>(13,210)</b>                        | <b>1,757,811</b>            | <b>(201,129)</b>        | <b>173,518</b>        | <b>290,800</b>       | <b>263,189</b>                |
| Gold produced (ounces) .....                                 | 141,172               | 87,354         | 79,479         |                    | <b>308,005</b>                 | -                                      | <b>308,005</b>              | -                       | 13,427                | -                    | <b>13,427</b>                 |
| Gold produced (kilograms) .....                              | 4,391                 | 2,717          | 2,472          |                    | <b>9,580</b>                   | -                                      | <b>9,580</b>                | -                       | 417                   | -                    | <b>417</b>                    |
| Cash costs per kilogram (R per kilogram) .....               | 158,798               | 133,322        | 173,242        |                    | <b>156,891</b>                 | -                                      | <b>156,891</b>              | -                       | 257,508               | -                    | <b>298,410</b>                |
| Total costs per kilogram (R per kilogram) .....              | 178,807               | 157,964        | 226,369        |                    | <b>184,866</b>                 | -                                      | <b>183,488</b>              | -                       | 416,110               | -                    | <b>631,149</b>                |

<sup>1</sup> Relates to other non-core operating entities within the Group.

<sup>2</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor. On March 30, 2008 we disposed of our 50.25% shareholding in NetGold Services Limited (Netgold). As a result we report the Porgera, Tolukuma, Emperor and Netgold information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.

<sup>3</sup> Operating costs equate to cash costs of production.

**For the year ended June 30, 2007**  
*(in R'000, except as otherwise noted)*

|  | Continuing Operations |         |         |                    |                                |  |                             | Discontinued Operations |                        |                       |                      |                               |
|--|-----------------------|---------|---------|--------------------|--------------------------------|--|-----------------------------|-------------------------|------------------------|-----------------------|----------------------|-------------------------------|
|  | Blyvoor               | Crown   | ERPM    | Other <sup>1</sup> | Total South African Operations | Other-Offshore Operations <sup>1</sup> | Total Continuing Operations | Porgera <sup>2</sup>    | Vatukoula <sup>2</sup> | Tolukuma <sup>2</sup> | Other <sup>1,2</sup> | Total discontinued operations |
| <b>Operating costs<sup>3</sup></b> .....                     | 602,871               | 343,476 | 358,716 | 10,063             | <b>1,315,126</b>               | -                                      | <b>1,315,126</b>            | 235,525                 | 175,815                | 277,191               | 31,465               | <b>719,996</b>                |
| <i>Plus:</i>   |                       |         |         |                    |                                |  |                             |                         |                        |                       |                      |                               |
| Depreciation.....  | 21,451                | 28,080  | 13,766  | 608                | <b>63,905</b>                  | -                                      | <b>63,905</b>               | 28,510                  | 45,410                 | 32,110                | 8,997                | <b>115,027</b>                |
| Retrenchment costs .....                                     | -                     | -       | 73      | 865                | <b>938</b>                     | -                                      | <b>938</b>                  | -                       | 19,934                 | 138                   | 6,435                | <b>26,507</b>                 |
| Movement in provision for environmental rehabilitation ..... | 5,350                 | 9,198   | 1,516   | 3,888              | <b>19,952</b>                  | -                                      | <b>19,952</b>               | -                       | -                      | -                     | -                    | -                             |
| Movement in gold in progress .....                           | 296                   | 589     | (3,760) | -                  | <b>(2,875)</b>                 | -                                      | <b>(2,875)</b>              | (31,146)                | 21,382                 | (4,616)               | -                    | <b>(14,380)</b>               |
| <b>Total operating costs</b> .....                           | 629,968               | 381,343 | 370,311 | 15,424             | <b>1,397,046</b>               | -                                      | <b>1,397,046</b>            | 232,889                 | 262,541                | 304,823               | 46,897               | <b>847,150</b>                |
| <i>Plus:</i>   |                       |         |         |                    |                                |  |                             |                         |                        |                       |                      |                               |
| Loss on derivative instruments .....                         | -                     | -       | -       | -                  | -                              | -                                      | -                           | -                       | 36,898                 | -                     | 13,954               | <b>50,852</b>                 |
| Impairments.....   | -                     | 15,588  | 3,829   | (13,529)           | <b>5,888</b>                   | 25                                     | <b>5,913</b>                | -                       | 807,160                | 64,968                | 5                    | <b>872,133</b>                |
| Administration expenses and general costs .....              | 15,747                | 17,181  | 17,761  | 25,519             | <b>76,208</b>                  | 33,069                                 | <b>109,277</b>              | 27,401                  | 9,440                  | 33,750                | 30,118               | <b>100,709</b>                |
| Finance income.....  | (6,069)               | (1,665) | (670)   | 5,060              | <b>(3,344)</b>                 | (4,564)                                | <b>(7,908)</b>              | (13,380)                | 6,935                  | (6,180)               | (8,590)              | <b>(21,215)</b>               |
| Finance expenses .....                                       | 4,830                 | 2,356   | 9,458   | 2,825              | <b>19,469</b>                  | 4,767                                  | <b>24,236</b>               | 22,008                  | (8,637)                | 29,452                | 38,924               | <b>81,747</b>                 |
| <b>Total costs</b> .....                                     | 644,476               | 414,803 | 400,689 | 35,299             | <b>1,495,267</b>               | 33,297                                 | <b>1,528,564</b>            | 268,918                 | 1,114,337              | 426,813               | 121,308              | <b>1,931,376</b>              |
| Gold produced (ounces) .....                                 | 151,269               | 103,011 | 80,216  | -                  | <b>334,496</b>                 | -                                      | <b>334,496</b>              | 71,570                  | 26,910                 | 44,181                | -                    | <b>142,661</b>                |
| Gold produced (kilograms) .....                              | 4,705                 | 3,204   | 2,495   | -                  | <b>10,404</b>                  | -                                      | <b>10,404</b>               | 2,226                   | 837                    | 1,372                 | -                    | <b>4,435</b>                  |
| Cash costs per kilogram (R per kilogram) .....               | 128,134               | 107,202 | 143,774 | -                  | <b>126,406</b>                 | -                                      | <b>126,406</b>              | 105,806                 | 210,054                | 202,034               | -                    | <b>162,344</b>                |
| Total costs per kilogram (R per kilogram) .....              | 136,977               | 129,464 | 160,597 | -                  | <b>143,720</b>                 | -                                      | <b>146,921</b>              | 120,808                 | 1,331,347              | 311,088               | -                    | <b>435,485</b>                |

<sup>1</sup> Relates to other non-core operating entities within the Group.

<sup>2</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor. On March 30, 2008 we disposed of our 50.25% shareholding in NetGold Services Limited (Netgold). As a result we report the Porgera, Tolukuma, Emperor and Netgold information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.

<sup>3</sup> Operating costs equate to cash costs of production.

**For the year ended June 30, 2006**  
(in R'000, except as otherwise noted)

|  | Continuing Operations |                |                |                    |                                |  |                             | Discontinued Operations |                        |                       |                      |                               |
|--|-----------------------|----------------|----------------|--------------------|--------------------------------|--|-----------------------------|-------------------------|------------------------|-----------------------|----------------------|-------------------------------|
|  | Blyvoor               | Crown          | ERPM           | Other <sup>1</sup> | Total South African Operations | Other-Offshore Operations <sup>1</sup> | Total Continuing Operations | Porgera <sup>2</sup>    | Vatukoula <sup>2</sup> | Tolukuma <sup>2</sup> | Other <sup>1,2</sup> | Total discontinued operations |
| <b>Operating costs<sup>3</sup></b> .....                     | 495,779               | 176,894        | 191,803        | 8,760              | <b>873,236</b>                 | -                                      | <b>873,235</b>              | 239,348                 | 59,084                 | 222,476               | (11,055)             | <b>509,853</b>                |
| <i>Plus:</i>   |                       |                |                |                    |                                |  |                             |                         |                        |                       |                      |                               |
| Depreciation and amortization.....                           | 21,763                | 15,031         | 17,635         | 320                | <b>54,749</b>                  | -                                      | <b>54,749</b>               | 64,376                  | 6,075                  | 25,262                | 170                  | <b>95,883</b>                 |
| Retrenchment costs .....                                     | -                     | -              | -              | 984                | <b>984</b>                     | -                                      | <b>984</b>                  | -                       | 4,642                  | -                     | -                    | <b>4,642</b>                  |
| Movement in provision for environmental rehabilitation ..... | (5,245)               | 30,189         | (6,082)        | 9,439              | <b>28,301</b>                  | -                                      | <b>28,301</b>               | 11,196                  | 144                    | 2,288                 | (2,860)              | <b>10,768</b>                 |
| Movement in gold in progress .....                           | 2,023                 | (434)          | 53             | -                  | <b>1,642</b>                   | -                                      | <b>1,642</b>                | 12,076                  | (7,288)                | (9,936)               | -                    | <b>(5,148)</b>                |
| <b>Total operating costs</b>                                 | <b>514,320</b>        | <b>221,680</b> | <b>203,409</b> | <b>19,503</b>      | <b>958,912</b>                 | <b>-</b>                               | <b>958,912</b>              | <b>326,996</b>          | <b>62,657</b>          | <b>240,090</b>        | <b>(13,745)</b>      | <b>615,998</b>                |
| <i>Plus:</i>   |                       |                |                |                    |                                |  |                             |                         |                        |                       |                      |                               |
| Loss on derivative instruments .....                         | -                     | -              | -              | (37)               | <b>(37)</b>                    | -                                      | <b>(37)</b>                 | -                       | (28,365)               | -                     | (6,212)              | <b>(34,577)</b>               |
| Impairment of assets .....                                   | -                     | -              | -              | (44,073)           | <b>(44,073)</b>                | -                                      | <b>(44,073)</b>             | -                       | -                      | -                     | (74,465)             | <b>(74,465)</b>               |
| Administration expenses and general costs .....              | 16,000                | 7,849          | 10,308         | 21,134             | <b>55,291</b>                  | (7,130)                                | <b>48,161</b>               | 50,618                  | 8,523                  | 28,823                | (4,742)              | <b>83,222</b>                 |
| Finance income.....  | 4,522                 | (394)          | (192)          | (9,610)            | <b>(5,674)</b>                 | (4,892)                                | <b>(10,566)</b>             | (562)                   | 6,657                  | (324)                 | (98,503)             | <b>(92,732)</b>               |
| Finance expenses .....                                       | 9,484                 | 1,881          | 12,855         | 69,421             | <b>93,641</b>                  | (752)                                  | <b>92,889</b>               | 5,607                   | (1,416)                | 4,893                 | 4,603                | <b>13,687</b>                 |
| <b>Total costs</b> .....                                     | <b>544,326</b>        | <b>231,016</b> | <b>226,380</b> | <b>56,338</b>      | <b>1,058,060</b>               | <b>(12,774)</b>                        | <b>1,045,286</b>            | <b>382,659</b>          | <b>48,056</b>          | <b>273,482</b>        | <b>(193,064)</b>     | <b>511,133</b>                |
| Gold produced (ounces) .....                                 | 159,693               | 56,000         | 61,278         | -                  | <b>276,971</b>                 | -                                      | <b>276,971</b>              | 128,238                 | 2,059                  | 54,790                | -                    | <b>185,087</b>                |
| Gold produced (Kg) .....                                     | 4,967                 | 1,742          | 1,906          | -                  | <b>8,615</b>                   | -                                      | <b>8,615</b>                | 3,989                   | 64                     | 1,704                 | -                    | <b>5,757</b>                  |
| Cash costs per kilogram (R per Kg).....                      | 99,815                | 101,546        | 100,631        | -                  | <b>101,362</b>                 | -                                      | <b>101,362</b>              | 60,002                  | 923,188                | 130,561               | -                    | <b>88,562</b>                 |
| Total costs per kilogram (R per Kg) .....                    | 109,587               | 132,615        | 118,772        | -                  | <b>122,816</b>                 | -                                      | <b>121,333</b>              | 95,929                  | 750,875                | 160,494               | -                    | <b>88,785</b>                 |

<sup>1</sup> Relates to other non-core operating entities within the Group.

<sup>2</sup> On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick and on October 22, 2007 we sold Emperor. On March 30, 2008 we disposed of our 50.25% shareholding in NetGold Services Limited (Netgold). As a result we report the Porgera, Tolukuma, Emperor and Netgold information as discontinued operations and all other operations as continuing operations. We have adjusted the results for prior reporting periods accordingly.

<sup>3</sup> Operating costs equate to cash costs of production.

## Capital expenditure

During fiscal 2008, total capital expenditure relating to continuing operations was R251.1 million, compared to R139.4 million in fiscal 2007, an increase of 80%. Capital expenditure increased, mainly due to R74.8 million spent specifically on the WAP project at Blyvoor, infrastructural improvements of R30.1 million at ERPM, R42.1 million towards the installation of new pipelines, reclamation of the 3L2 Dump, and Top Star at Crown, and installation and development of infrastructure at the Ergo Joint Venture at a cost of R104.1 million. For a detailed discussion on capital expenditure see item 4D: "Property, Plant and Equipment"

During fiscal 2007, total capital expenditure relating to continuing operations was R139.4 million, compared to R90.4 million in fiscal 2006, an increase of 54%. Capital expenditure increased, mainly due to R68.5 million spent on opening up and development related to implementation of the new mine plan at Blyvoor, infrastructural improvements of R40.6 million at ERPM and R30.0 million towards the installation of new pipelines and reclamation of the 3L2 Dump at Crown.

Subsequent to June 30, 2008 and up to October 31, 2008 we spent R168.3 million on capital expenditure.

## Ore Reserves

As at June 30, 2008, our Ore Reserves from continuing operations were estimated at 4.5 million ounces, as compared to approximately 4.7 million ounces at June 30, 2007, representing a 5% decrease. Excluding the effect of depletion, our Ore Reserves increased by 0.1 million ounces, or 2%. As at June 30, 2007, our Ore Reserves from continuing operations were estimated at 4.7 million ounces, as compared to approximately 5.4 million ounces at June 30, 2006, representing a 13% decrease for fiscal 2007. Excluding the effect of depletion, our Ore Reserves decreased by 0.3 million ounces, or 6%.

We seek to increase our Ore Reserves through development and to acquire additional new Ore Reserves through acquisitions.

|  | <b>2008</b>                                |                 | <b>Year ended June 30,<br/>2007</b>        |                | <b>2006</b>                                |                         |
|--|--|-----------------|--|----------------|--|-------------------------|
|  | <b><u>Kilogram</u></b>                     |                 | <b><u>Kilograms</u></b>                    |                |  |                         |
|  | <b><u>Ounces</u></b><br><b><u>'000</u></b> | <b><u>s</u></b> | <b><u>Ounces</u></b><br><b><u>'000</u></b> |                | <b><u>Ounces</u></b><br><b><u>'000</u></b> | <b><u>Kilograms</u></b> |
| <b>Continuing operations</b>                               |  |                 |  |                |  |                         |
| Blyvoor .....  | 3,332                                      | 103,650         | 3,886                                      | 120,877        | 4,300                                      | 133,749                 |
| Crown <sup>1</sup> .....                                   | 350  | 10,883          | 371  | 11,561         | 225  | 6,988                   |
| ERPM <sup>1</sup> .....                                    | 767  | 23,866          | 482  | 14,986         | 826  | 25,704                  |
| Ergo Joint Venture .....                                   | 61   | 1,906           | -  | -              | -  | -                       |
| <b>Total Ore Reserves from continuing operations ...</b>   | <b>4,510</b>                               | <b>140,305</b>  | <b>4,739</b>                               | <b>147,424</b> | <b>5,351</b>                               | <b>166,441</b>          |
| <b>Discontinued operations</b>                             |  |                 |  |                |  |                         |
| Porgera Joint Venture <sup>2</sup> .....                   | -  | -               | -  | -              | 1,278                                      | 39,726                  |
| Tolukuma .....   | -  | -               | 108  | 3,354          | 195  | 6,061                   |
| Vatukoula <sup>3</sup> .....                               | -  | -               | -  | -              | 678  | 21,102                  |
| <b>Total Ore Reserves from discontinued operations ...</b> | <b>-</b>                                   | <b>-</b>        | <b>108</b>                                 | <b>3,354</b>   | <b>2,151</b>                               | <b>66,889</b>           |

Our Ore Reserves presented in Item 4B.: "Business Overview" and above are prepared using three year average gold prices at the time of reserve determination. In fiscal years 2007 and 2006 the Company presented Ore Reserves based upon the prevailing gold price at fiscal year end, instead of a three year average price. For purposes of our financial statements, depreciation and impairment of property, plant and equipment is determined based upon our "recoverable minerals", which means proven and probable ore reserves, which are calculated using our life of mine business plans and a gold price at the end of each financial year. Accordingly, the change in gold price used to determine our Ore Reserves presented in Item 4B.: "Business Overview", did not have any impact on our financial statements.

<sup>1</sup> With effect from December 1, 2005, we acquired 60% of Crown and ERPM. From this date these operations have been consolidated as subsidiaries. Previously we owned 40% of Crown and ERPM, which were treated as associates.

<sup>2</sup> Our attributable 20% share of the Proven and Probable Ore Reserves in the Porgera Joint Venture is based on the information disclosed by Placer Dome. The Porgera Ore Reserves are estimated as at December 31, 2006.

<sup>3</sup> With effect from April 6, 2006, Emperor, which owns 100% of the Vatukoula mine, became a subsidiary of the Group. Previously we owned 39.52% (2005: 45.33%) of Emperor, which was treated as an associate. On December 5, 2006, Vatukoula was placed on a care and maintenance program.

## **Application of critical accounting policies**

Some of our significant accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

Management believes the following critical accounting policies involve the more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance:

- Property, plant and equipment
- Impairment of property, plant and equipment
- Deferred income and mining taxes
- Reclamation and environmental costs
- Post-retirement medical benefits
- Financial instruments

Management has discussed the development and selection of each of these critical accounting policies with the Board of Directors and the Audit Committee, both of which have approved and reviewed the disclosure of these policies. Our significant accounting policies are described in more detail in note 27 to the consolidated financial statements. Refer to Item 18.: "Financial statements". This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in Item 18.: "Financial statements".

### ***Property, plant and equipment***

Actual expenditures incurred for mineral property interests, mine development costs, mine plant facilities and equipment are capitalized to the specific mine to which the cost relates. Depreciation is calculated on a mine-by-mine basis using the units of production method. Under the units of production method, we estimate the depreciation rate based on actual production over total Proven and Probable Ore Reserves of the particular mine, which are calculated using our life of mine business plans and a gold price at the end of each financial year. This rate is then applied to actual costs capitalized to date to arrive at the depreciation expense for the period. Proven and Probable Ore Reserves of the particular mine reflect estimated quantities of economically and legally recoverable reserves. Changes in management's estimates of the quantities of economically recoverable reserves impact depreciation on a prospective basis. The estimate of the total reserves of our mines could be materially different from the actual gold mined due to changes in the factors used in determining our Ore Reserves, such as the gold price, foreign currency exchange rates, labor costs, engineering evaluations of assay values derived from sampling of drill holes and other openings. Any change in management's estimate of the total Proven and Probable Ore Reserves would impact the depreciation charges recorded in our consolidated financial statements. The prevailing market price of gold at the end of the financial year was R117,055, R154,437 and R208,287 per kilogram for the fiscal years ended June 30, 2006, 2007 and 2008, respectively.

### ***Impairment of property, plant and equipment***

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit 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. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices, production levels and cash costs of production, all based on life of mine business plans. The term "recoverable minerals" means proved and probable ore reserves, which are calculated using our life of mine business plans and a gold price at the end of each financial year. The prevailing market price of gold at the end of the financial year was R117,055, R154,437 and R208,287 per kilogram for the fiscal years ended June 30, 2006, 2007 and 2008, respectively. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets, or the cash-generating unit. An impairment loss is recognized directly against the carrying amount of the asset whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The recoverable amount of property, plant and equipment is generally determined utilizing discounted future cash flows. We also consider such factors as our market capitalization, the quality of the individual orebody and country risk in determining the recoverable amount. During fiscal 2008, R116.5 million was recorded as an impairment and during fiscal 2007 and 2006, R872.1 million and Rnil, respectively, were recorded as an impairment by applying these principles. In fiscal 2008, we calculated the recoverable amount based on updated life-of-mine business plans, a gold price of R235,000 per kilogram in year one escalating at 11% per annum, and a discount rate of 20%. At a 10% lower gold price received of R211,500 per kilogram, a further impairment of R45.7 million would have been raised against ERPM's consolidated underground assets.

### ***Deferred income and mining taxes***

Deferred taxation is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, and based on the laws that have been enacted or substantively enacted by the reporting date.

The amount recognized as a deferred tax asset is generally determined utilizing discounted future cash flows. We consider all factors that could possibly affect the probability that future taxable profit will be available against which unused tax credits can be utilized. These factors included proven profitability of Crown and Blyvoor, cost restructuring at ERPM and a higher gold price. Where necessary, we apply an uncertainty factor to adjust the amount recognized. The amount recognized as a deferred tax asset is sensitive to the current gold spot price. As at June 30, 2008 we recognized a deferred tax asset of R81.6 million, (June 30, 2007: Rnil, and June 30, 2006: Rnil). The amount recognized at June, 30 2008 is based on a future gold price received of R235,000 per kilogram in year one, escalating at an average of 11% per annum. At a 10% lower gold price received of R211 500 per kilogram, the deferred tax asset will reduce by R32.5 million.

### ***Reclamation and environmental costs***

The provision for environmental rehabilitation represents the cost that will arise from rectifying damage caused before production commenced. Accordingly an asset is recognized and included within mining properties. Provisions for environmental rehabilitation are provided at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the obligation is included in the income statement. Estimated future costs of environmental rehabilitation are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology. Changes in estimates are capitalized or reversed against the relevant asset. Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

Estimated provisions for environmental rehabilitation, comprising pollution control rehabilitation and mine closure, are based on our environmental management plans in compliance with current technological, environmental and regulatory requirements. An average discount rate of 11.0%, average inflation rate of 8.9% and expected life of mines according to the life-of-mine plans were utilized in the calculation of the estimated net present value of the rehabilitation liability (fiscal 2007: discount rate of 9.1% and inflation rate of 6.4%, fiscal 2006: discount rate of 8.6% and inflation rate of 4.9%). During fiscal 2008 we acquired the environmental rehabilitation liability to the amount of R 75, 5 million relating to the Ergo Joint Venture and disposed of a liability to the amount of R15.8 million that related to the disposal of Emperor. Charges to the income statement for the environmental rehabilitation of R34.2 million, R20.0 million and R39.1 million were raised in fiscal 2008, 2007 and 2006, respectively. Unwinding of the provisions amounting to R4.7 million, R3.3 million and R7.0 million was recorded in fiscal 2008, 2007 and 2006, respectively.

In South Africa, annual contributions are made to dedicated Rehabilitation Trust Funds, which are to be used to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine.

### ***Post-retirement medical benefits***

Post-retirement medical benefits in respect of qualifying employees are recognized as an expense over the expected remaining service lives of relevant employees. We have an obligation to provide medical benefits to certain of our pensioners and dependants of ex-employees. These liabilities are provided in full, calculated on an actuarial basis. Periodic valuation of these obligations is carried out by independent actuaries using appropriate mortality tables, long-term estimates of increases in medical costs and appropriate discount rates. Actuarial gains and losses are included in determining net income or loss.

Assumptions used to determine the liability include a discount rate, health cost inflation rate, real discount rate, income at retirement, retirement age, spouse age gap, continuation at retirement and proportion married at retirement. At June 30, 2008 a provision of R21.5 million (June 30, 2007: R19.0 million, June 30, 2006: R16.8 million) for post-retirement medical benefits has been raised. During fiscal 2008, we expensed R2.5 million (2007: R2.2 million; 2006: R2.9 million) relating to these post-retirement medical benefits. While we believe that these assumptions are appropriate, significant changes in the assumptions may materially affect post-retirement obligations as well as future expenses, which may have an impact on earnings in the periods where the changes in the assumptions occur.



## Financial instruments

Financial instruments recognized on the balance sheet include investments, derivative financial instruments, trade and other receivables, cash and cash equivalents, long- and short-term interest-bearing borrowings, trade and other payables, and bank overdrafts. Financial instruments are initially recognized at fair value and include any directly attributable transaction costs, except those financial instruments measured at fair value through profit or loss.

If the value of the financial instrument cannot be obtained from an active market, we have established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, refined to reflect the issuer's specific circumstances.

## Operating results

### Comparison of financial performance for the fiscal year ended June 30, 2008 with fiscal year ended June 30, 2007

#### Revenue

The following table illustrates the year-on-year change in revenue from continuing operations by evaluating the contribution of each segment to the total change on a consolidated basis for fiscal 2008 in comparison to fiscal 2007:

| <i>R'000</i>                  | Total<br>revenue<br>2007 | Impact of change in volume |                                  | Impact of<br>change in<br>price | Net<br>change  | Total<br>revenue<br>2008 |
|-------------------------------|--------------------------|----------------------------|----------------------------------|---------------------------------|----------------|--------------------------|
|                               |                          | Acquisitions               | Internal<br>growth/<br>(decline) |                                 |                |                          |
| Blyvoor .....                 | 694,612                  | -                          | (46,357)                         | 199,975                         | 153,618        | 848,230                  |
| Crown .....                   | 472,842                  | -                          | (71,871)                         | 127,654                         | 55,783         | 528,625                  |
| ERPM .....                    | 367,323                  | -                          | (3,386)                          | 103,120                         | 99,734         | 467,057                  |
| <b>Total Operations .....</b> | <b>1,534,777</b>         | <b>-</b>                   | <b>(121,614)</b>                 | <b>430,749</b>                  | <b>309,135</b> | <b>1,843,912</b>         |

Revenue for fiscal 2008 increased by R309.1 million, or 20%, to R1,843.9 million, primarily due to the higher gold price received. The average gold price received by us increased from R147,516 per kilogram in fiscal 2007 to R192,472 per kilogram in fiscal 2008.

#### Operating costs

The following table illustrates the year-on-year change in operating costs from continuing operations by evaluating the contribution of each segment to the total change on a consolidated basis for fiscal 2008 in comparison to fiscal 2007:

| <i>R'000</i>             | Total<br>operating<br>costs<br>2007 | Impact of change in volume |                                  | Impact of<br>change in<br>costs | Net<br>change  | Total<br>operating<br>costs<br>2008 |
|--------------------------|-------------------------------------|----------------------------|----------------------------------|---------------------------------|----------------|-------------------------------------|
|                          |                                     | Acquisitions               | Internal<br>growth/<br>(decline) |                                 |                |                                     |
| Blyvoor .....            | 602,871                             | -                          | (40,234)                         | 134,644                         | 94,410         | 697,281                             |
| Crown .....              | 343,476                             | -                          | (52,207)                         | 70,968                          | 18,761         | 362,237                             |
| ERPM .....               | 358,716                             | -                          | (3,307)                          | 72,846                          | 69,539         | 428,255                             |
| Other <sup>1</sup> ..... | 10,063                              | -                          | -                                | 5,179                           | 5,179          | 15,242                              |
| <b>Total .....</b>       | <b>1,315,126</b>                    | <b>-</b>                   | <b>(95,748)</b>                  | <b>283,637</b>                  | <b>187,889</b> | <b>1,503,015</b>                    |

<sup>1</sup> Relates to non-operating entities within the Group.

The following table lists the major components of operating costs for each of the years set forth below:

| <b><u>Costs</u></b>        | <b><u>Years ended June 30,</u></b> |                    |
|----------------------------|------------------------------------|--------------------|
|                            | <b><u>2008</u></b>                 | <b><u>2007</u></b> |
| Labor.....                 | 41%                                | 39%                |
| Contractor services .....  | 11%                                | 18%                |
| Inventory.....             | 25%                                | 29%                |
| Electricity and water..... | 13%                                | 14%                |

As gold mining in South Africa is very labor intensive, labor costs and contractor services are the largest components of operating costs. Operating costs are linked directly to the level of production of a specific fiscal year. Operating costs in fiscal 2008 increased by 14% to R1,503.0 million compared to operating costs of R1,315.1 million in fiscal 2007. This increase was primarily attributable to higher costs of labor, steel, fuel, electricity and water at all the operations.

At Blyvoor operating costs increased from R602.9 million in fiscal 2007 to R697.3 million in fiscal 2008, with a decrease in volume from 151,269 ounces to 141,172 ounces produced, due to the loss of seven production shifts underground because of a stoppage imposed by the DME's Safety Inspectorate in October following two fatalities; the impact of power cuts by Eskom in January when five production days were lost; and a one-day illegal strike during May. Operating costs at Crown were R362.2 million in fiscal 2008, compared to R343.5 million in fiscal 2007. At ERPM operating costs increased from R358.7 million in fiscal 2007 to R 428.3 million in fiscal 2008.

#### ***Rehabilitation provision and amounts contributed to environmental trust funds***

As of June 30, 2008, we estimate our total rehabilitation provision, being the discounted estimate of future costs, to be R381.3 million as compared to R282.6 million at June 30, 2007. The increase in fiscal 2008 related to the acquisition of the environmental rehabilitation liability to the amount of R 75.5 million relating to the Ergo Joint Venture and the disposal of a liability to the amount of R15.8 million that related to the disposal of Emperor. A movement in the rehabilitation provision of R34.2 million (fiscal 2007: R20.0 million) and an unwinding of the discount of R4.7 million was recorded in fiscal 2008 (fiscal 2007: R3.3 million).

A total of R110.8 million was invested in our various environmental trust funds as at the end of fiscal 2008, as compared to R75.8 million for fiscal 2007. The increase is attributable to investment growth and additional contributions made during the year under review. The shortfall between the trust funds and the estimated provisions is expected to be financed by ongoing financial contributions over the remaining production life of the respective mining operations.

#### ***Depreciation***

Depreciation charges relating to our continuing operations were R69.1 million for fiscal 2008 compared to R63.9 million for fiscal 2007. The increase is mainly attributable to an increase in capital expenditure in recent years.

#### ***Retrenchment costs***

Retrenchment costs relating to our continuing operations increased to R11.3 million in fiscal 2008 from R0.9 million for fiscal 2007. In fiscal 2008, these costs related to retrenchments made at ERPM at a cost of R5.5 million, retrenchment costs at DRDGOLD SA, at a cost of R0.9 million, and retrenchment costs at our corporate head office, at a cost of R4.9 million. Retrenchment costs increased in fiscal 2008 due to a cost reduction initiatives implemented during the year.

#### ***Impairments***

In fiscal 2008, an impairment relating to the underground mining assets at ERPM amounting to R69.8 million was recorded. The impairment was due to the recoverable amount represented by the value in use of these assets being less than their carrying amount. This compares to an impairment of R5.9 million in fiscal 2007 which was recorded against preference shares held in Khumo Gold and a loan to our employee trust.

#### ***Administration expenses and general costs***

The administration expenses and general costs relating to our continuing operations decreased in fiscal 2008 to R79.4 million as compared to R109.3 million in fiscal 2007, a decrease of R29.9 million. The decrease was mainly due to our ongoing focus on reducing corporate costs and the disposal of Emperor.

### ***Finance income***

Finance income from our continuing operations increased from R7.9 million in fiscal 2007 to R92.0 million in fiscal 2008. The majority of the increase in fiscal 2008 related to interest received on our significantly higher cash and cash equivalents in fiscal 2008 compared to fiscal 2007.

### ***Finance expenses***

Finance expenses from our continuing operations increased from R24.2 million in fiscal 2007 to R108.1 million in fiscal 2008. A net loss on the re-measurement of financial liabilities carried at amortized cost of R83.7 million in fiscal 2008 was the main reason for the increase.

### ***Income tax***

The net tax benefit relating to our continuing operations of R68.3 million for fiscal 2008 comprises a current taxation charge of R13.3 million and a deferred tax benefit of R81.6 million. This compares to a current taxation charge of R0.3 million and Secondary Tax on Companies of R0.4 million in fiscal 2007. The increase in the deferred tax benefit was as a result of the recognition of estimated tax losses at our operations which were not recognized previously.

### ***Profit on disposal of discontinued operations***

On August 17, 2007, Emperor sold its 20% interest in the Porgera Joint Venture to Barrick. The total consideration for the transaction was R1.9 billion (\$255.0 million) which was paid in cash. We recognized a profit on disposal of Porgera of R1.1 billion. The effective date of the transaction was April 1, 2007.

The sale of our 78.72% interest in Emperor was concluded on October 22, 2007 for a total consideration of R355.8 million (A\$56.0 million). We recognized a profit on disposal of R103.4 million.

On March 30, 2008 we disposed of our 50.25% shareholding in NetGold and in exchange for our shareholding in NetGold obtained a 12.3% stake in GoldMoney. A profit of R13.4 million was recognized on this disposal.

### **Comparison of financial performance for the fiscal year ended June 30, 2007 with fiscal year ended June 30, 2006**

#### ***Revenue***

The following table illustrates the year-on-year change in revenue from continuing operations by evaluating the contribution of each segment to the total change on a consolidated basis for fiscal 2007 in comparison to fiscal 2006:

| <b><i>R'000</i></b>      | <b>Total<br/>revenue<br/>2006</b> | <b>Impact of change in volume</b> |   | <b>Impact of<br/>change in<br/>price</b> | <b>Net<br/>change</b> | <b>Total<br/>revenue<br/>2007</b> |
|--------------------------|-----------------------------------|-----------------------------------|---|--|-----------------------|-----------------------------------|
|                          |                                   | <b>Acquisitions</b>               | <b>Internal<br/>growth/<br/>(decline)</b> |  |                       |                                   |
| Blyvoor .....            | 538,841                           | -                                 | (28,423)                                  | 184,194                                  | 155,771               | 694,612                           |
| Crown <sup>1</sup> ..... | 206,546                           | -                                 | 173,304                                   | 92,992                                   | 266,296               | 472,842                           |
| ERPM <sup>1</sup> .....  | 225,217                           | -                                 | 69,660                                    | 72,446                                   | 142,106               | 367,323                           |
| <b>Total .....</b>       | <b>970,604</b>                    | <b>-</b>                          | <b>214,541</b>                            | <b>349,632</b>                           | <b>564,173</b>        | <b>1,534,777</b>                  |

Revenue for fiscal 2007 increased by R564.2 million, or 58%, to R1,534.8 million, due to an increase in production and a higher gold price received. The average gold price received by us increased from R112,665 per kilogram in fiscal 2006 to R147,516 per kilogram in fiscal 2007.

<sup>1</sup> With effect from December 1, 2005, we acquired 60% of Crown and ERPM. From this date these operations have been consolidated as subsidiaries. Previously we owned 40% of Crown and ERPM, which were treated as associates.

## Operating costs

The following table illustrates the year-on-year change in operating costs from continuing operations by evaluating the contribution of each segment to the total change on a consolidated basis for fiscal 2007 in comparison to fiscal 2006:

| <i>R'000</i>       | Total<br>operating<br>costs<br>2006 | Impact of change in<br>volume |                                  | Impact of<br>change in<br>costs | Net<br>change  | Total<br>operating costs<br>2007 |
|--------------------|-------------------------------------|-------------------------------|----------------------------------|---------------------------------|----------------|----------------------------------|
|                    |                                     | Acquisitions                  | Internal<br>growth/<br>(decline) |                                 |                |                                  |
| Blyvoor .....      | 495,779                             | -                             | (26,151)                         | 133,243                         | 107,092        | 602,871                          |
| Crown .....        | 176,894                             | -                             | (209,104)                        | 375,686                         | 166,582        | 343,476                          |
| ERPM .....         | 191,803                             | -                             | (220,722)                        | 387,635                         | 166,913        | 358,716                          |
| Other .....        | 8,760                               | -                             | -                                | 1,303                           | 1,303          | 10,063                           |
| <b>Total .....</b> | <b>873,236</b>                      | <b>-</b>                      | <b>(455,977)</b>                 | <b>897,867</b>                  | <b>441,890</b> | <b>1,315,126</b>                 |

The following table lists the major components of operating costs for each of the years set forth below:

| <u>Costs</u>              | <u>Years ended June 30,</u> |             |
|---------------------------|-----------------------------|-------------|
|                           | <u>2007</u>                 | <u>2006</u> |
| Labor.....                | 39%                         | 35%         |
| Contractor Services ..... | 18%                         | 22%         |
| Inventory.....            | 29%                         | 31%         |
| Electricity.....          | 14%                         | 12%         |

As gold mining in South Africa is very labor intensive, labor costs and contractor services are the largest components of operating costs in that region. Operating costs are linked directly to the level of production of a specific fiscal year. Operating costs in fiscal 2007 increased by 51% to R1,315.1 million compared to operating costs of R873.2 million in fiscal 2006. This increase was primarily due to Crown and ERPM being consolidated with effect from December 1, 2005, when we acquired 60% of these operations. Previously we owned 40% of Crown and ERPM, which were treated as associates.

At Blyvoor operating costs increased from R495.8 million in fiscal 2006 to 602.9 million in fiscal 2007, with a decrease in volume from 159,693 ounces to 151,269 ounces produced, due to the new, "lower grade, higher volume" mine plan to address safety concerns arising from increasing levels of seismicity in the high-grade area of the mine's No. 5 Shaft. Operating costs at Crown were R343.5 million in fiscal 2007, compared to R176.9 million in fiscal 2006. At ERPM operating costs increased from R191.8 million in fiscal 2006 to 358.7 million in fiscal 2007.

## Rehabilitation provision and amounts contributed to environmental trust funds

As of June 30, 2007, we estimated our total rehabilitation provision, being the discounted estimate of future costs, to be R282.6 million as compared to R322.3 million at June 30, 2006. In fiscal 2007, a movement in the rehabilitation provision of R20.0 million (fiscal 2006: R39.1 million) and an unwinding of the discount of R3.3 million was recorded (fiscal 2006: R7.0 million). During fiscal 2007 R61.6 million was transferred to non-current liabilities held for sale.

A total of R75.8 million was invested in our various environmental trust funds as at the end of fiscal 2007, as compared to R60.4 million for fiscal 2006. The increase is attributable to investment growth and additional contributions made during the year under review. The shortfall between the trust funds and the estimated provisions is expected to be financed by ongoing financial contributions over the remaining production life of the respective mining operations.

## Depreciation

Depreciation charges relating to our continuing operations were R63.9million for fiscal 2007 compared to R54.7 million for fiscal 2006. The increase is mainly attributable to an increase in capital expenditure in recent years

## Retrenchment costs

Retrenchment costs relating to the continuing operations amounted to R0.9 million for fiscal 2007 compared with R1.0 million for fiscal 2006. In fiscal 2007, these costs related to retrenchments made at our corporate head office.

### ***Impairments***

In fiscal 2007 an impairment of R5.9 million was recorded against preference shares held in Khumo Gold and a loan to our employee trust. In fiscal 2006, net reversals of impairments on various loans amounted to R44.0 million.

### ***Administration expenses and general costs***

The administration expenses and general costs from continuing operations increased in fiscal 2007 to R109.3 million compared to R48.2 million in fiscal 2006, an increase of R61.1 million. The increase is mainly due to the consolidation of Crown and ERPM's corporate costs for a full year in fiscal 2007.

### ***Finance income***

Finance income from our continuing operations decreased from R10.6 million in fiscal 2006 to R7.9 million in fiscal 2007. The decrease was as a result of lower interest received in fiscal 2007.

### ***Finance expenses***

Finance expenses from continuing operations decreased from R92.9 million in fiscal 2006 to R24.2 million in fiscal 2007. The majority related to an unrealized foreign exchange loss of R43.6 million recognized in fiscal 2006 compared to a gain of R14.0 million in fiscal 2007.

### ***Income tax***

The net tax expense relating to the continuing operations of R0.7 million for fiscal 2007 comprises a current taxation charge of R0.3 million and Secondary Tax on Companies of R0.4 million. This compares to a current taxation charge of R1.3 million in fiscal 2006.

### ***Profit from discontinued operations, net of taxes***

On December 5, 2006, after an extensive three-month review of Vatukoula, we determined that continued mining operations at Vatukoula were no longer economically viable and that the mine would therefore cease production. After a strategic review to optimize the value of Vatukoula and other Fijian land holdings, the mine was placed on a care and maintenance program. On March 28, 2007, Emperor sold all its Fijian assets, including the Vatukoula Mine to Westech Gold (Pty) Limited for A\$1.00, realizing a profit of R90.9 million.

## 5B. LIQUIDITY AND CAPITAL RESOURCES

### Operating activities

Net cash of R182.6 million was generated by operating activities for fiscal 2008 as compared to cash generated by operating activities of R2.3 million for fiscal 2007 and cash utilized by operating activities of R53.4 million for fiscal 2006. During fiscal 2008, the net working capital movement represented an inflow of cash of R19.0 million, compared to an inflow of R99.2 million in fiscal 2007. Cash generated from operating activities improved significantly as a result of the disposal of Emperor along with our loss-making foreign operations.

### Investing activities

Net cash generated from investing activities amounted to R1,531.0 million in fiscal 2008 compared to R316.3 million utilized in fiscal 2007 and R238.9 million utilized in fiscal 2006.

In fiscal 2008, cash generated from investing activities mainly consisted of a cash inflow on disposal of Porgera, net of cash disposed, of R1,936.7 million, cash outflow on disposal of Netgold and Emperor, net of cash disposed, of R121.7 million along with capital expenditure of R286.7 million (including discontinued operations) and contributions to environmental trust funds of R26.5 million. Cash utilized in investing activities during fiscal 2007, included capital expenditure of R313.0 million (including discontinued operations). In fiscal 2006, cash utilized in investing activities included R45.3 million received on acquisition of ERPM, Crown and Emperor, net of cash acquired, R4.0 million cash outflow on disposal of Stand 752 Parktown Extension (Pty) Ltd, net of cash disposed and capital expenditure of R263.3 million (including discontinued operations).

Total capital expenditure for fiscal 2008 was R286.7 million (including discontinued operations). Capital expenditures were predominantly on Ore Reserve development and new underground mining equipment at all operations. Significant continuing capital projects for fiscal 2008 included:

- Ore Reserve development specifically for the WAP project at Blyvoor at a cost of R74.8 million;
- Installation of new pipelines, 3L2 dump reclamation and Top Star at Crown at a cost of R42.1 million;
- Ore Reserve development and improvement of infrastructure at ERPM at a cost of R30.1 million;
- Installation and development of infrastructure at ERGO at a cost of R104.1 million.

Total capital expenditure for fiscal 2007 was R313.0 million (including discontinued operations). Capital expenditures were predominantly on Ore Reserve development and new underground mining equipment at all operations. Significant continuing capital projects for fiscal 2007 included:

- Ore Reserve development, pipeline and PLC (Programmable logic controller) upgrades, new mobile cooling units and the WAP project at Blyvoor at a cost of R68.5 million;
- Installation of new pipelines, 3L2 Dump reclamation and new buttresses at Crown at a cost of R30.0 million;
- Ore Reserve development and improvement of infrastructure at ERPM at a cost of R40.6 million;
- Upgrading of Philip Shaft infrastructure and Ore Reserve development at Vatukoula at a cost of R66.4 million; and
- Contributions to the West Wall refurbishment at Porgera of R27.4 million

Total capital expenditure for fiscal 2006 was R263.3 million (including discontinued operations). Capital expenditures were predominantly on Ore Reserve development and new underground mining equipment at all operations. Significant continuing capital projects for fiscal 2006 included:

- Ore Reserve development at Blyvoor at a cost of R56.7 million;
- Installation of new mills at Crown's Knights Plant at a cost of R31.5 million;
- Improvement of infrastructure at ERPM at a cost of R13.5 million;
- Initial phase of the upgrading of Philip Shaft infrastructure, the replacement of outdated underground equipment and the improved underground environmental control at Vatukoula at a cost of R33.4 million; and
- Contributions to the West Wall refurbishment at Porgera of R101.6 million.

We anticipate increasing our capital expenditure in fiscal 2009 by about 19% from our capital expenditure for fiscal 2008 on continuing operations. We expect to incur R299.7 million of capital expenditure on mining equipment and development, upgrading existing underground operations and upgrading current metallurgical plants as follows:

- Blyvoor – R95.9 million;
- Crown - R55.7 million;
- ERPM - R22.9 million;
- ERGO Mining Joint Venture - R125.2 million.

## **Financing activities**

Net cash outflow from financing activities was R840.0 million in fiscal 2008 compared to R98.7 million in fiscal 2007. In fiscal 2006 the net cash inflow from financing activities was R452.3 million.

During fiscal 2008, we issued 6,229,607 shares for proceeds of R30.3 million. Of these shares, we issued 5,800,000 shares to Investec raising R28.0 million in settlement of financing facilities and a portion of the Convertible Loan Notes and 429,607 shares to the share option scheme for a consideration of R2.3 million.

During fiscal 2007, we issued 50,306,903 shares for proceeds of R315.6 million. Of these shares, we issued 50,132,575 shares to Investec raising R314.6 million in settlement of financing facilities and 174,328 shares to the share option scheme for a consideration of R1.0 million.

During fiscal 2006, we issued 23,829,030 shares for proceeds of R203.3 million. Of these shares, we issued 17,815,945 shares to Investec raising R163.0 million in settlement of financing facilities and 629,009 shares to the share option scheme for a consideration of R3.5 million. In addition we issued 4,451,219 shares to the IDC for loans we acquired from them for R28.9 million, which the IDC previously held with Crown and ERPM. Furthermore, 932,857 shares were issued as payment for consulting services rendered of R7.9 million.

## **Borrowings and funding**

Our external sources of capital include the issuance of debt, bank borrowings and the issuance of equity securities, which include the following:

Effective July 31, 2007 and March 1, 2008, Ergo Mining (Pty) Limited entered into two separate loan facilities, amounting to R85.3 million, with AngloGold Ashanti Limited for the purchase of the remaining movable and immovable assets of Ergo. The facilities are repayable in equal monthly installments over 23 and 19 months, respectively. The loans bear interest at the prime lending rate, which was 15.5% at June 30, 2008. The loan is secured over the assets that were purchased from AngloGold Ashanti Limited.

On September 13, 2006, we entered into a R257.0 million facility with Investec (Mauritius). We drew down R242.4 million under this facility for the purpose of repaying the Senior Convertible Notes. At June 30, 2007, we had repaid a portion of this amount by issuing 39,518,327 ordinary shares to the value of R213.8 million. The facility attracted interest at the three-month LIBOR plus 3% and was secured by DRD (Offshore)'s shares in Emperor Mines Limited. The loan agreement prohibited the Company from disposing of or further encumbering the secured assets and the facility was renewable. The loan was repayable within 12 months after year end. On July 18, 2007 we repaid this facility by issuing 5,800,000 of our ordinary shares to the total value of R28.0 million.

As at June 30, 2008 we had no bank borrowing facilities in place.

## **Anticipated funding requirements and sources**

At June 30, 2008, we had cash and cash equivalents of R846.1 million, and positive working capital (defined as current assets less current liabilities) of R761.8 million, compared to cash and cash equivalents of R105.4 million and negative working capital of R179.7 million at June 30, 2007 and cash and cash equivalents of R488.9 million and negative working capital of R312.2 million at June 30, 2006. At October 31, 2008, our cash and cash equivalents were R 644.5 million.

Our management believes that existing cash resources, net cash generated from operations will be sufficient to meet our anticipated commitments for fiscal 2009 as described above.

Our estimated working capital, capital expenditure and other funding commitments, as well as our sources of liquidity, would be adversely affected if:

- our operations fail to generate forecasted net cash flows from operations;
- there is an adverse variation in the price of gold or foreign currency exchange rates in relation to the US Dollar, particularly with respect to the Rand; or
- our operating results or financial condition are adversely affected by the uncertainties and variables facing our business discussed under Item 5A.: "Operating Results" or the risk factors described in Item 3D.: "Risk Factors."

In such circumstances, we could have insufficient capital to meet our current obligations in the normal course of business, which would have an adverse impact on our financial position and our ability to continue operating as a going concern. We would need to reassess our operations, consider further restructuring and/or obtain additional debt or equity funding. There can be no assurance that we will obtain this additional or any other funding on acceptable terms or at all.

## **5C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

We are not involved in any research and development and have no registered patents or licenses.

## **5D. TREND INFORMATION**

During the first quarter of fiscal 2009, we produced 70,861 ounces at average cash costs of R188,967 per kilogram from our continuing operations. Gold production from our continuing operations for the second quarter of fiscal 2009 is expected to be lower, due to the suspension of drilling and blasting at ERPM in this quarter. As a result, cash costs for the second quarter of fiscal 2009 may be higher than that achieved during the first quarter of fiscal 2009.

For the full year fiscal 2009, we are forecasting gold production from our continuing operations of approximately 285,000 ounces at cash costs of approximately R186,656 per kilogram, based on an exchange rate assumption of approximately \$1.00/R9.55. Our ability to meet the full year's production target could be impacted by, amongst other factors, seismicity, power shortages, lower grades, restructuring of ERPM and safety-related stoppages. We are also subject to cost pressures due to increases in labor costs; increases in crude oil, steel, electricity and water prices; unforeseen changes in ore grades and recoveries; unexpected changes in the quality or quantity of reserves; unstable or unexpected ground conditions and seismic activity; technical production issues; environmental and industrial accidents; gold theft; environmental factors; and pollution, which could adversely impact the forecasted cash costs for fiscal 2009.

## **5E. OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not engage in off-balance sheet financing activities, and does not have any off-balance sheet debt obligations, special purposes entities or unconsolidated affiliates.

## **5F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

|   | <b>Payments due by period</b> |                         |                         |                         |                         |
|---|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b><u>Total</u></b>           | <b><u>Less than</u></b> | <b><u>Between</u></b>   | <b><u>Between</u></b>   | <b><u>More than</u></b> |
|   | <b><u>R'000</u></b>           | <b><u>1 year</u></b>    | <b><u>1-3 years</u></b> | <b><u>3-5 years</u></b> | <b><u>5 years</u></b>   |
|   | <b><u>R'000</u></b>           | <b><u>R'000</u></b>     | <b><u>R'000</u></b>     | <b><u>R'000</u></b>     | <b><u>R'000</u></b>     |
| Long-term loans (including interest).....                                     | 28,488                        | 26,095                  | 2,393                   | -                       | -                       |
| Purchase obligations – contracted capital expenditure <sup>1</sup> .....      | 79,366                        | 79,366                  | -                       | -                       | -                       |
| DRDGOLD SA Employment share trust (including interest) ....                   | 237,065                       | 60,577                  | -                       | 147,044                 | 29,444                  |
| Environmental rehabilitation, reclamation and closure costs <sup>2</sup> .... | 381,252                       | -                       | 63,852                  | -                       | 317,400                 |
| <b>Total contractual cash obligations.....</b>                                | <b>726,171</b>                | <b>166,038</b>          | <b>66,245</b>           | <b>147,044</b>          | <b>346,844</b>          |

## **5G. SAFE HARBOR**

See “Special Note regarding Forward-Looking Statements.”

<sup>1</sup> Represents planned capital expenditure for which contractual obligations exist.

<sup>2</sup> Operations of gold mining companies are subject to extensive environmental regulations in the various jurisdictions in which they operate. These regulations establish certain conditions on the conduct of our operations. Pursuant to environmental regulations, we are also obliged to close our operations and reclaim and rehabilitate the lands upon which we have conducted our mining and gold recovery operations. The gross estimated closure costs at existing operating mines and mines in various stages of closure are reflected in this table. For more information on environmental rehabilitation obligations, see Item 4D.:“Property, Plant and Equipment” and Note 19 “Provision for environmental rehabilitation, reclamation and closure costs” to our financial statements.



## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 6A. DIRECTORS AND SENIOR MANAGEMENT

#### Directors and Executive Officers

Our board of directors may consist of not less than four and not more than twenty directors. As of June 30, 2008, our board consisted of seven directors and as of June 30, 2007, six directors. With effect from August 21, 2008, our board increased to eight directors.

In accordance with JSE listing requirements and our Articles of Association, one third of the directors comprising the board of directors, on a rotating basis, are subject to re-election at each annual general shareholders' meeting. Additionally, all directors are subject to election at the first annual general meeting following their appointment. Retiring directors normally make themselves available for re-election.

The address of each of our Executive Directors and Non-Executive Directors is the address of our principal executive offices.

#### Executive Director

*John William Cornelius Sayers (62)* Chief Executive Officer. Mr. J.W.C. Sayers was appointed as Chief Financial Officer on September 5, 2005. He has almost 40 years' financial experience, most recently as Financial Director of Nampak Limited, from 1996 to 2004, and as Financial Director of Altron Limited, from 1989 to 1996, with a Bachelor of Science (Hons) degree in Econometrics and Statistics. Mr. J.W.C. Sayers qualified as a chartered accountant in both England and South Africa. On December 11, 2006, Mr. J.W.C. Sayers was appointed as Chief Executive Officer with effect from January 1, 2007. Mr. J.W.C. Sayers' contract comes to an end on December 31, 2008, at which time he will retire. Mr. J.W.C. Sayers will be succeeded by Mr. Daniel Johannes Pretorius, who will take over as CEO on January 1, 2009.

*Daniel Johannes Pretorius (41)* Chief Executive Officer Designate. Mr. D.J. Pretorius was appointed as Chief Executive Officer Designate on August 21, 2008. Mr. Pretorius holds a B.Proc, LLB degree and was appointed Group Legal counsel for the Company in February 2003. He has 15 years' of experience in the mining industry. He was appointed as Chief Executive Officer of DRDGOLD SA in July 2006 and is also a director of Rand Refinery Limited. Mr. D.J. Pretorius will succeed Mr. J.W.C. Sayers as CEO on January 1, 2009.

*Craig Clinton Barnes (38)* Chief Financial Officer. Mr. C.C. Barnes joined the Company in August 2004 as Group Financial Accountant. A Chartered Accountant, he has a B.Comm degree from the University of the Witwatersrand, or Wits University, and a B.Com Honors degree from the University of South Africa, or Unisa. Prior to joining the Company, he was head of financial reporting for Liberty Group Limited and he has over ten years' financial experience. He was appointed as Chief Financial Officer of DRDGOLD SA in July 2006 and as Chief Financial Officer of DRDGOLD on May 5, 2008.

#### Non-Executive Directors

*Geoffrey Charles Campbell (47)*. Mr. G.C. Campbell was appointed as Non-Executive Director in 2002, as a Senior Independent Non-Executive Director in December 2003 and as Non-Executive Chairman in October 2005. A qualified geologist, he has worked on a gold mine in Canada. He then spent 15 years first as a stockbroker and afterwards as a fund manager, during which time he managed the Merrill Lynch Investment Manager's Gold and General Fund, one of the largest gold mining investment funds. He was also Research Director for Merrill Lynch investment Managers. Mr. G.C. Campbell is Managing Director of Boatlaunch Limited and a director of Oxford Abstracts. On June 26, 2006, he was appointed Non-Executive Chairman of Emperor Mines Limited. He resigned as Non-Executive Chairman of Emperor Mines Limited on November 1, 2007, and on March 11, 2008 as a Non-Executive Director when Emperor Mines Limited merged with Intrepid Mines Limited.

*Robert Peter Hume (68)*. Mr. R.P. Hume was appointed as a Non-Executive Director in 2001. He has forty three years' experience in the auditing field of which the last nineteen years were spent as a partner in the East London (South Africa) office of KPMG. Since retirement in 1999, he has spent nine years as an investment manager at Sasfin Frankel Pollak in East London. Mr. R.P. Hume is also a director of King Consolidated Holdings Limited.

*Douglas John Meldrum Blackmur (64).* Professor D.J.M. Blackmur was appointed as a Non-Executive Director in October 2003. He holds a PhD in industrial relations from the University of Queensland and has a career which spans more than 35 years, primarily in the fields of management, corporate governance and research. He currently holds the position of Professor Extraordinary at the University of the Western Cape. Professor Blackmur is also the chairman of the Parliamentary Constituency Office Management Committee of the South African Deputy Minister of Foreign Affairs and a foundation member of the Ports Regulator of South Africa. At the Annual General Meeting, or AGM, held at the company's registered offices on November 28, 2008, the ordinary resolutions set out in the Notice of AGM, dated September 22, 2008, the resolution relating to the re-election of Professor D.J.M Blackmur as a director was withdrawn. In terms of article 93 (b) of the company's Articles of Association, Professor Blackmur therefore ceased to be director of the company with effect from November 28, 2008. On December 4, 2008, the directors of DRDGOLD, at a special meeting, resolved not to reappoint Professor Blackmur to the board.

*James Turk (61).* Mr. J. Turk was appointed a Non-Executive Director in October 2004. He is the founder and a director of G.M. Network Limited (GoldMoney.com), the operator of a digital gold currency payment system. Since graduating from George Washington University with a BA degree in International Economics in 1969, he has specialized in international banking, finance and investments. After starting his career with Chase Manhattan Bank (now J.P. Morgan Chase) he joined RTB, Inc., the private investment and trading company of a prominent precious metals trader in 1980. He moved to the United Arab Emirates in 1983 as Manager of the Commodity Department of the Abu Dhabi Investment Authority. Since resigning from this position in 1987, he has written extensively on money and banking.

*Edmund Jeneker (46).* Mr. E.A. Jeneker was appointed a Non-Executive Director on November 1, 2007. He is a trained accountant and over the past 10 years specialized in business strategy and general management. He is the General Manager: Retail Bank at ABSA Bank Limited. Prior to joining ABSA Bank he was the Western Cape Regional Manager at Deloitte and Touche Chartered Accountants, where he was responsible for International trade and Investments in the Tax Division. He also headed up the World Bank Competitiveness Fund in the Western and Eastern Cape and was Financial Controller: Corporate Finance at Mercantile and General.

### **Senior Management**

*David Johannes Botes (51)* Group Risk Manager. Mr. D.J. Botes (Dip Comm, HDip Tax) joined DRDGOLD on September 7, 1988 as Group Financial Manager. He was appointed Group Risk Manager on February 1, 2003. He has 25 years of financial management experience.

*Jacob Hendrik Dissel (50)* Group Financial Manager. Mr. J.H. Dissel (B Comm Hons) joined DRDGOLD as Group Financial Manager in October 1999. He has 25 years' experience in the mining industry

*Themba John Gwebu (44)* Executive Officer: Compliance. Mr. T.J. Gwebu (B Iuris, LLB, LLM) is a qualified attorney who worked as a magistrate prior to joining the Company in April 2004 as Assistant Legal Advisor. He was appointed to the position of Company Secretary in April 2005 and Executive Officer: Compliance Officer on January 1, 2007.

*Amanda Roxanne Hoosen (30)* Manager Internal Audit and Compliance. Ms. A.R. Hoosen joined the Company in her current position in October 2004. She is a graduate in accounting and international business from Drexel University in the United States, and a Certified Public Accountant. She was previously employed in the United States by Cox Enterprises Incorporated and Ernst and Young, LLP.

*Andrew Norman Weir (44)* Executive Officer: Human Resources. Mr. A.N. Weir holds a B.Soc Sci degree and a diploma in advanced labor law, and he has also completed a Management Development Program, or MDP. He was appointed Group Strategic Manager Human Resources on April 1, 2006 and Executive Officer: Human Resources on April 1, 2008. Mr. A.N. Weir has 20 years' experience in the mining industry.

*Henry Gouws (39)* General Manager: Crown. Mr. H. Gouws graduated from Technicon Witwatersrand and obtained a National Higher Diploma in Extraction Metallurgy in 1991. He completed a MDP in 2003 through Unisa School of Business Leadership. He was appointed Operations Manager of Crown in January 2006 and General Manager in July 2006. He has 20 years' experience in the mining industry.

*Kevin Peter Kruger (40)* Regional Engineering Manager. Mr. K.P. Kruger holds a BSc degree in mechanical engineering from Wits University and joined the Company in 1994. Previously the Engineering Manager at the Company's North West Operations, he was appointed to his current position in April 2005.

*Louis Charles Lamsley (60)* Head of Properties Division. Mr. L.C. Lamsley who has a National Diploma in Metalliferous Mining and a Mine Manager's Certificate of Competency, was appointed to his current position in January 2008. He has 35 years' experience in the gold mining industry, 27 years of which have been spent in management.

*Hurwa Ben Nyirenda (45)* General Manager: New Business and Strategic Liaison. Mr. H.B. Nyirenda joined the Company as Technical Services Manager at Blyvoor in May 2004, transferring to the company's North West Operations as Production Manager in October 2004. He has been the Head of New Business for DRDGOLD SA since January 2006 and was appointed General Manager: New Business and Strategic Liaison on April 1, 2008. A graduate of the Camborne School of Mines, England, he holds a BSc (Hons) in Mining Engineering, an MSc in Mining Engineering from Wits University and an MBA from the Wits Business School. A registered professional engineer with ECSA since 1998, he obtained his mine Manager's certificate in 1995. He has 17 years' experience in the mining industry, in both gold and diamond sectors. He has also worked in the field of financial management.

*Cornelius Russouw (50)* Executive Officer: Underground Operations. Mr. C. Russouw became General Manager at Blyvoor in September 2006. He was previously Mine Manager at Harmony Gold Mining Company Limited's Virginia Operations and has held various mining-related positions within Harmony and GenGold/Gold Fields, during a career spanning 27 years. He has a B Tech degree in mining engineering, a national diploma in Metalliferous Mining and a National higher diploma in Metalliferous Mining. He was appointed Executive Officer: Underground Operations on January 1, 2008.

*Wayne Swanepoel (45)* Regional Human Resources Manager. Mr. W. Swanepoel was appointed to his current position on April 1, 2005. Previously, he was Human Resources Manager at Crown and Senior Human Resources Manager at Rand Mines' Duvha Opencast Colliery. He holds a BA degree from Rhodes University and has completed an MDP in Labor Relations, both at Unisa's School of Business Leadership, and an advanced diploma in Labor Law at the University of Johannesburg. He has 18 years' experience in the mining industry.

*Charles Methley Symons (54)* Executive Officer: Surface Operations. Mr. C.M. Symons was appointed General Manager Crown in 1997 and to his current position in January 2006. He holds a Masters degree in Business Leadership and a B.Comm degree from Unisa, and he also has a National Diploma in Extractive Metallurgy. He was appointed Executive Officer: Surface Operations on January 1, 2008.

*Phillip Watters (52)* General Manager Projects. Mr. P. Watters joined the Company in 2002 and took up his current position on August 1, 2005. He was previously General Manager ERPM. Mr. P. Watters, who obtained a Mine Manager's certificate in May 2004, has a total of 33 years experience in mining, 23 years of which were spent with Gold Fields and four with Anglo American. His career includes both production and project management experience.

*David Whittaker (52)* Regional Geologist. Mr. D. Whittaker (BSc (Hons), Dip Mining Engineering, Dip Engineering) joined DRDGOLD in 1996 and took up his current position in April 2005. He has 26 years' experience in the mining industry.

### ***Changes in our Board of Directors and Executive Officers***

The following changes occurred in our board of directors and executive officers from July 1, 2007 to October 31, 2008.

| <b><u>Appointments</u></b> | <b><u>Title</u></b>                                   | <b><u>Date</u></b> |
|----------------------------|---|--------------------|
| E.A. Jeneker               | Non-Executive Director                                | November 1, 2007   |
| T.L. Njobe                 | Non-Executive Director                                | December 14, 2007  |
| C.C. Barnes                | Chief Financial Officer                               | May 5, 2008        |
| D.J. Pretorius             | Chief Executive Officer Designate                     | August 21, 2008    |
| <b><u>Resignations</u></b> | <b><u>Title</u></b>                                   | <b><u>Date</u></b> |
| T.L. Njobe                 | Non-Executive Director                                | February 20, 2008  |
| J.H. Dissel                | Acting Chief Executive Officer and Alternate Director | May 5, 2008        |

## Directors' Terms of Service

The following table shows the date of appointment, expiration of term and number of years of service with us of each of the directors as at June 30, 2008:

| <u>Director</u> | <u>Title</u>                      | <u>Year first appointed</u> | <u>Term of current office</u> | <u>Unexpired term of current office</u> |
|-----------------|-----------------------------------|-----------------------------|-------------------------------|---|
| J.W.C. Sayers   | Chief Executive Officer           | 2005                        | 2 years                       | 6 months                                |
| G.C. Campbell   | Non-Executive Director            | 2002                        | 2 years                       | 16 months                               |
| R.P. Hume       | Non-Executive Director            | 2001                        | 2 years                       | 3 months                                |
| D.J.M. Blackmur | Non-Executive Director            | 2003                        | 2 years                       | 16 months                               |
| J. Turk         | Non-Executive Director            | 2004                        | 2 years                       | 4 months                                |
| C.C. Barnes     | Chief Financial Officer           | 2008                        | 3 years                       | 34 months                               |
| D.J. Pretorius  | Chief Financial Officer Designate | 2008                        | 3 years                       | -                                       |
| E.A. Jeneker    | Non-Executive Director            | 2007                        | 2 years                       | 16 months                               |

There are no family relationships between any of our executive officers or directors. There are no arrangements or understandings between any of our directors or executive officers and any other person by which any of our directors or executive officers has been so elected or appointed.

## 6B. COMPENSATION

Our Articles of Association provide that the directors' fees should be determined from time to time in a general meeting or by a quorum of Non-Executive Directors. The total amount of directors' remuneration paid for the year ended June 30, 2008 was R12.0 million. Non-Executive Directors receive the flowing fees:

- Base fee as Non-Executive Chairman of R900,000 per annum;
- Base fee as Senior Independent Non-Executive of R450,000 per annum;
- Base fee as Non-Executive Directors of R400,000 per annum;
- Annual fee for Audit Committee Chairman of R40,000;
- Annual fee for Audit Committee member of R20,000;
- Annual fee for Nominations Committee Chairman of R15,000;
- Annual fee for Nominations Committee member of R7,500;
- Annual fee for the Chairman of Remco, Risco and Transco of R30,000 each;
- Annual fee for members of Remco, Risco and Transco of R15,000 each;
- Half-day fee for participating by telephone in special board meetings;
- Daily fee of R15,000 and hourly rate of R2,000; and
- The Chairman of the board to receive committee fees.

The following table sets forth the compensation for our directors for the year ended June 30, 2008:

| <u>Directors</u>      | <u>Basic salary/fees (R'000)</u> | <u>Retirement fund contributions/bonus/restraint of trade/expenses (R'000)</u> | <u>Total (R'000)</u> | <u>Share option scheme gains (R'000)</u> |
|-----------------------|----------------------------------|--|----------------------|--|
| <b>Executive</b>      |                                  |  |                      |  |
| JWC Sayers .....      | 3,606                            | 1,655  | 5,261                | -  |
| CC Barnes .....       | 388                              | -  | 388                  | -  |
| <b>Subtotal</b> ..... | <b>3,994</b>                     | <b>1,655</b>   | <b>5,649</b>         | -  |
| <b>Non-Executive</b>  |                                  |  |                      |  |
| G.C. Campbell.....    | 1,909                            | 124  | 2,033                | -  |
| R. Hume .....         | 413                              | 79   | 492                  | -  |
| D.J.M. Blackmur ..... | 585                              | 79   | 664                  | -  |
| J Turk.....           | 441                              | 80   | 521                  | -  |
| EA Jeneker            | 238                              | -  | 238                  | -  |
| <b>Subtotal</b> ..... | <b>3,586</b>                     | <b>362</b>   | <b>3,948</b>         | -  |
| <b>Alternates</b>     |                                  |  |                      |  |
| J.H. Dissel .....     | 1,562                            | 846  | 2,408                | -  |
| <b>Subtotal</b> ..... | <b>1,562</b>                     | <b>846</b>   | <b>2,408</b>         | -  |
| <b>Total</b> .....    | <b>9,142</b>                     | <b>2,863</b>   | <b>12,005</b>        | -  |

See also Item 6E.: "Share Ownership" for details of share options held by directors.

## **Compensation of senior management**

Our senior management comprises its executive directors and executive officers. Under the JSE Listing Rules we are not required to, and we do not otherwise, disclose compensation paid to individual senior managers other than Executive and Non-Executive Directors. However, the aggregate compensation paid to senior management, excluding compensation paid to Executive Directors, in fiscal 2008 was R35.0 million (fiscal 2007: R37.5 million), representing 21 executive officers in fiscal 2008 and 25 executive officers in fiscal 2007.

Bonuses or incentives are paid based upon performance against predetermined key performance indicators. Should an executive director meet all the targets set in terms of such predetermined key performance indicators, he will be entitled to a bonus of up to 50% of his remuneration package, depending on his particular agreement. Should an Executive Director not meet all the targets set in terms of the predetermined key performance indicators, he will be entitled to a lesser bonus as determined by the Remuneration and Nominations Committee.

## **Service Agreements**

Service contracts negotiated with each executive and Non-Executive Director incorporate their terms and conditions of employment and are approved by our Remuneration and Nominations Committee.

The Company's executive directors, Mr. J.W.C. Sayers and Mr. C.C. Barnes, entered into agreements of employment with us, on January 1, 2007 and May 5, 2008 respectively. These agreements regulate the employment relationship with Messrs. J.W.C. Sayers and C.C. Barnes. Mr. D.J. Pretorius entered into an agreement of employment with DRDGOLD South African Operations (Pty) Limited on July 1, 2006.

Mr. J.W.C. Sayers receives from us a remuneration package of R3.5 million per annum. Mr. J.W.C. Sayers is eligible under his employment agreement, for an annual incentive bonus of up to 100% of his annual remuneration package in respect of each of two bonus cycles over the duration of his appointment, on condition that he achieves certain key performance indicators.

Mr. C.C. Barnes receives from us a remuneration package of R2.3 million per annum. Mr. C.C. Barnes is eligible under his employment agreement, for an incentive bonus of up to 50% of his annual remuneration package in respect of each of the three bonus cycles of 12 months each over the duration of his appointment, on condition that he achieves certain key performance indicators. As a further consideration for agreeing to remain in the employment of the company as set out in the agreement, the company will issue Mr. C.C. Barnes with, up to 50% of his annual package, share options in DRDGOLD Limited on an annual basis and on the third anniversary of this agreement a bonus payment equal to 30% of his annual package.

Mr. D.J. Pretorius receives from us a remuneration package of R2.6 million per annum. Mr. D.J. Pretorius is eligible under his employment agreement, for an incentive bonus of up to 50% of his annual remuneration package in respect of each of three bonus cycles of 12 months each over the duration of his appointment, on condition that he achieves certain key performance indicators. DRDGOLD shall issue Mr. D.J. Pretorius with 100,000 ordinary DRDGOLD shares or alternatively shall pay Mr. D.J. Pretorius the cash value of 100,000 ordinary DRDGOLD shares reckoned at market value on the date that the conversion of mining rights of DRDGOLD's South African operations is completed. As a further consideration for agreeing to remain in the employment of the company as set out in the agreement, the company will issue Mr. Pretorius with, up to 60% of his annual package, share options in DRDGOLD Limited on an annual basis and on the third anniversary of this agreement a bonus payment equal to 30% of his annual package.

Each service agreement with our directors provides for the provision of benefits to the director where the agreement is terminated by us in the case of our executive officers, except where terminated as a result of certain action on the part of the director, or upon the director reaching a certain age, or by the director upon the occurrence of a change of control of us. A termination of a director's employment upon the occurrence of a change of control of us is referred to as an "eligible termination." Upon an eligible termination, the director is entitled to receive a payment equal to at least one year's salary or fees, but not more than four years salary or fees, depending on the period of time that the director has been employed. Upon an eligible termination, all options held by the director under our share option scheme become exercisable by the director at any time prior to the closing of the transaction involving a change of control or, in certain circumstances in the case of executive directors, during the thirty day period following the closing of such a transaction. Additionally, upon an eligible termination, the executive directors become entitled to any of the shares granted to such executive director that have not yet vested, subject to shareholder approval. Moreover, the Board of Directors may, at its discretion, accelerate the issuance of shares granted to the executive directors that are scheduled to vest following the expiration of the agreement in the event that the agreement automatically terminates and is not extended or replaced by another agreement with the executive director. Non-Executive Directors receive an annual share allocation to the value of 60% of the fees the individual directors received during 12 months preceding the allocation.

Messrs. G.C. Campbell, R.P. Hume, D.J.M. Blackmur, J. Turk and E.A. Jeneker each have service agreements which run for fixed periods until October 31, 2009, September 30, 2010, October 31, 2009, October 31, 2010, and November 30, 2009 respectively. After their two year period, the agreements continue indefinitely until terminated by either party on not less than three months prior written notice.

## **6C. BOARD PRACTICES**

### **Board of Directors**

As at October 31, 2008, the board of directors comprises three Executive Directors (Mr. J.W.C. Sayers, Mr. C.C. Barnes and Mr. D.J. Pretorius), and five Non-Executive Directors (Messrs. G.C. Campbell, D.J.M. Blackmur, R.P. Hume, J. Turk and E.A. Jeneke). The Non-Executive Directors are independent under the Nasdaq requirements and the South African King II Report, with the exception of Mr. J. Turk, by virtue of his directorship of G.M. Network Limited (GoldMoney.com) in which we had a 12.3% interest which was disposed of on September 17, 2008.

In accordance with the King II Report on corporate governance, as encompassed in the JSE Listings Requirements, and in accordance with the United Kingdom Combined Code, the responsibilities of Chairman and Chief Executive Officer are separate. Mr. G.C. Campbell is the Non-Executive Chairman, Mr. J.W.C. Sayers is the Chief Executive Officer and Mr. C.C. Barnes is the Chief Financial Officer. Professor D.J.M. Blackmur was appointed senior independent Non-Executive Director. The board has established a nominations committee, and it is our policy for details of a prospective candidate to be distributed to all directors for formal consideration at a full meeting of the board. A prospective candidate would be invited to attend a meeting and be interviewed before any decision is taken. In compliance with the Nasdaq rules a majority of independent directors will select or recommend director nominees.

The board's main roles are to create value for shareholders, to provide leadership of the Company, to approve the Company's strategic objectives and to ensure that the necessary financial and other resources are made available to management to enable them to meet those objectives. The board retains full and effective control over the Company, meeting on a quarterly basis with additional ad hoc meetings being arranged when necessary, to review strategy and planning and operational and financial performance. The board further authorizes acquisitions and disposals, major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision under its terms of reference. The board also approves the annual budgets for the various operational units.

The board is responsible for monitoring the activities of executive management within the Company and ensuring that decisions on material matters are referred to the board. The board approves all the terms of reference for the various subcommittees of the board, including special committees tasked to deal with specific issues. Only the executive directors are involved with the day-to-day management of the Company.

To assist new directors, an induction program has been established by the Company, which includes background materials, meetings with senior management, presentations by the Company's advisors and site visits. The directors are assessed annually, both individually and as a board, as part of an evaluation process, which is driven by an independent consultant. In addition, the Remuneration and Nominations Committee formally evaluates the executive directors and the alternate directors on an annual basis, based on objective criteria.

All directors, in accordance with the Company's Articles of Association, are subject to retirement by rotation and re-election by shareholders. In addition, all directors are subject to election by shareholders at the first annual general meeting following their appointment by directors. The appointment of new directors is approved by the board as a whole. The names of the directors submitted for re-election are accompanied by sufficient biographical details in the notice of the forthcoming annual general meeting to enable shareholders to make an informed decision in respect of their re-election.

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring compliance with procedures and regulations of a statutory nature. Directors are entitled to seek independent professional advice concerning the affairs of the Company at the Company's expense, should they believe that course of action would be in the best interest of the Company.

Two of the Non-Executive Directors (Messrs. G.C. Campbell and R.P. Hume) have share options under the Company's share option scheme, but we do not believe that this interferes with their independence. No new share options were issued to Non-Executive Directors since December 2004. See Item 6A.: "Directors, Senior Management and Employees" and Item 6E.: "Share ownership".

Board meetings are held quarterly in South Africa. The structure and timing of the Company's board meetings, which are scheduled over 2 or 3 days, allows adequate time for the Non-Executive Directors to interact without the presence of the executive directors. The board meetings include the meeting of the Risk Committee, Audit Committee, Remuneration and Nominations Committee and Transformation and Sustainable Development Committee which act as subcommittees to the board. Each subcommittee is chaired by one of the Independent Non-Executive Directors who provide a formal report back to the board. Each subcommittee meets for approximately half a day. Certain senior members of staff are invited to attend the subcommittee meetings.

The board sets the standards and values of the Company and much of this has been embodied in the Company's Code of Ethics and Conduct, a copy of which is available on our website at [www.drdgold.com](http://www.drdgold.com). The Code of Ethics and Conduct applies to all directors, officers and employees, including the principal executive, financial and accounting officers, in accordance with Section 406 of the US Sarbanes-Oxley Act of 2002, the related US securities laws and the Nasdaq rules. The Code contains provisions under which employees can report violations of Company policy or any applicable law, rule or regulation, including US securities laws.

### **Executive Committee**

As at October 31, 2008, the Executive Committee consisted of Mr. J.W.C. Sayers (Chairman), Mr. D.J. Pretorius, Mr. C.C. Barnes, Mr. J.H. Dissel, Mr. D.J. Botes, Mr. A.N. Weir and Mr. T.J. Gwebu.

The Executive Committee meet on a bi-weekly basis to review current operations, develop strategy and policy proposals for consideration by the board of directors. Members of the Executive Committees, who are unable to attend the meetings in person, are able to participate via teleconference facilities, to allow participation in the discussion and conclusions reached.

### **Operational Committee**

As at October 31, 2008, the Operational Committee consisted of Mr. D.J. Pretorius (Chairman), Mr. C.C. Barnes, Mr. J.H. Dissel, Mr. D.J. Botes, Mr. A.N. Weir, Mr. T.J. Gwebu, Mr. H.B. Nyirenda, Mr. C. Russouw, and Mr. C.M. Symons.

The Operational Committee meets on a weekly basis to review current operations in detail, implement its directives and consider disclosure controls and procedures.

### **Board Committees**

The board has established a number of standing committees to enable it to properly discharge its duties and responsibilities and to effectively fulfill its decision-making process. Each committee acts within written terms of reference which have been approved by the board and under which specific functions of the board are delegated. The terms of reference for all committees can be obtained by application to the Company Secretary at the Company's registered office. Each committee has defined purposes, membership requirements, duties and reporting procedures. Minutes of the meetings of these committees are circulated to the members of the committees and made available to the board. Remuneration for Non-Executive Directors for their services on the committees concerned is determined by the board. The committees are subject to regular evaluation by the board with respect to their performance and effectiveness.

The following information reflects the composition and activities of these committees.

### **Committees of the Board of Directors**

#### *Remuneration and Nominations Committee*

As at October 31, 2008, the Remuneration and Nominations Committee consisted of Professor D.J.M. Blackmur (Chairman), Mr. G.C. Campbell and Mr. R.P. Hume.

The Remuneration and Nominations Committee, which is comprised of Non-Executive Directors, has been appointed by the board of directors. The committee meets quarterly, but may meet more often on an ad hoc basis if required. The Remuneration and Nominations Committee is governed by its terms of reference and is responsible for approving the remuneration policies of the Company, the terms and conditions of employment, and the eligibility and performance measures of the DRDGOLD (1996) Share Option Scheme applicable to executive directors and senior management.

The committee's objective is to evaluate and recommend to the board competitive packages which will attract and retain executives of the highest caliber and encourage and reward superior performance. The committee also aims to ensure that criteria are in place to measure individual performance. The committee approves the performance-based bonuses of the executive directors based on such criteria. The Executive Officer: Human Resources provides the committee with access to comparative industry surveys, which assist in formulating remuneration policies. As and when required the committee may also engage the services of independent consultants to evaluate and review remuneration policies and related issues and brief members on pertinent issues. The committee has in the past year engaged the services of such consultants to review the employment contracts of the executive directors.

The remuneration policy, relating to the remuneration of directors and senior executives, is based on a reward system comprising four principal elements:

- Basic remuneration, as benchmarked against industry norms;
- Bonuses or incentives, which are measured against agreed outcomes or Key Performance Indicators, or KPIs;
- Short-term rewards for exceptional performance; and
- Long-term retention of key employees based on scarcity of skill and strategic value, using share options granted under the DRDGOLD (1996) Share Option Scheme or shares for the Executive Directors.

A copy of the policy is available by application to the Company Secretary at the Company's registered office.

The board resolved to separate the Nominations Committee from the Remunerations Committee so that the former is chaired by the chairman of the board. The terms of reference were approved in August 2008. Its duties include:

- making recommendations to the board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the board generally and the balance between executive and non-executive directors appointed to the board;
- regular reviewing of the board structure, size and composition and making recommendations to the board with regard to any adjustments that are deemed necessary;
- identifying and nominating candidates for the approval of the board to fill board vacancies as and when arise as well as putting in place plans for succession, in particular for the chairman and chief executive officer; and
- making recommendations on directors who are retiring by rotation to be put forward for re-election.

As at October 31, 2008, the members of the Nomination Committee consisted of Mr. G.C. Campbell (Chairman), Mr. R.P. Hume and Professor D.J.M. Blackmur.

#### *Audit and Risk Committees*

On February 11, 2005, the Audit and Risk Committees started conducting joint meetings in respect of the quarterly meetings. The members meet and the business of each committee is handled in joint deliberations taking place on the issues raised. The Audit Committee is chaired by Mr. R.P. Hume and the Risk Committee by Professor D.J.M. Blackmur. The reason for the joint sittings is that there is a great deal of overlap between the financial risks discussed at Audit Committee level and at Risk Committee level. The joint sittings of the Committees bring about better disclosure and ensure that the Company conforms more closely to the process prescribed by the US Sarbanes-Oxley Act of 2002.

#### *Audit Committee*

As at June 30, 2008, the Audit Committee consisted of Mr. R.P. Hume (Chairman), Mr. G.C. Campbell and Mr. E.A. Jeneker.

The Audit Committee is comprised solely of Non-Executive Directors, all of whom are independent. The primary responsibilities of the Audit Committee, as set out in the Audit Committee charter, is to assist the board in carrying out its duties relating to accounting policies, internal financial control, financial reporting practices and the preparation of accurate financial reporting and financial statements in compliance with all applicable legal requirements and accounting standards. A copy of the charter is available by application to the Company Secretary at the Company's registered office.

The Audit Committee meets quarterly with the external auditors, the Company's internal audit practitioner, the Chief Financial Officer and the Internal Audit and Compliance Manager to review the audit plans of the internal auditors, to ascertain the extent to which the scope of the internal audits can be relied upon to detect weaknesses in the internal controls and to review the annual and interim financial statements prior to approval by the board. The Audit Committee reviews our annual results, the effectiveness of our system of internal financial controls, internal audit procedures and legal and regulatory compliance. The committee also reviews the scope of work carried out by our internal auditors and holds regular discussions with the external auditors and internal auditors.

The committee appoints, re-appoints and removes the external auditors and approves the remuneration and terms of engagement of the external auditors. The committee is required to pre-approve, and has pre-approved, non-audit services provided by our external auditors. The Company's external audit function is currently being undertaken by KPMG Inc.

The Company's internal and external auditors have unrestricted access to the chairman of the Audit Committee and, where necessary, to the Chairman of the board and Chief Executive Officer. All important findings arising from audit procedures are brought to the attention of the committee and, if necessary, to the board.



### *Risk Committee*

As at June 30, 2008, the Risk Committee consisted of Professor D.J.M Blackmur (Chairman), Mr. J. Turk, Mr. J.W.C. Sayers and Mr. C.C. Barnes.

The Risk Committee was established in January 2004, with a non-executive chairman. Its overall objective is to assist the board in its duties relating to risk management and control responsibilities, assurance issues, health, safety and environmental compliance, and the monitoring and reporting of all these matters. The Risk Committee facilitates communication between the board, the Audit Committee, internal auditors and other parties engaged in risk management activities. The terms of reference of the Risk Committee can be obtained by application to the Company Secretary at the Company's registered office.

The Risk Committee's role is to ensure that:

- an effective risk management program is implemented and maintained;
- risk management awareness is promoted amongst all employees;
- risk programs (financing/insurance) adequately protect the Company against catastrophic risks;
- regular risk assessments are conducted;
- total cost of risk in the long term is reduced;
- the protection of the Group's assets is promoted throughout the Group;
- the health and safety and well being of all stakeholders is improved; and
- the Company's activities are carried out in such a way so as to ensure the safety and health of employees.

The Risk Committee meets quarterly and reports to the board. Additional ad hoc meetings may be arranged as and when required. Certain members of executive management are occasionally invited to attend Risk Committee meetings, such as the Internal Audit and Compliance Manager, the Group Risk Manager, the Group Financial Manager, the Operational Managers, the Group Legal Counsel, the manager responsible for safety, health and environment and the General Manager Assets and Commercial.

Following the release of the King II Report, in South Africa, containing minimum practices to be adopted, we have formulated a risk corporate governance structure, which has been approved by the board.

The system to manage risk involves all significant business and operational risks which could undermine the achievement of business objectives and undermine the preservation of shareholders values. The significant risks facing the Group including those at operations have been identified and have been included in Item 3D.: "Risk factors." Individuals have been appointed to address each risk and the results thereof are reviewed by senior management through regular risk meetings. The aim of the internal control systems is for management to provide reasonable assurance that the objectives will be met. In addition to the above initiatives the Group also employs third party consultants to benchmark our operations against other mining operations throughout South Africa and worldwide.

An important aspect of risk management is the transfer of risk to third parties to protect the Company from any major disaster. We have embarked on a program to ensure that our major assets and potential business interruption and liability claims are covered by group insurance policies that encompass our operations. The majority of the cover is through reputable insurance companies in London and Europe and the insurance programs are renewed on an annual basis. A cell captive has been established to enable further reduction in annual insurance premiums.

### *Transformation and Sustainable Development Committee*

The board taking into account that all the group's operations are now based in South Africa and in order to achieve the triple bottom line espoused in the King II Report and in order to reach the empowerment goal to which it is committed, it established a new committee, the focus of which will be transformation and sustainable development. The terms of reference were approved by the board at the August 2008 meeting. The objectives of this committee are:

- promoting transformation within the company and the economic empowerment of previously disadvantaged communities, particularly within areas where the company conducts business;
- striving towards achieving the goal of equality as the South African constitution and other legislation require within the context of the demographics of the country at all levels of the company and its subsidiaries; and
- conducting business in a manner which is conducive to internationally acceptable environmental and sustainability standards.

As at October 31, 2008, the Transformation and Sustainable Development Committee consisted of Mr. E.A Jeneker (Chairman), Mr. J.W.C. Sayers and Professor D.J.M. Blackmur.

## 6D. EMPLOYEES

### Employees

The geographic breakdown of our employees (including contractors who are contracted employees employed by third parties), was as follows at the end of each of the past three fiscal years:

|                   | <u>Year ended June 30</u> |             |             |
|-------------------|---------------------------|-------------|-------------|
|                   | <u>2008</u>               | <u>2007</u> | <u>2006</u> |
| South Africa..... | 7,627                     | 7,971       | 7,740       |
| Australasia ..... | -                         | 769         | 2,653       |
| Total.....        | 7,627                     | 8,740       | 10,393      |

The total number of employees at June 30, 2008, of 7,627 comprises 1,371 contractors and 6,256 employees who are directly employed by us and our wholly-owned Group companies. As of October 31, 2008, we had 7,312 employees. The decrease in the number of employees in fiscal 2008 is mainly due to the disposal of Emperor Mines Limited in Australia.

As of June 30, 2008, the breakdown of our employees by main categories of activity was as follows:

| <u>Category of Activity</u> | <u>Year ended June 30,</u> |             |             |
|-----------------------------|----------------------------|-------------|-------------|
|                             | <u>2008</u>                | <u>2007</u> | <u>2006</u> |
| Mining - Our Employees..... | 3,431                      | 3,953       | 5,286       |
| Mining – Contractors .....  | 1,371                      | 1,541       | 1,397       |
| Engineering.....            | 1,604                      | 1,841       | 1,854       |
| Metallurgy .....            | 637                        | 697         | 944         |
| Mineral Resources.....      | 134                        | 269         | 442         |
| Administration .....        | 180                        | 236         | 280         |
| Environmental .....         | 55                         | 54          | 43          |
| Human Resources.....        | 159                        | 87          | 65          |
| Medical .....               | 14                         | 13          | 24          |
| Safety .....                | 42                         | 49          | 58          |
| Total.....                  | 7,627                      | 8,740       | 10,393      |

### Labor Relations

As at June 30, 2008, we employed and contracted 7,627 people in South Africa. Approximately 70% of South African employees are members of trade unions or employee associations. South Africa's labor relations environment remains a platform for social reform. The National Union of Mineworkers, or NUM, the main South African mining industry union, is influential in the tripartite alliance between the ruling African National Congress, the Congress of South African Trade Unions, or COSATU, and the South African Communist Party as it is the biggest affiliate of COSATU. The relationship between management and labor unions remains cordial. The DRDGOLD/NUM coordinating forum meets regularly to discuss matters pertinent to both parties at a DRDGOLD SA level, while operations level forums continue to deal with local matters.

The NUM called for an industry wide safety strike on Tuesday December 4, 2007 to protest against the number of fatalities in mining accidents. Agreements at our operations resulted in the release of Union office bearers to attend protest marches and no disruptions to operations were experienced. This event marked the adoption by the NUM of a stance that all employees would take a day of mourning when no production would take place whenever an employee was fatally injured in a mine accident. The principle of “no work – no pay” has been applied to such events that have subsequently taken place at our operations.

Workers at Blyvoor embarked on an illegal work stoppage on Friday May 30, 2008. The illegal work stoppage was believed to be related to worker concerns regarding the arrest of two employees by the South African Police Service who were allegedly involved in the murder of one person and the assault of another in open fields on mine property during December 2007. The striking workers responded to a court order served on May 30, 2008, prohibiting them from continuing with their illegal industrial action and returned to work on Monday June 2, 2008.

COSATU called for a series of regional marches to protest against the increasing cost of electricity, with the protest marches for Gauteng and North West Provinces taking place on Wednesday July 23, 2008. Agreements at our operations resulted in the release of Union office bearers to attend the marches and no disruptions to operations were experienced. The COSATU action culminated in a national strike on Wednesday August 6, 2008, which affected all our operations.

The wave of xenophobic violence that swept across Gauteng during April 2008 impacted on ERPM when the operation experienced high levels of absenteeism after 3 employees were killed in xenophobic attacks. Most Mozambican citizens employed by the mine were displaced from their homes in local communities. These employees and their families were accommodated in company accommodation on a temporary basis until such time as they could be reintegrated into their communities.

There were no other material incidents of industrial action or labor unrest at our operations during fiscal 2008.

For Blyvoor, a two-year wage agreement (effective from July 1, 2007) with NUM, UASA and Solidarity was signed on October 31, 2007. This agreement resulted in effective wage increases of 11% for fiscal 2009. Similarly, Crown and ERPM's wage agreements resulted in effective wage increases of 11.2% and 10.8% for Crown and ERPM respectively in fiscal 2009.

The Company is placing a greater emphasis on its Corporate Social Responsibility by becoming increasingly involved in appropriate projects that give effect to the ideals of the Mining Charter and good corporate governance. We recognize the need for transformation and have put structures in place to address this at both management and board level.

By statute we are required to pay each employee who is dismissed for reasons based on the operational requirements of our operations, a severance package of not less than one week's remuneration for every completed year of service. In specific agreements with organized labor we undertook, as in the past, to pay packages equal to two weeks basic pay for every completed year of service as part of a balancing compromise with the labor unions between the high additional costs of non-financial items and incentive payments (which are deemed part of remuneration), and an additional one week benefit based on basic pay. Operational requirements at ERPM necessitated the retrenchment of 239 employees during June 2008. These employees were provided with counseling services and the opportunity to undergo skills training to be able to find employment outside the mining industry.

AIDS represents a very serious threat to us and the gold mining industry as a whole in terms of the potential reduced productivity and increased medical costs. The exact extent of infection in our workforce is not known at present, although it is roughly estimated by the industry that the prevalence of HIV, the virus that causes AIDS, in the South African industry is currently approximately 35% to 40%. We have several AIDS awareness campaigns in place at our operations.

Blyvoor has contracted Harmony's Health Share to provide all health care services, including primary and occupational health programs, a wellness program, which treats AIDS related illnesses, provides counseling on healthy life styles and monitors the progression of the HIV virus.

#### *Safety statistics*

Due to the importance of our labor force, we continuously strive to create a safe and healthy working environment. The following 2008 overall statistics for our managed mines (excluding Emperor) are reflected below (2007 statistics include Emperor, but exclude Porgera):

| <i>(Per million man hours)</i>                             | <b>Year ended June 30,</b> |                    |
|--|----------------------------|--------------------|
|  | <b><u>2008</u></b>         | <b><u>2007</u></b> |
| Lost time injury frequency rate (LTIFR) <sup>1</sup> ..... | 8.42                       | 10.25              |
| Reportable incidence <sup>1</sup> .....                    | 3.77                       | 5.30               |
| Fatalities.....  | 0.13                       | 0.34               |
| Number of fatalities (average per month) .....             | 0.33                       | 0.75               |

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<sup>1</sup> Calculated as follows: actual number of instances divided by the total number of man hours worked multiplied by one million.

## 6E. SHARE OWNERSHIP

As of October 31, 2008, options to purchase ordinary shares held by directors were as follows:

| <u>Directors</u>     | <u>Options at<br/>June 30,<br/>2007</u> | <u>Options<br/>granted<br/>during the<br/>period</u> | <u>Average<br/>Exercise<br/>price (R)</u> | <u>Options<br/>exercised<br/>during the<br/>year</u> | <u>Average<br/>Exercise<br/>Price (R)</u> | <u>Options<br/>lapsed<br/>during the<br/>year</u> | <u>Options at<br/>October 31,<br/>2008</u> | <u>Expiration<br/>Dates<sup>1</sup></u> |
|----------------------|---|--|---|--|---|---|--|---|
| <b>Non-Executive</b> |   |  |   |  |   |   |  |   |
| G.C. Campbell .....  | 57,994                                  | -  | -   | -  | -   | -   | 57,994                                     | 3/20/2012-<br>6/17/2015                 |
| R.P. Hume .....      | 77,907                                  | -  | -   | -  | -   | -   | 77,907                                     | 10/1/2011-<br>6/17/2015                 |
| C.C. Barnes          | 218,081                                 | 144,300  | -   | -  | -   | -   | 362,381                                    | 11/1/2014-<br>10/29/2017                |
| D.J. Pretorius ..... | 647,434                                 | 345,000  | -   | -  | -   | -   | 992,434                                    | 4/22/2013-<br>10/29/2017                |

Each option is representative of a right to acquire one ordinary share at a predetermined exercise price.

Closed periods apply to share trading by directors and other employees, whenever certain employees of the Company become or could potentially become aware of material price sensitive information, such as information relating to an acquisition, quarterly results etc., which is not in the public domain. When these employees have access to this information an embargo is placed on share trading for those individuals concerned. The embargo need not involve the entire Company in the case of an acquisition and may only apply to the board of directors, executive committee, and the financial and new business teams, but in the case of quarterly results the embargo is group-wide.

Under the listings requirements of the JSE, we are not required to disclose, and we do not otherwise disclose or ascertain, share ownership of individual executive officers in our share capital. However, to the best of our knowledge, we believe that our ordinary shares held by executive officers, in aggregate, do not exceed one percent of the Company's issued ordinary share capital. For details of share ownership of directors see Item 7A.: "Major Shareholders."

### DRDGOLD (1996) Share Option Scheme, or the Scheme

We operate a securities option plan as an incentive tool for our Executive Directors, Non-Executive Directors and senior employees whose skills and experience are recognized as being essential to the Company's performance. In terms of the Scheme rules, a maximum of 15% of the issued ordinary shares is reserved for issuance thereunder and no participant may hold options at any time, which if exercised in full, would exceed 4% of our issued share capital at that time. As at October 31, 2008, the number of issued and exercisable share options was approximately 5% of the issued ordinary share capital, which is within the National Association of Pension Funds (United Kingdom) international accepted guideline of 3 to 5% for such schemes. In addition, the participants in the Scheme are fully taxed at their maximum marginal tax rate on any gains realized on the exercise of their options.

The price at which an option may be exercised is the lowest seven day trading average of the closing market prices of an ordinary share on the JSE, as confirmed by our directors, during the three months preceding the day on which the employee is granted the option. Each option remains in force for ten years after the date of grant, subject to the terms of the option plan. Options granted under the plan vest at the discretion of our directors, but primarily according to the following schedule over a maximum of a three year period:

| <b>Percentage vested in each period</b> | <b>Period after the original date of the option grant</b> |
|---|---|
| 25%                                     | 6 months  |
| 25%                                     | 1 year  |
| 25%                                     | 2 years   |
| 25%                                     | 3 years   |

Any options not exercised within ten years from the original date of the option grant will expire and may not thereafter be exercised. The previous bi-annual allocation of options was changed in April 2006 to an annual allocation.

Options to purchase a total of 15,935,619 ordinary shares were outstanding on June 30, 2008, of which options to purchase 11,257,594 ordinary shares were currently exercisable. In fiscal 2008, a total of 101 employees participated in the Scheme including Executive Directors, Non-Executive Directors and other senior employees. The outstanding options are exercisable at purchase prices that range from R3.88 to R36.08 per share and expire ten years from the date of issue to the participants.

<sup>1</sup> Certain Directors hold options which expire at various times. For those directors, a range is provided indicating the earliest and latest expiration dates.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 7A. MAJOR SHAREHOLDERS

As of October 31, 2008, our issued capital consisted of:

- 376,590,613 ordinary shares of no par value; and
- 5,000,000 cumulative preference shares.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation or any person or foreign government and there are no arrangements, the operation of which may at a subsequent date result in a change in control of us.

Based on information available to us, as of October 31, 2008:

- there were 6,536 record holders of our ordinary shares in South Africa, who held approximately 51,693,680 or approximately 13.7% of our ordinary shares;
- there was one record holder of our cumulative preference shares in South Africa, who held 5,000,000 or 100% of our cumulative preference shares;
- there were no US record holders of our ordinary shares, excluding those shares which are held as part of our ADR program; and
- there were 520 record holders of our ADRs in the United States, who held approximately 228,785,440 (22,878,544 ADRs) or approximately 60.8% of our ordinary shares.

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of October 31, 2008 by:

- each of our directors; and
- any person whom the directors are aware of as at October 31, 2008 who is interested directly or indirectly in 5% or more of our ordinary shares.

| <u>Holder</u>                            | <u>Shares Beneficially Owned</u> |                |
|--|----------------------------------|----------------|
|  | <u>Number</u>                    | <u>Percent</u> |
| J.W.C. Sayers .....                      | *                                |                |
| D.J. Pretorius .....                     | *                                |                |
| C.C. Barnes .....                        | *                                |                |
| J. Turk .....                            | *                                |                |
| G.C. Campbell .....                      | *                                |                |
| R.P. Hume .....                          | *                                |                |
| E.A. Jeneker .....                       | *                                |                |
| D.J.M. Blackmur .....                    | *                                |                |
| Soges Fiducem SA (Brussels) .....        | 25,966,414                       | 6.9%           |
| Bank of New York ADRs .....              | 228,785,440                      | 60.8%          |
| 101 Barclay Street<br>New York, NY 10011 |                                  |                |

\* Indicates share ownership of less than 1% of our outstanding ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares issuable pursuant to options, to the extent the options are currently exercisable or convertible within 60 days of October 31, 2008, are treated as outstanding for computing the percentage of any other person. As of October 31, 2008, we are not aware of anyone owning 5% or more of our ordinary shares other than the Bank of New York which holds 60.8% of our issued ordinary shares through our ADR program and Soges Fiducem SA which holds 6.9%. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares, subject to community property laws where applicable. Unless indicated otherwise, the business address of the beneficial owner is: DRDGOLD Limited, EBSCO House 4, 299 Pendoring Avenue, Blackheath, Randburg, South Africa.

## **Cumulative Preference Shares**

Randgold and Exploration Company Limited, or Randgold, owns 5,000,000 (100%) of our cumulative preference shares. Randgold's address is 23 Southerland Avenue, Craighall Park, Johannesburg, South Africa.

The holders of cumulative preference shares do not have voting rights unless any preference dividend is in arrears for more than six months. The terms of issue of the cumulative preference shares are that they carry the right, in priority to the Company's ordinary shares, to receive a dividend equal to 3% of the gross future revenue generated by the exploitation or the disposal of the Argonaut mineral rights acquired from Randgold in September 1997. They will only obtain their potential voting rights once the Argonaut Project becomes an operational gold mine, and dividends accrue to them. Additionally, holders of cumulative preference shares may vote on resolutions which adversely affect their interests and on the disposal of all or substantially all of our assets or mineral rights. There is currently no active trading market for our cumulative preference shares. No shareholder has voting rights which differ from the voting rights of any other shareholder. On May 1, 2005, the Argonaut mineral rights reverted to the South African State, in terms of the MPRD Act. On February 6, 2006, a prospecting right covering an area of 969 hectares over part of the Argonaut Project was obtained.

## **7B. RELATED PARTY TRANSACTIONS**

### ***Rand Refinery agreement***

On October 12, 2001, we entered into an agreement with RRL for the refining and sale of all of our gold produced in South Africa. Under the agreement, RRL performs the final refining of our gold and casts it into troy ounce bars. RRL then sells the gold on the same day as delivery, at the London afternoon close price on the day the gold is sold. In exchange for this service, we pay RRL a variable refining fee plus fixed marketing, loan and administration fees. For fiscal 2008 this amounted to R2.3 million and R2.9 million and R1.9 million for fiscal 2007 and 2006, respectively. Mr. D.J. Pretorius, CEO of DRDGOLD South African Operations (Pty) Limited, is also a director of RRL and is a member of their audit committee. With the provisional liquidation of Buffelsfontein Gold Mines Limited on March 22, 2005, our 10.6% interest in RRL decreased to our current ownership of 4.0%. RRL is jointly owned by South African gold mining companies.

### ***Management service agreements***

We provide management services for DRDGOLD SA, Blyvoor, Crown, ERPM and DRD (Offshore) under management service agreements entered into with each of them. These services include financial management, gold administration, technical and engineering services, mineral resource services and other management related services. We own a 74% interest in DRDGOLD SA. Blyvoor, Crown and ERPM are wholly-owned subsidiaries of DRDGOLD SA. These arrangements allow us to monitor and provide input on the management of these companies in which we have an investment.

The management services at Blyvoor, Crown and ERPM are provided by DRDGOLD SA. DRDGOLD SA's management fee for services performed at Blyvoor was R14.3 million (2007:R15.2 million), Crown R14.3 million (2007:R15.2 million) and ERPM R14.3 million (2007:R15.2 million). Management fees recovered from DRDGOLD SA were R17.5 million (2007:R20.3million) and DRD (Offshore) were R5.9 million (2007:R20.3 million).

### ***Consultancy agreement***

On June 23, 2008, DRDGOLD SA approved a consultancy agreement with Khumo Gold, which owns 20% of DRDGOLD SA. The agreement provides for a monthly retainer of R200 000.

### ***Completion of the sale of the Porgera Joint Venture***

The sale of Emperor's 20% interest in the Porgera Joint Venture to Barrick and the capital return to shareholders were approved by DRDGOLD's shareholders and Emperor's shareholders at the extraordinary general meetings held on July 27 and July 30, 2007 respectively. The sale transaction was completed on August 17, 2007 for a cash consideration of R1.9 billion (\$255.0 million) and subsequently Emperor retired all its debt facilities. Emperor's capital return to its shareholders, amounting to R308.5 million (A\$52.3 million), was completed on 3 September 2007 and DRDGOLD received its portion of the capital return, amounting to R242.8 million (A\$41.2 million).

### ***Sale of Emperor***

The sale of DRDGOLD's 78.72% interest in Emperor to 26 institutional investors, each acquiring between 0.4% and 21.6% of the shares, was concluded on October 22, 2007 for a total consideration of R355.8 million (A\$56.0 million), drawing to a close the group's mining investment in Australasia.

## *Ergo and Elsburg Joint Ventures*

On June 7, 2007, we and Mintails announced the formation of the Ergo Joint Venture between Mintails SA and DRDGOLD SA. Following discussions initiated in the first quarter of 2007, the Ergo Joint Venture parties agreed to pursue a strategy to consolidate certain of their assets on the East Rand. Mintails SA contributed one fully refurbished carbon-in-leach, or CIL, circuit at the Brakpan plant and DRDGOLD SA contributed the Elsburg tailings complex, comprising approximately 180 Mt of tailings. This part of the project, previously referred to as Phase 1 of the Ergo Joint Venture, was subsequently established under the Elsburg Gold Mining Joint Venture, or Elsburg Joint Venture. Mintails SA and DRDGOLD SA, through their subsidiaries, initially owned 50% of the Elsburg Joint Venture and the Ergo Joint Venture.

On August 6, 2007, the parties to the Ergo Joint Venture entered into a sale of assets agreement with Anglo Gold Ashanti pursuant to which it acquired the remaining moveable and immovable assets of Ergo for a consideration of R42.8 million. These assets will be operated by the Ergo Joint Venture for its own account, under the Anglo Gold Ashanti authorizations, until new order mining rights have been obtained. These assets, comprising servitudes (access agreements), infrastructure, piping, equipment, old order mining rights and the right to an additional 15 Mt of tailings material, provide a platform to consolidate these tailings assets with the Elsburg tailings.

On November 26, 2007, we announced that DRDGOLD SA signed a binding term sheet with Mintails SA, which provided for significant expansion of the joint venture through:

- the planned refurbishment of all infrastructure at the Brakpan plant, to increase capacity from one CIL gold recovery circuit to a plant capable of processing tailings for the recovery of gold, uranium and sulphuric acid; and
- substantially increasing available tailings material from 180 Mt to up to 1,700 Mt, by securing rights over tailings dumps and slimes dams in the region.

Additional agreements were concluded on November 14, 2007 for:

- the acquisition by the Ergo Joint Venture of additional tailings properties and the Withok deposition complex from Anglo Gold Ashanti for a payment of R45.0 million and assumption of rehabilitation obligations; and
- the acquisition by Mintails SA of an option to acquire tailings properties (the Grootvlei Properties), comprising some 105 Mt, from Pamodzi Gold Limited. The Grootvlei properties form part of the Mintails SA contribution to the expanded Ergo Joint Venture.

The acquisition of the Withok deposition site provides the expanded Ergo Joint Venture with considerable additional deposition capacity commensurate with the substantial increases in capacity for tailings material and processing. The expanded Ergo Joint Venture is completing a feasibility study in December 2008, to refurbish and reopen the full Brakpan plant, which historically produced gold, uranium and sulphuric acid.

Phase 1 of the expanded Ergo Joint Venture involves the refurbishment of one CIL circuit at the Brakpan plant with the capacity to treat an estimated 15Mt of tailings a year, for the recovery of some 75,000 ounces of gold a year. Phase 2, for which we are currently completing a feasibility study, envisages the expansion of the gold plant by refurbishing the second CIL circuit and developing uranium and acid plants. The expanded Ergo Joint Venture is managed by Crown, which has treated more than 200Mt of sand and slime and produced approximately 2.8 million ounces of gold through its plants.

On September 29, 2008, DRDGOLD SA acquired a further 15% interest in the Elsburg Joint Venture from Mintails SA resulting in DRDGOLD SA, which holds its interest through its subsidiary, ERPM, holding a 65% interest and Mintails SA a 35% interest in the joint venture. In addition, Mintails has granted DRDGOLD SA a conditional option to acquire a further 11.4% interest in the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture were not affected by the acquisition and remained unchanged. The purchase consideration in respect of the acquisition was R100 million, which is to be re-invested by Mintails in the Elsburg Joint Venture and the Ergo Joint Venture. The effective date of the acquisition will be the date upon which it becomes unconditional. The option is exercisable between January 1, 2009 and January 15, 2009 at an exercise price of R75.9 million.

In terms of a binding heads of agreement dated December 8, 2008, DRDGOLD has agreed to acquire:

- the remaining 35% interest (or 23.6% if the Elsburg option is exercised prior to implementation of the acquisition) held by Mintails, through its subsidiary Mogale Gold (Pty) Limited, in the Elsburg Joint Venture; and
- all of the shareholder's loans from the Mintails group to the Elsburg Joint Venture

The implementation of the acquisition will result in the DRDGOLD group holding 100% of the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture are not affected by the acquisition.

The purchase consideration in respect of the acquisition is R177.0 million, which is to be settled in cash. In the event that the Elsburg option is exercised prior to the implementation of the acquisition, the parties have agreed that the purchase price will be reduced by approximately R23.8 million in recognition of amounts that will have been paid by the DRDGOLD group on exercise of the Elsburg option.

The effective date of the acquisition is December 8, 2008, although the risk and title in respect of the acquisition only passes to the DRDGOLD group on completion of the acquisition.

#### *Emperor*

On July 27, 2007, DRDGOLD shareholders at a general meeting approved the disposal by Emperor of its 20% interest in the Porgera Joint Venture to a subsidiary of Barrick for a purchase consideration of \$250.0 million and the grant of an option to Barrick or its nominee to subscribe for 153,325,943 shares in Emperor. Emperor shareholders also approved the disposal and a capital distribution of A\$0.05 per Emperor share to Emperor shareholders by way of a capital return out of the surplus cash realized from the disposal, at a general meeting held on July 30, 2007. The sale transaction was completed on August 17, 2007, for a final cash consideration of R1.9 billion (\$255.0 million), which included interest, and subsequently Emperor retired all its debt facilities. The capital distribution was completed on September 3, 2007.

On October 22, 2007, we sold our entire interest in Emperor for R355.8 million (A\$55.9 million) to 26 institutional investors with each acquiring between 0.4% and 21.6% of the shares.

#### *Other*

We concluded an agreement with M5 Developments (Pty) Limited, or M5, on July 21, 2005, in terms of which M5, against payment of a non-refundable fee of R1.5 million, was granted an option to acquire Durban Deep's mine village for R15.0 million. On the exercise of the option, the option fee would be deemed part payment of the purchase consideration.

On November 18, 2005, M5 exercised the option and provided a guarantee for payment. Prior to the registration of the transfer occurring, we were notified by Rand Leases Properties Limited (formerly JCI Properties Limited) of an alleged pre-emptive right in respect of the property in terms of an agreement dated December 1996, pursuant to which the property should be first offered to be sold to them on similar terms. We subsequently repudiated our agreement with M5 and notified Rand Leases Properties Limited that we did not intend offering the property to them. Both parties indicated to us their intentions to institute legal proceedings for the sale and transfer of the property. On December 12, 2006, Rand Leases Properties Limited issued a summons against us and we filed an appearance to defend. A trial date was allocated by the High Court of South Africa for April 25, 2008 but was postponed. A new date has not yet been set.

On September 17, 2008, our wholly-owned subsidiary, DRD (Offshore) Limited, sold all of its shares in G.M. Network Limited, or GoldMoney, to other GoldMoney shareholders. The cash consideration in respect of the disposal amounted to R23.8 million (\$2.9 million). GoldMoney is a company that holds the rights, patents and other intellectual property of GoldMoney.com, which is a product specializing in digital gold currency. We previously held a 50.25% shareholding in Net-Gold Services Limited, which was converted on March 10, 2008 into a 12.3% shareholding in GoldMoney,

#### ***Success fee payable to Khumo Bathong Holdings (Pty) Ltd***

During the year, the company paid the following amounts to Khumo Bathong Holdings (Pty) Ltd, or KBH:

- for KBH interacting with the DME at the appropriate level on behalf of the company to acquire the licenses and entitlements below; and
  1. upon the issuance of an appropriate and valid authority to Blyvoor to treat and dispose of the No 2 rock dump, the company paid KBH a success fee of R0.5 million; and
  2. upon the issuance of an appropriate and valid authority to Crown to treat 3L2, the company paid KBH a success fee of R0.5 million; and
- in respect of Top Star and in consideration of:  
KBH interacting with the DME and government generally (including the Department of Arts and Culture) to procure the issuance of a mining authorization for Top Star, and the removal of such administrative hindrances as may otherwise inhibit the mining of Top Star (e.g. the declaration to bestow heritage status to the site), payable on the granting of the license and the removal of the restriction to mine, the company paid KBH a success fee of R2.0 million, upon the issuance of an appropriate and valid authority to Crown to mine Top Star, that is not inhibited by any other administrative conduct.

#### ***7C. INTERESTS OF EXPERTS AND COUNSEL***

Not applicable.



## **ITEM 8. FINANCIAL INFORMATION**

### **8A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

1. Please refer to Item 18.: "Financial Statements."
2. Please refer to Item 18.: "Financial Statements."
3. Please refer to Item 18.: "Financial Statements."
4. The last year of audited financial statements is not older than 15 months.
5. Not applicable.
6. Not applicable.
7. See under Item 4D.: "Property, plant and equipment—Legal Proceedings."
8. Please see Item 10B.: "Memorandum and Articles of Association."

### **8B. SIGNIFICANT CHANGES**

For a discussion of significant changes that have occurred since June 30, 2008, the date of the last audited financial statements included in this Annual report, please see Note 29 "Subsequent Events" under Item 18.: "Financial Statements," which describes post balance sheet events.

## ITEM 9. THE OFFER AND LISTING

### 9A. OFFER AND LISTING DETAILS

The following tables set forth, for the periods indicated, the high and low market sales prices and average daily trading volumes of our ordinary shares on the JSE and ADSs on the Nasdaq Capital Market.

| <u>Year Ended</u>  | <u>Price Per</u><br><u>Ordinary Share</u><br><u>R</u> |            | <u>Price Per</u><br><u>ADS<sup>1</sup></u><br><u>\$</u> |            | <u>Average Daily</u><br><u>Trading</u><br><u>Volume</u> |                         |
|--------------------|---|------------|---|------------|---|-------------------------|
|                    | <u>High</u>   | <u>Low</u> | <u>High</u>   | <u>Low</u> | <u>Ordinary</u><br><u>Share</u>                         | <u>ADSs<sup>1</sup></u> |
| June 30, 2004..... | 27.75   | 15.00      | 4.10  | 2.20       | 118,454   | 4,084,794               |
| June 30, 2005..... | 15.80   | 4.15       | 2.66  | 0.30       | 136,947   | 2,440,765               |
| June 30, 2006..... | 12.10   | 5.60       | 2.02  | 0.85       | 431,319   | 3,700,024               |
| June 30, 2007..... | 11.50   | 3.70       | 1.63  | 0.54       | 829,879   | 3,088,840               |
| June 30, 2008..... | 10.25   | 3.50       | 13.52   | 4.73       | 1,200,052   | 260,761                 |

| <u>Quarter</u>                  | <u>Price Per</u><br><u>Ordinary Share</u><br><u>R</u> |            | <u>Price Per</u><br><u>ADS<sup>1</sup></u><br><u>\$</u> |            | <u>Average Daily</u><br><u>Trading</u><br><u>Volume</u> |                         |
|---------------------------------|---|------------|---|------------|---|-------------------------|
|                                 | <u>High</u>   | <u>Low</u> | <u>High</u>   | <u>Low</u> | <u>Ordinary</u><br><u>Share</u>                         | <u>ADSs<sup>1</sup></u> |
| Q1 July – September 2006 .....  | 11.50   | 8.82       | 1.63  | 1.25       | 504,267   | 2,329,311               |
| Q2 October – December 2006..... | 10.85   | 6.11       | 1.42  | 0.84       | 840,975   | 2,945,080               |
| Q3 January – March 2007 .....   | 6.60  | 3.70       | 0.94  | 0.54       | 1,039,898   | 3,886,350               |
| Q4 April – June 2007.....       | 6.67  | 4.40       | 0.94  | 0.65       | 936,548   | 3,219,930               |
| Q1 July – September 2007 .....  | 6.19  | 3.50       | 8.76  | 4.73       | 1,115,063   | 234,594                 |
| Q2 October – December 2007..... | 6.55  | 4.70       | 10.29   | 6.97       | 642,758   | 210,092                 |
| Q3 January – March 2008 .....   | 10.25   | 5.05       | 13.52   | 7.14       | 1,873,417   | 410,113                 |
| Q4 April – June 2008.....       | 8.02  | 4.65       | 10.31   | 6.10       | 1,178,992   | 194,839                 |
| Q1 July – September 2008 .....  | 6.40  | 3.37       | 8.03  | 3.96       | 956,300   | 178,692                 |

| <u>Month Ended</u>       | <u>Price Per</u><br><u>Ordinary Share</u><br><u>R</u> |            | <u>Price Per</u><br><u>ADS</u><br><u>\$</u> |            | <u>Average Daily</u><br><u>Trading Volume</u> |             |
|--------------------------|---|------------|---|------------|---|-------------|
|                          | <u>High</u>   | <u>Low</u> | <u>High</u>                                 | <u>Low</u> | <u>Ordinary</u><br><u>Share</u>               | <u>ADSs</u> |
| May 31, 2008 .....       | 6.97  | 5.23       | 9.00  | 7.00       | 1,410,943                                     | 205,969     |
| June 30, 2008 .....      | 6.35  | 4.65       | 8.08  | 6.10       | 1,124,894                                     | 178,928     |
| July 31, 2008.....       | 6.40  | 4.50       | 8.03  | 6.12       | 1,007,593                                     | 148,290     |
| August 31, 2008.....     | 4.75  | 3.81       | 6.40  | 4.89       | 960,202                                       | 150,742     |
| September 30, 2008 ..... | 4.68  | 3.37       | 5.98  | 3.96       | 896,218                                       | 238,494     |
| October 31, 2008 .....   | 5.95  | 3.38       | 5.13  | 3.02       | 1,866,472                                     | 244,419     |

The cumulative preference shares are not traded on any exchange.

There have been no significant trading suspensions with respect to our ordinary shares on the JSE during the past three years ended June 30, 2008, nor have there been any significant trading suspensions with respect to our ADRs on the Nasdaq Capital Market since our listing on that market.

### 9B. PLAN OF DISTRIBUTION

Not applicable.

<sup>1</sup> Note that with effect from July 23, 2007, we changed our ADS ratio to reflect one ADS for ten of our ordinary shares.

## **9C. MARKETS**

### **Nature of Trading Markets**

The principal trading market for our equity securities is the JSE and our ADSs that trade on the Nasdaq Capital Market (formerly Nasdaq SmallCap Market) in the form of ADRs under the symbol “DROOY.” Our ordinary shares trade on the JSE under the symbol “DRD.” Our ordinary shares also trade on the Marche Libre on the Paris Bourse (symbol: DUR) and Brussels Bourse (symbol: DUR) in the form of International Depositary Receipts. The ordinary shares also trade on the over the counter markets in Berlin, Stuttgart and the Regulated Unofficial Market on the Frankfurt Stock Exchange. The ADRs are issued by The Bank of New York, as depositary. Each ADR represents one ADS. Until July 23, 2007, each ADS represented one of our ordinary shares. Prior to February 2001, our ADSs traded on the Nasdaq National Market.

On January 22, 2007, we received a Nasdaq Staff Deficiency letter indicating that we failed to comply with the \$1.00 per share Minimum Bid Price Requirement, or the MBPR, on the Nasdaq Capital Market for continued listing set forth in Marketplace Rule 4320(e)(2)(E)(ii). In accordance with this Rule, we were provided with 180 calendar days, or until July 23, 2007, to regain compliance. As our ADSs had been consistently trading on the Nasdaq Capital Market at a price below the MBPR, we changed our ADS ratio from one ADS for one of our ordinary shares to one ADS for ten of our ordinary shares on July 23, 2007. With effect from the commencement of business on July 23, 2007, we effected a 1:10 reverse stock split (i.e. a 10:1 consolidation) of our ADRs.

### **Nasdaq Exemption**

#### *Exemption from the shareholder approval requirements*

Between August and December 2003, the Company entered into a series of discounted issuances with several different investors resulting in the issuance of ordinary shares, and securities convertible into ordinary shares, totaling 46,843,902, or 25.43% of the total shares outstanding on a pre-issuance basis. Included within those issuances, on December 12, 2003, the Company entered into an agreement granting Investec the option to acquire 10.2 million ordinary shares. The Company requested an exemption from Nasdaq Marketplace Rule 4350(i)(1)(D) in reliance upon Nasdaq Marketplace Rule 4350(a). Rule 4350(i)(1)(D) provides that shareholder approval is required upon issuing 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock. Nasdaq granted this exemption on the basis that the shareholder approval requirements of Rule 4350(i)(1)(D) are contrary to generally accepted business practices of companies located in South Africa.

The South African Companies Act of 1973 (as amended) requires issuers to obtain shareholder approval before the issuance of any shares or rights to shares, which approval can be provided by specific authority or a general authority granted by means of a resolution passed by shareholders in a general meeting. JSE Listing Requirements require 75% shareholder approval for any issuance of shares for cash. JSE Listing Requirements do, however, permit an issuer to issue shares for cash under a general authority granted by its shareholders, but not in excess of 15% of the company's total issued share capital during any financial year under that authority, or the general authority. In terms of the specific issuances for which the Company received the exemption from Nasdaq described above, there was no JSE requirement that would mandate specific shareholder approval for these transactions. The JSE Listing Requirements accept a general authority by our shareholders under certain circumstances. The shareholders had approved a general authority which covered the relevant transactions by resolutions passed at the Company's annual general meetings in November 2003. In addition, included in the shares issued for cash were approximately 24.4 million shares to the value of R435.5 million (\$63.1 million) which were used for the acquisition of the Porgera Joint Venture. Approval was obtained from the JSE to deem these shares to be a vendor placing.

#### *Exemption from the quorum requirements*

Nasdaq's Marketplace Rules, which apply to all companies listed on the Nasdaq Stock Market and Nasdaq Capital Market, state in Rule 4350(f) that the minimum quorum for any meeting of holders of the company's common stock must be no less than 33 1/3 % of the issuer's outstanding shares. Consistent with the practice of companies incorporated in South Africa, our articles of association only require a quorum of three members. As a result, and in connection with the listing of our ADSs on the Nasdaq National Market in July 1996, we requested, and Nasdaq granted us in October 1996, an exemption from compliance with the Rule 4350(f) quorum requirement.

## **9D. SELLING SHAREHOLDERS**

Not applicable.

## **9E. DILUTION**

Not applicable.

## **9F. EXPENSES OF THE ISSUE**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **10A. SHARE CAPITAL**

Not applicable.

### **10B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

#### **Description of Our Memorandum and Articles of Association and Ordinary Shares**

On June 30, 2008, we had 600,000,000 ordinary shares, no par value, and 5,000,000 cumulative preference shares, R0.10 par value, authorized for issuance. On that date, we had issued 376,571,588 ordinary shares and 5,000,000 cumulative preference shares.

On October 31, 2008, we had 600,000,000 ordinary shares, no par value, and 5,000,000 cumulative preference shares, R0.10 par value, authorized for issuance. On that date, we had issued 376,590,613 ordinary shares and 5,000,000 cumulative preference shares.

Set out below are brief summaries of certain provisions of our Articles of Association, or our Articles, the South African Companies Act, 1973 (as amended), or the Companies Act, and the requirements of the JSE, all as in effect on October 31, 2008. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Articles, the Companies Act, and the requirements of the JSE.

We are registered under the Companies Act under registration number 1895/000926/06. As set forth in our Memorandum of Association, our purpose is to explore and exploit mineral rights and establish and own mining enterprises.

#### *Borrowing Powers*

Our directors may, at their discretion, raise or borrow or secure the payment of any sum or sums of money for our use as they see fit. For so long as we are a listed company, the directors shall so restrict our borrowings and exercise all voting and other rights or powers of control exercisable by us in relation to our subsidiary companies so that the aggregate principal amount outstanding in respect of us and any of our subsidiary companies, as the case may be, exclusive of inter-company borrowings, shall not, except with the consent of our shareholders at a general meeting, exceed R30.0 million or the aggregate from time to time of our issued and paid up capital, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves, any of our share premium accounts and our subsidiaries' share premium accounts certified by our auditors and which form part of our and our subsidiaries' financial statements, whichever is higher.

#### *Share Ownership Requirements*

Our directors are not required to hold any shares to qualify or be appointed as a director.

#### *Voting by Directors*

A director may authorize any other director to vote for him at any meeting at which neither he nor his alternate director appointed by him is present. Any director so authorized shall, in addition to his own vote, have a vote for each director by whom he is authorized.

The quorum necessary for the transaction of the business of the directors may be fixed by the directors and unless so fixed shall be not less than two.

Directors are required to notify our board of directors of interests in companies and contracts. If a director's interest is under discussion, depending on the nature of the interest, he shall not be allowed to vote and shall not be counted, for the purpose of any resolution regarding his interest, in the quorum present at the meeting.

The Code of Corporate Practices and Conduct of the King II Report on Corporate Governance for South Africa, 2002, sets out guidelines to promote the highest standards of corporate governance among South African companies. The board of directors believes that our business should be conducted according to the highest legal and ethical standards. In accordance with the board practice, all remuneration of directors is approved by the Remuneration and Nominations Committee.

Under South African common law, directors are required to comply with certain fiduciary duties to the company and to exercise proper care and skill in discharging their responsibilities.

### *Age Restrictions*

There is no age limit for directors.

### *Election of Directors*

Directors may be appointed at a general meeting from time to time. The directors may appoint any eligible person as a director but he shall only hold office until the next annual general meeting when the relevant director shall be eligible for election. One third of our directors, on a rotating basis, are subject to re-election at each annual general shareholder's meeting. Retiring directors usually make themselves available for re-election.

### *General Meetings*

On the request of 100 shareholders or shareholders holding not less than one-twentieth of our share capital which carries the right of voting at general meetings, we shall within 14 days of the lodging of a request by such shareholders issue a notice to shareholders convening a general meeting for a date not less than 21 days and not more than 35 days from the date of the notice. Directors may convene general meetings at any time.

Our annual general meeting and a meeting of our shareholders for the purpose of passing a special resolution may be called by giving 21 days advance written notice of that meeting. For any other general meeting of our shareholders, 14 days advance written notice is required.

Our Articles provide that if at a meeting convened upon request by our shareholders a quorum is not present within one half hour after the time selected for the meeting, such meeting shall be dissolved. The necessary quorum is three members present in person or represented by proxy.

### *Voting Rights*

The holders of our ordinary shares are generally entitled to vote at general meetings and on a show of hands have one vote per person and on a poll have one for every share held. The holders of our cumulative preference shares are not entitled to vote at a general meeting unless any preference dividend is in arrears for more than six months at the date on which the notice convening the general meeting is posted to the shareholders. However, they will obtain voting rights once the Argonaut Project becomes an operational gold mine. Additionally, holders of cumulative preference shares may vote on resolutions which adversely affect their interests and on resolutions regarding the disposal of all or substantially all of our assets or mineral rights. When entitled to vote, holders of our cumulative preference shares are entitled to one vote per person on a show of hands and that portion of the total votes which the aggregate amount of the nominal value of the shares held by the relevant shareholder bears to the aggregate amount of the nominal value of all shares issued by us.

### *Dividends*

We may, in a general meeting, or our directors may, from time to time, declare a dividend to be paid to the shareholders in proportion to the number of shares they each hold. No dividend shall be declared except out of our profits. Dividends may be declared either free or subject to the deduction of income tax or duty in respect of which we may be charged. Holders of ordinary shares are entitled to receive dividends as and when declared by the directors. Holders of cumulative preference shares are entitled to receive cumulative preferential dividends in priority to the holders of our ordinary shares equal to the prescribed portion of 3% of our future revenue generated by the exploitation or other application of the mineral rights represented by the Argonaut Project. On May 1, 2005, the Argonaut mineral rights reverted to the South African State, in terms of the MPRD Act. On February 6, 2006, a prospecting right covering an area of 969 hectares over part of the Argonaut Project was obtained. All unclaimed dividends are forfeited back to us after a period of twelve years.

### *Ownership Limitations*

There are no limitations imposed by our Articles or South African law on the rights of shareholders to hold or vote on our ordinary shares or securities convertible into our ordinary shares.

### *Winding-up*

If we are wound-up, then the assets remaining after payment of all of our debts and liabilities, including the costs of liquidation, shall be applied to repay to the shareholders the amount paid up on our issued capital and thereafter the balance shall be distributed to the shareholders in proportion to their respective shareholdings. On a winding up, our cumulative preference shares rank, in regard to all arrears of preference dividends, prior to the holders of ordinary shares. As of October 31, 2008, no such dividends have been declared. Except for the preference dividend and as described in this Item our cumulative preference shares are not entitled to any other participation in the distribution of our surplus assets on winding-up.

### *Reduction of Capital*

We may, by special resolution, reduce the share capital authorized by our Memorandum of Association, or reduce our issued share capital including, without limitation, any stated capital, capital redemption reserve fund and share premium account by making distributions and buying back our shares.

### *Amendment of the Articles of Association*

Our Articles may only be altered by the passing of a special resolution. A special resolution is passed when the shareholders holding at least 25% of the total votes of all the members entitled to vote are present or represented by proxy at a meeting and, if the resolution was passed on a show of hands, at least 75% of those shareholders voted in favor of the resolution and, if a poll was demanded, at least 75% of the total votes to which those shareholders are entitled were cast in favor of the resolution.

### *Consent of the Holders of Cumulative Preference Shares*

The rights and conditions attaching to the cumulative preference shares may not be cancelled, varied or added, nor may we issue shares ranking, regarding rights to dividends or on winding up, in priority to or equal with our cumulative preference shares, or dispose of all or part of the Argonaut mineral rights without the consent in writing of the registered holders of our cumulative preference shares or the prior sanction of a resolution passed at a separate class meeting of the holders of our cumulative preference shares.

### *Distributions*

Under an amendment to the Articles on October 21, 2002, we are authorized to make payments in cash or in specie to our shareholders in accordance with the provisions of the Companies Act and other consents required by law from time to time. We may, for example, in a general meeting, upon recommendation of our directors, resolve that any surplus funds representing capital profits arising from the sale of any capital assets and not required for the payment of any fixed preferential dividend, be distributed among our ordinary shareholders. However, no such profit shall be distributed unless we have sufficient other assets to satisfy our liabilities and to cover our paid up share capital.

## **10C. MATERIAL CONTRACTS**

*Share Sale Agreement between Emperor Mines Limited and Westech Gold (Pty) Limited, or Westech, dated March 22, 2007, regarding the disposal of its Fijian assets.*

In terms of this agreement, Emperor sold 100% of its shares in the Australian incorporated companies which owned all of its Fijian assets, including the Vatukoula mine, to Westech for A\$1.00. With immediate effect, all the assets and liabilities of the Emperor Fijian operations were transferred to Westech.

*Joint Venture Interest Sale Deed – Procurement Deed between Barrick Gold Corporation, or Barrick, and Emperor Mines Limited, dated April 12, 2007.*

Under this agreement Emperor agrees to procure DRD (Porgera) Limited to sell and transfer the 20% participating interest in the Porgera Joint Venture (the 20% interest) to Barrick (Niugini) Limited, and Barrick agrees to procure Barrick (Niugini) Limited to purchase and take transfer of the 20% interest. Emperor and Barrick agree to procure that DRD (Porgera) Limited and Barrick (Niugini) Limited execute the Joint Venture Interest Sale Deed respectively, for sale of the 20% interest.

*Subscription Agreement between Emperor Mines Limited and Barrick Gold Corporation, dated April 12, 2007.*

Under this agreement Barrick and Emperor agreed that Barrick will subscribe for 153,325,943 shares (the shares) in the capital of Emperor, which will issue the shares at the volume weighted average sale price of all shares traded on the Australian Stock Exchange during five trading days immediately preceding the day on which a subscription notice is issued by Barrick. This agreement was conditional upon Barrick electing to subscribe for the shares within 10 days after Emperor's shareholders held a meeting to approve the disposal of the 20% interest in the Porgera Joint Venture.

*Joint Venture Interest Sale Deed between Barrick Gold Corporation, Barrick (Niugini) Limited, Emperor Mines Limited and DRD (Porgera) Limited, dated July 19, 2007.*

Under this agreement DRD (Porgera) Limited agreed to sell and transfer its 20% participating interest in the Porgera Joint Venture including certain exploration Licenses to Barrick (Niugini) Limited for a disposal consideration of \$250.0 million plus an interest adjustment amount of \$37,671 per day from April 1, 2007 to the date of completion of the disposal.

*Deed of Assignment and Assumption between Barrick (Niugini) Limited ("Buyer"), DRD (Porgera) Limited ("Seller") Barrick (Goldfields PNG Holdings) Limited ("Goldfields") and Minerals Resources Enga Limited ("MRE"), dated July 19, 2007.*

Under this agreement the Seller assigns to the Buyer the 20% participating interest in the Porgera Joint Venture (the 20% interest) and the Buyer accepts the assignment from the Seller and assumes the obligations of the Seller that accrue from April 1, 2007. The Buyer undertakes to Goldfields and MRE that it will assume, observe, comply with and be bound by the terms of the Porgera Joint Venture.

*Memorandum of Agreement between Anglo Gold Ashanti Limited, Friedshelf 849 (Proprietary) Limited (renamed Ergo Mining (Pty) Limited), DRDGOLD South African Operations (Pty) Limited, dated August 6, 2007.*

Under this agreement Anglo Gold Ashanti sells certain assets (namely the sand and slime dumps, registered rights, old order mining rights in respect of the dumps and mining equipment) to Ergo Mining for R42.8 million (\$6.1 million). DRDGOLD SA and Mintails SA bind themselves, jointly and severally in favor of Anglo Gold Ashanti, as sureties and co- principal debtors with Ergo Mining (Pty) Limited for payment by the latter of all moneys which are due or may become due and owing from time to time in terms of the agreement.

*Merger Implementation Deed between Emperor Mines Limited and Intrepid Mines Limited, or Intrepid, dated September 18, 2007.*

Under this agreement Emperor and Intrepid agreed to merge the two companies by way of a scheme of arrangement. As a result of the proposed merger Emperor shareholders will be offered one new Intrepid share for every 4.25 Emperor shares.

*Mandate for the Placement of DRD (Offshore) Limited's 78.72% shareholding in Emperor Mines Limited, dated September 28, 2007.*

Under this agreement DRD (Offshore) appointed ABN Amro Morgans Limited and Tricom Equities Limited (together "the Brokers") to act as placement agent of all the 823,391,603 shares ("the shares") held by DRD in Emperor. The agreement provides that the sale will occur by way of book build to be jointly managed by the Brokers so as to determine demand for the shares at various sale prices. The minimum sale price for the sale of the shares was set at A\$0.068 per share. On October 22, 2007 the sale of the shares was completed.

*Term Sheet for the joint venture agreement entered into by Acorn Gold (Proprietary) Limited, DRDGOLD, Durban Roodepoort Deep (Proprietary) Limited, Friedshelf 850 (Proprietary) Limited, Geotorm Investments Limited ("GEOTORM"), Kgosi Resource Management (Proprietary) Limited, Minerals and Mining Reclamation Services (Proprietary) Limited, Mintails SA (Proprietary) Limited ("Mintails SA"), West Witwatersrand Gold Mines Limited, West Witwatersrand Holdings Limited, West Wits Mining Limited ("LISTCO"), West Wits Mining SA (Proprietary) Limited ("NEWCO 1"), dated November 9, 2007.*

Under this Term Sheet DRDGOLD, GEOTORM, LISTCO and Mintails SA have agreed, through their respective subsidiaries, to consolidate their gold and uranium assets and projects in the West Rand under a joint venture company called NEWCO 1. At the initial phase of the joint venture DRDGOLD, GEOTORM and Mintails SA will hold 45%, 10% and 45% respectively of the total issued share capital of NEWCO 1. The next phase of the consolidation will include further restructuring which will result in DRDGOLD and new investors lending A\$450,000 and A\$550,000, respectively, to NEWCO 1 with the right to convert such loan into equity in NEWCO 1 thus diluting the holding of DRDGOLD, GEOTORM and Mintails SA. In the event of the conversion taking place, DRDGOLD, LISTCO, GEOTORM and Mintails SA will hold 45%, 3.44%, 9.37% and 42.19% respectively of the total issued share capital of NEWCO 1. Ultimately the shareholders in NEWCO 1 intend to cause LISTCO to be listed on the Australian and Johannesburg stock exchanges and on the basis that they will exchange their shareholding in NEWCO 1 for shares in the listed entity, LISCO.

*Third Addendum to Memorandum of Agreement between AngloGold Ashanti Limited ("AGA"), Ergo Mining (Pty) Limited (formerly called Friedshelf 849 (Pty) Limited) ("Ergo"), DRDGOLD South African Operations (Pty) Limited ("DRDGOLD SA"), Mintails South Africa (Pty) Limited dated November 14, 2007.*

Under this agreement AGA sells in addition to the assets already sold, certain freehold stands situated on Withok 131 IR Estates and all infrastructure situated therein. The parties agreed to amend the purchase consideration set out in the Memorandum of Agreement signed on August 6, 2007 from R42.8 million to R87.8 million.

*Fifth Addendum to Memorandum of Agreement between AngloGold Ashanti Limited ("AGA"), Ergo Mining (Pty) Limited (formerly called Friedshelf 849 (Pty) Limited) ("Ergo"), DRDGOLD South African Operations (Pty) ("DRDGOLDSA"), Mintails South Africa (Pty) Limited dated May 22, 2008.*

Under this agreement the Memorandum of Agreement dated August 6, 2006 is amended by increasing the financial institution guarantee to be provided by Ergo from R23.0 million to R63.0 million in terms whereof AGA is indemnified in respect of rehabilitation obligations associated with the East Daggafontein Tailings Storage facility.

*Mining User Contract between Crown Gold Recoveries (Pty) Limited ("Crown"), East Rand Proprietary Mines Limited ("ERPM"), Elsburg Gold Mining Joint Venture ("Elsburg JV"), Ergo Mining (Pty) Limited ("Ergo"), Ergo Uranium (Pty) Limited ("Ergo Uranium") and Mogale Gold (Pty) Limited ("Mogale Gold") dated August 15, 2008.*

Under this agreement ERPM and Ergo have agreed that the Elsburg JV shall use the Brakpan gold circuit plant (contributed by Ergo) and the Elsburg dumps, mining rights and other related rights (contributed by ERPM) to mine, recover, treat and process the Elsburg Dumps.

Crown will contribute certain resources (e.g. slimes or sand) in the event of Ergo advising Crown and Ergo Uranium that it has decided to pursue the consolidation of certain assets. In return Crown will receive 50% of the issued share capital in Ergo. For its conclusion of this contract Ergo will receive the benefits to be derived from the mining of certain assets upon the consolidation thereof. Ergo Uranium will receive 50% of equity in Ergo as a *quid pro quo* for the conclusion of this contract. ERPM and Mogale shall each receive 50% interest in the Elsburg JV for their contributions.

*Ergo Uranium Sale Agreement of Brakpan Plants to Ergo Mining between Ergo Uranium (Pty) Limited ("Ergo Uranium") and Ergo Mining (Pty) Limited ("Ergo") dated August 15, 2008.*

Under this agreement Ergo Uranium sold and Ergo purchased the Brakpan gold circuit plants. The purchase consideration payable by Ergo to Ergo Uranium for these plants shall be R40 million. The purchase consideration shall be discharged by the allocation, issue and delivery by Ergo Mining to Ergo Uranium of 150 new ordinary par value shares of R1.00 which shall be subscribed for by Ergo Uranium at par plus a premium collectively equal to R40 million.

*Ergo Mining Shareholders' Agreement between Crown Gold Recoveries (Pty) Limited ("Crown") and Ergo Uranium (Pty) Limited ("Ergo Uranium") dated August 15, 2008.*

This agreement governs the relationship between Crown and Ergo Uranium as shareholders of Ergo Mining (Pty) Limited. It addresses matters such as financial year end, appointment of directors, meetings of the Board, executive committee and loan accounts.

*Elsburg Gold Mining Joint Venture ("Elsburg JV") Agreement between East Rand Proprietary Mines Limited ("ERPM") and Mogale Gold (Pty) Limited ("Mogale Gold") dated August 15, 2008.*

Under this agreement each party holds 50% in the unincorporated joint venture established to conduct gold resources mining business. The Elsburg JV shall use the assets contributed by ERPM and Ergo Mining (Pty) Limited to conduct the business.

*Mogale Sale of Part Venture Interest in the Elsburg Gold Mining Joint Venture ("Elsburg JV") between East Rand Proprietary Mines Limited ("ERPM") and Mogale Gold (Pty) Limited ("Mogale Gold") dated September 29, 2008.*

Under this agreement ERPM agreed to acquire a further 15% interest in the Elsburg JV resulting in ERPM holding a 65% interest in the Elsburg JV and Mogale Gold a 35% interest in that joint venture. In addition Mogale Gold has granted ERPM a conditional option to acquire a further 11.4% interest in the Elsburg JV for R75.0 million. The purchase consideration in respect of the acquisition of the 15% additional interest in the Elsburg JV is R100.0 million which is to be re-invested by Mogale Gold towards its outstanding capital requirements in the Elsburg JV.

## **10D. EXCHANGE CONTROLS**

The following is a summary of the material South African exchange control measures, which has been derived from publicly available documents. The following summary is not a comprehensive description of all the exchange control regulations. The discussion in this section is based on the current law and positions of the South African Government. Changes in the law may alter the exchange control provisions that apply, possibly on a retroactive basis.

### **Introduction**

Dealings in foreign currency, the export of capital and revenue, payments by residents to non-residents and various other exchange control matters in South Africa are regulated by the South African exchange control regulations, or the Regulations. The Regulations form part of the general monetary policy of South Africa. The Regulations are issued under Section 9 of the Currency and Exchanges Act, 1933 (as amended). In terms of the Regulations, the control over South African capital and revenue reserves, as well as the accruals and spending thereof, is vested in the Treasury (Ministry of Finance), or the Treasury.



The Treasury has delegated the administration of exchange controls to the Exchange Control Department of the South African Reserve Bank, or SARB, which is responsible for the day to day administration and functioning of exchange controls. SARB has a wide discretion. Certain banks authorized by the Treasury to co-administer certain of the exchange controls, are authorized by the Treasury to deal in foreign exchange. Such dealings in foreign exchange by authorized dealers are undertaken in accordance with the provisions and requirements of the exchange control rulings, or Rulings, and contain certain administrative measures, as well as conditions and limits applicable to transactions in foreign exchange, which may be undertaken by authorized dealers. Non-residents have been granted general approval, in terms of the Rulings, to deal in South African assets, to invest and disinvest in South Africa.

The Regulations provide for restrictions on exporting capital from the Common Monetary Area consisting of South Africa, Namibia, and the Kingdoms of Lesotho and Swaziland. Transactions between residents of the Common Monetary Area are not subject to these exchange control regulations.

There are many inherent disadvantages to exchange controls, including distortion of the price mechanism, problems encountered in the application of monetary policy, detrimental effects on inward foreign investment and administrative costs associated therewith. The South African Finance Minister has indicated that all remaining exchange controls are likely to be dismantled as soon as circumstances permit. Since 1998, there has been a gradual relaxation of exchange controls. The gradual approach to the abolition of exchange controls adopted by the Government of South Africa is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time. The stated objective of the authorities is equality of treatment between residents and non-residents with respect to inflows and outflows of capital. The focus of regulation, subsequent to the abolition of exchange controls, is expected to favor the positive aspects of prudential financial supervision.

The present exchange control system in South Africa is used principally to control capital movements. South African companies are not permitted to maintain foreign bank accounts without SARB approval and, without the approval of SARB, are generally not permitted to export capital from South Africa or hold foreign currency. In addition, South African companies are required to obtain the approval of SARB prior to raising foreign funding on the strength of their South African balance sheets, which would permit recourse to South Africa in the event of defaults. Where 75% or more of a South African company's capital, voting power, power of control or earnings is directly or indirectly controlled by non-residents, such a corporation is designated an "affected person" by SARB, and certain restrictions are placed on its ability to obtain local financial assistance. We are not, and have never been, designated an "affected person" by SARB.

Foreign investment and outward loans by South African companies are also restricted. In addition, without the approval of SARB, South African companies are generally required to repatriate to South Africa profits of foreign operations and are limited in their ability to utilize profits of one foreign business to finance operations of a different foreign business. South African companies establishing subsidiaries, branches, offices or joint ventures abroad are generally required to submit financial statements on these operations as well as progress reports to SARB on an annual basis. As a result, a South African Company's ability to raise and deploy capital outside the Common Monetary Area is restricted.

Although exchange controls have been gradually relaxed since 1998, unlimited outward transfers of capital are not permitted at this stage. Some of the more salient changes to the South African exchange control provisions over the past few years have been as follows:

- corporations wishing to invest in countries outside the Common Monetary Area, in addition to what is set out below, apply for permission to enter into corporate asset/share swap and share placement transactions to acquire foreign investments. The latter mechanism entails the placement of the locally quoted corporation's shares with long-term overseas holders who, in payment for the shares, provide the foreign currency abroad which the corporation then uses to acquire the target investment;
- corporations wishing to establish new overseas ventures are permitted to transfer offshore up to R1.0 billion to finance approved investments abroad and up to R2.0 billion to finance approved new investments in African countries. However, the approval of SARB is required in advance. On application to SARB, corporations are also allowed to use part of their local cash holdings to finance up to 10% of approved new foreign investments where the cost of these investments exceeds the current limits;
- as a general rule, SARB requires that more than 50% of equity of the acquired off-shore venture is acquired within a predetermined period of time, as a prerequisite to allowing the expatriation of funds. If these requirements are not met, SARB may instruct that the equity be disposed of. In our experience SARB has taken a commercial view on this, and has on occasion extended the period of time for compliance; and
- remittance of directors' fees payable to persons permanently resident outside the Common Monetary Area may be approved by authorized dealers, in terms of the Rulings.

Authorized dealers in foreign exchange may, against the production of suitable documentary evidence, provide forward cover to South African residents in respect of fixed and ascertained foreign exchange commitments covering the movement of goods.

Persons who emigrate from South Africa are entitled to take limited amounts of money out of South Africa as a settling-in allowance. The balance of the emigrant's funds will be blocked and held under the control of an authorized dealer. These blocked funds may only be invested in:

- blocked current, savings, interest bearing deposit accounts in the books of an authorized dealer in the banking sector;
- securities quoted on the JSE and financial instruments listed on the Bond Exchange of South Africa which are deposited with an authorized dealer and not released except temporarily for switching purposes, without the approval of SARB. Authorized dealers must at all times be able to demonstrate that listed or quoted securities or financial instruments which are dematerialized or immobilized in a central securities depository are being held subject to the control of the authorized dealer concerned; or
- mutual funds.

Aside from the investments referred to above, blocked Rands may only be utilized for very limited purposes. Dividends declared out of capital gains or out of income earned prior to emigration remain subject to the blocking procedure. It is not possible to predict when existing exchange controls will be abolished or whether they will be continued or modified by the South African Government in the future.

### **Sale of Shares**

Under present exchange control regulations in South Africa, our ordinary shares and ADSs are freely transferable outside the Common Monetary Area between non-residents of the Common Monetary Area. In addition, the proceeds from the sale of ordinary shares on the JSE on behalf of shareholders who are not residents of the Common Monetary Area are freely remittable to such shareholders. Share certificates held by non-residents will be endorsed with the words "non-resident," unless dematerialized.

### **Dividends**

Dividends declared in respect of shares held by a non-resident in a company whose shares are listed on the JSE are freely remittable.

Any cash dividends paid by us are paid in Rands. Holders of ADSs on the relevant record date will be entitled to receive any dividends payable in respect of the shares underlying the ADSs, subject to the terms of the deposit agreement entered on August 12, 1996, and as amended and restated, between the Company and The Bank of New York, as the depository. Subject to exceptions provided in the deposit agreement, cash dividends paid in Rand will be converted by the depository to Dollars and paid by the depository to holders of ADSs, net of conversion expenses of the depository, in accordance with the deposit agreement. The depository will charge holders of ADSs, to the extent applicable, taxes and other governmental charges and specifies fees and other expenses.

### **Voting rights**

There are no limitations imposed by South African law or by our Articles on the right of non-South African shareholders to hold or vote our ordinary shares.

## ***10E. TAXATION***

### **Material Income Tax Consequences**

The following is a summary of material income tax considerations under South African and United States, or US federal income tax law. No representation with respect to the consequences to any particular purchaser of our securities is made hereby. Prospective purchasers are urged to consult their tax advisers with respect to their particular circumstances and the effect of South African and US federal, state, local or other foreign tax laws to which they may be subject.

### **South Africa**

South Africa imposes tax on worldwide income of South African residents. Generally, South African non-residents do not pay tax in South Africa except in the following circumstances:

## *Income Tax*

Non-residents will pay income tax on any amounts received by or accrued to them from a source within (or deemed to be within) South Africa. Interest earned by a non-resident on a debt instrument issued by a South African company will be regarded as being derived from a South African source but will be regarded as exempt from taxation in terms of Section 10(1)(hA) of the South African Income Tax Act, 1962 (as amended), or the Income Tax Act. This exemption does not apply if:

- the non-resident has been a resident of South Africa at any time and carried on a business in South Africa;
- the non-resident was a resident of the Common Monetary Area, in other words, Lesotho, Namibia and Swaziland, and in such an event the non-resident shall be deemed to be a resident of South Africa;
- the interest is effectively connected with a business carried on by the non-resident in South Africa; and/or
- the recipient of the interest is a natural person, unless they were absent from South Africa for at least 183 days in aggregate during the year of assessment in which the interest was received or accrued.

No withholding tax is deductible in respect of interest payments made to non-resident investors.

No income tax is payable on dividends paid to residents or non-residents, in terms of Section 10(1)(k) of the Income Tax Act except in respect of foreign dividends received by or accrued to residents of South Africa. Accordingly, there is no withholding tax on dividends received by or accrued to non-resident shareholders of companies listed in South Africa and non-residents will receive the same dividend as South African resident shareholders. Prior to payment of the dividend, the Company pays Secondary Tax on Companies at a rate of 10% (before October 1, 2007 12.5%) of the excess of dividends declared over dividends received in a dividend cycle but the full amount of the dividend declared is paid to shareholders.

## *Capital Gains Tax*

Non-residents are generally not subject to Capital Gains Tax, or CGT, in South Africa. They will only be subject to CGT on gains arising from the disposal of capital assets if the assets disposed of consist of:

- immovable property owned by the non-residents situated in South Africa, or any interest or right in or to immovable property. A non-resident will have an interest in immovable property if it has a direct or indirect shareholding of at least 20% in a company, where 80% or more of the net assets of that company (determined on a market value basis) are attributable directly or indirectly to immovable property; or
- any asset of a permanent establishment of a non-resident in South Africa through which a trade is carried on.

If the non-residents are not subject to CGT because the assets disposed of do not fall within the categories described above, it follows that they will also not be able to claim the capital losses arising from the disposal of the assets.

## *Taxation of dividends*

South Africa imposes a corporate tax known as Secondary Tax on Companies, or STC, on the distribution of earnings in the form of dividends, and, at present, the STC tax rate is equal to 10% (before October 1, 2007 12.5%).

In 1993, all existing gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In fiscal 2008, the tax rates for taxable mining and non-mining income, for companies that elected the STC exemption were 43% (2007:45% and 2006: 45%) and 35% (2007: 37% and 2006: 37%), respectively. During those same years the tax rates for companies that did not elect the STC exemption were 34% (2007: 35% and 2006: 35%) and 28% (2007: 29% and 2006: 29%), respectively. In 1993, the Company elected not to be exempt from STC, as this would have meant that the Company would have been liable for normal taxation at the higher rates of 43% for mining income and 35% for non-mining income. The Company, having chosen not to be subject to the STC exemption, is subject to 34% tax on mining income and 28% for non-mining income. With the exception of Crown, all of the South African subsidiaries elected not to be exempt from STC.

South Africa does not impose any withholding tax or any other form of tax on dividends paid to US holders with respect to shares. Should South Africa decide in the future to impose a withholding tax on dividends paid to a US holder with respect to shares, the tax treaty between the United States and South Africa would limit the rate of this tax to 5 percent of the gross amount of the dividends if a US holder holds directly at least 10 percent of our voting stock and 15 percent of the gross amount of the dividends in all other cases. The above provisions shall not apply if the beneficial owner of the dividends is resident in the US, carries on business in South Africa through a permanent establishment situated in South Africa, or performs in South Africa independent personal services from a fixed base situated in South Africa, and the dividends are attributable to such permanent establishment or fixed base.

## United States

### Material United States Federal Income Tax Consequences

The following is a summary of material US federal income tax consequences to US holders (as defined below) of the purchase, ownership and disposition of ordinary shares or ADSs. It deals only with US holders who hold ordinary shares or ADSs as capital assets for US federal income tax purposes. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, published rulings, judicial decisions and the Treasury regulations, all as currently in effect and all of which are subject to change, possibly on a retroactive basis. This discussion has no binding effect or official status of any kind; we cannot assure holders that the conclusions reached below would be sustained by a court if challenged by the Internal Revenue Service.

This discussion does not address all aspects of US federal income taxation that may be applicable to holders in light of their particular circumstances and does not address special classes of US holders subject to special treatment (such as dealers in securities or currencies, partnerships or other pass-through entities, financial institutions, life insurance companies, banks, tax-exempt organizations, certain expatriates or former long-term residents of the United States, persons holding ordinary shares or ADSs as part of a “hedge,” “conversion transaction,” “synthetic security,” “straddle,” “constructive sale” or other integrated investment, persons whose functional currency is not the US dollar, or persons that actually or constructively own ten percent or more of our voting stock). This discussion addresses only US federal income tax consequences and does not address the effect of any state, local, or foreign tax laws that may apply, the alternative minimum tax or the application of the federal estate or gift tax.

A “US holder” is a beneficial owner of ordinary shares or ADSs that is, for US federal income tax purposes:

- a citizen or resident of the US;
- a corporation or other equity subject to tax as a corporation that is created or organized under the laws of the US or any political subdivision thereof;
- an estate, the income of which is subject to US federal income tax without regard to its source; or
- a trust, if a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust or if the trust has made a valid election to be treated as a US person.

If a partnership holds any ordinary shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding any ordinary shares or ADSs are urged to consult their tax advisors.

**Because individual circumstances may differ, US holders of ordinary shares or ADSs are urged to consult their tax advisors concerning the US federal income tax consequences applicable to their particular situations as well as any consequences to them arising under the tax laws of any foreign, state or local taxing jurisdiction.**

#### *Ownership of Ordinary Shares or ADSs*

For purposes of the Code, a US holder of ADSs will be treated for US federal income tax purposes as the owner of the ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs and ADSs for ordinary shares generally will not be subject to US federal income tax.

For US federal income tax purposes, distributions with respect to the ordinary shares or ADSs, other than distributions in liquidation and distributions in redemption of stock that are treated as exchanges, will be taxed to US holders as ordinary dividend income to the extent that the distributions do not exceed our current and accumulated earnings and profits. For US federal income tax purposes, the amount of any distribution received by a US holder will equal the Dollar value of the sum of the South African Rand payments made (including the amount of South African income taxes, if any, withheld with respect to such payments), determined at the “spot rate” on the date the dividend distribution is includable in such US holder's income, regardless of whether the payment is in fact converted into Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a US holder includes the dividend payment in income to the date such holder converts the payment into Dollars will be treated as ordinary income or loss. Distributions, if any, in excess of our current and accumulated earnings and profits will constitute a non-taxable return of capital and will be applied against and reduce the holder's basis in the ordinary shares or ADSs. To the extent that these distributions exceed the US holder's tax basis in the ordinary shares or ADSs, as applicable, the excess generally will be treated as capital gain, subject to the discussion below under the heading “Passive Foreign Investment Company.” We do not intend to calculate our earnings or profits for US federal income tax purposes.

“Qualified dividend income” received by individual US holders (as well as certain trusts and estates) for taxable years beginning on or before December 31, 2010 generally will be taxed at a maximum US federal income tax rate of 15% provided certain conditions are met, including a minimum holding period. This reduced rate generally would apply to dividends paid by us if, at the time such dividends are paid, either (i) we are eligible for benefits under a qualifying income tax treaty with the US or (ii) our ordinary shares or ADSs with respect to which such dividends were paid are readily tradable on an established securities market in the US. However, this reduced rate is subject to certain important requirements and exceptions, including, without limitation, certain holding period requirements and an exception applicable if we are treated as a passive foreign investment company as discussed under the heading “Passive Foreign Investment Company.” US holders are urged to consult their tax advisors regarding the US federal income tax rate that will be applicable to their receipt of any dividends paid with respect to the ordinary shares and ADSs.

For purposes of this discussion, the “spot rate” generally means a rate that reflects a fair market rate of exchange available to the public for currency under a “spot contract” in a free market and involving representative amounts. A “spot contract” is a contract to buy or sell a currency on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the US Internal Revenue Service has the authority to determine the spot rate.

Dividend income derived with respect to the ordinary shares or ADSs will not be eligible for the dividends received deduction generally allowed to a US corporation under Section 243 of the Code. Dividend income will be treated as foreign source income for foreign tax credit and other purposes. In computing the separate foreign tax credit limitations, dividend income should generally constitute “passive category income,” or in the case of certain US holders, “general category income.”

#### *Disposition of Ordinary Shares or ADSs*

Upon a sale, exchange, or other taxable disposition of ordinary shares or ADSs, a US holder will recognize gain or loss in an amount equal to the difference between the US dollar value of the amount realized on the sale or exchange and such holder's adjusted tax basis in the ordinary shares or ADSs. Subject to the application of the “passive foreign investment company” rules discussed below, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the US holder has held the ordinary shares or ADSs for more than one year. The deductibility of capital losses is subject to limitations. Gain or loss recognized by a US holder on the taxable disposition of ordinary shares or ADSs generally will be treated as US-source gain or loss for US foreign tax credit purposes.

In the case of a cash basis US holder who receives Rand in connection with the taxable disposition of ordinary shares or ADSs, the amount realized will be based on the spot rate as determined on the settlement date of such exchange. A US holder who receives payment in Rand and converts Rand into US Dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss.

An accrual basis US holder may elect the same treatment required of cash basis taxpayers with respect to a taxable disposition of ordinary shares or ADSs, provided that the election is applied consistently from year to year. Such election may not be changed without the consent of the Internal Revenue Service. In the event that an accrual basis holder does not elect to be treated as a cash basis taxpayer, such US holder may have a foreign currency gain or loss for US federal income tax purposes because of the differences between the US dollar value of the currency received prevailing on the trade date and the settlement date. Any such currency gain or loss will be treated as ordinary income or loss and would be in addition to gain or loss, if any, recognized by such US holder on the disposition of such ordinary shares or ADSs.

A special and adverse set of US federal income tax rules apply to a US holder that holds stock in a passive foreign investment company, or PFIC. We would be a PFIC for US federal income tax purposes if for any taxable year either (i) 75% or more of our gross income, including our pro rata share of the gross income of any company in which we are considered to own 25% or more of the shares by value, were passive income or (ii) 50% or more of our average total assets (by value), including our pro rata share of the assets of any company in which we are considered to own 25% or more of the shares by value, were assets that produced or were held for the production of passive income. If we were a PFIC, US holders of the ordinary shares or ADSs would be subject to special rules with respect to (i) any gain recognized upon the disposition of the ordinary shares or ADSs and (ii) any receipt of an excess distribution (generally, any distributions to a US holder during a single taxable year that is greater than 125% of the average amount of distributions received by such US holder during the three preceding taxable years in respect of the ordinary shares or ADSs or, if shorter, such US holder's holding period for the ordinary shares or ADSs). Under these rules:

- the gain or excess distribution will be allocated ratably over a US holder's holding period for the ordinary shares or ADSs, as applicable;
- the amount allocated to the taxable year in which a US holder realizes the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Although we generally will be treated as a PFIC as to any US holder if we are a PFIC for any year during a US holder's holding period, if we cease to satisfy the requirements for PFIC classification, the US holder may avoid PFIC classification for subsequent years if such holder elects to recognize gain based on the unrealized appreciation in the ordinary shares or ADSs through the close of the tax year in which we cease to be a PFIC.

A US holder who beneficially owns stock in a PFIC must file Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with the Internal Revenue Service for each tax year such holder holds stock in a PFIC. This form describes any distributions received with respect to such stock and any gain realized upon the disposition of such stock.

A US holder of the ordinary shares or ADSs that are treated as "marketable stock" under the PFIC rules may be able to avoid the imposition of the special tax and interest charge described above by making a mark-to-market election. Pursuant to this election, the US holder would include in ordinary income or loss for each taxable year an amount equal to the difference as of the close of the taxable year between the fair market value of the ordinary shares or ADSs and the US holder's adjusted tax basis in such ordinary shares or ADSs. Losses would be allowed only to the extent of net mark-to-market gain previously included by the US holder under the election for prior taxable years. If a mark-to-market election with respect to ordinary shares or ADSs is in effect on the date of a US holder's death, the tax basis of the ordinary shares or ADSs in the hands of a US holder who acquired them from a decedent will be the lesser of the decedent's tax basis or the fair market value of the ordinary shares or ADSs. US holders desiring to make the mark-to-market election are urged to consult their tax advisors with respect to the application and effect of making the election for the ordinary shares or ADSs.

In the case of a US holder who holds ordinary shares or ADSs and who does not make a mark-to-market election, the special tax and interest charge described above will not apply if such holder makes an election to treat us as a "qualified electing fund" in the first taxable year in which such holder owns the ordinary shares or ADSs and if we comply with certain reporting requirements. However, we do not intend to supply US holders with the information needed to report income and gain pursuant to a "qualified electing fund" election in the event that we are classified as a PFIC.

We believe that we were not a PFIC for our 2008 fiscal year ended June 30, 2008. However, the tests for determining whether we would be a PFIC for any taxable year are applied annually and it is difficult to make accurate predictions of future income and assets, which are relevant to this determination. In addition, certain factors in the PFIC determination, such as reductions in the market value of our capital stock, are not within our control and can cause us to become a PFIC. Accordingly, there can be no assurance that we will not become a PFIC.

**Rules relating to a PFIC are very complex. US holders are urged to consult their tax advisors regarding the application of PFIC rules to their investments in our ordinary shares or ADSs.**

### *Information Reporting and Backup Withholding*

Payments made in the United States or through certain US-related financial intermediaries of dividends or the proceeds of the sale or other disposition of our ordinary shares or ADSs may be subject to information reporting and US federal backup withholding if the recipient of such payment is not an “exempt recipient” and fails to supply certain identifying information, such as an accurate taxpayer identification number, in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. The backup withholding tax rate is currently 28%. Payments made with respect to our ordinary shares or ADSs to a US holder must be reported to the Internal Revenue Service, unless the US holder is an exempt recipient or otherwise establishes an exemption. Any amount withheld from a payment to a US holder under the backup withholding rules is refundable or allowable as a credit against the holder's US federal income tax, provided that the required information is furnished to the Internal Revenue Service.

### **10F. DIVIDENDS AND PAYING AGENTS**

On August, 21, 2008, we declared a dividend which, in total, amounts to R37.7 million (10 cents per ordinary share). Secondary tax on companies of R3.8 million is payable on the dividend. There are no dividend restrictions.

Date of entitlement: October 10, 2008  
Payment date: October 13, 2008  
Paying agents: Link Market Services (US and SA)  
St Jame's Corporate Services Limited (UK)  
Computershare (Australia)

### **10G. STATEMENT BY EXPERTS**

Not applicable.

### **10H. DOCUMENTS ON DISPLAY**

You may request a copy of our US Securities and Exchange Commission filings, at no cost, by writing or calling us at DRDGOLD Limited, P.O. Box 390, Maraisburg, Johannesburg, South Africa 1700. Attn: Group Company Secretary. Tel No. +27-11-219-8700. A copy of each report submitted in accordance with applicable United States law is available for public review at our principal executive offices.

A copy of each document concerning us that is referred to in this Annual Report on Form 20-F, is available for public view at our principal executive offices at DRDGOLD Limited, 299 Pendoring Avenue, Blackheath, Randburg, South Africa 2195.

### **10I. SUBSIDIARY INFORMATION**

Not applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### *General*

In the normal course of our operations, we are exposed to market risk, including commodity price, foreign currency, interest and credit risks. We do not hold or issue derivative financial instruments for speculative purposes, nor do we hedge forward gold sales.

Refer to Item 18. “Financial Statements—Note 23—Financial instruments” of the consolidated financial statements for a qualitative and quantitative discussion of our exposure to these market risks.

### *Commodity price risk*

The market price of gold has a significant effect on our results of operations, our ability and the ability of our subsidiaries to pay dividends and undertake capital expenditures, and the market price of our ordinary shares or ADSs. Historically, gold prices have fluctuated widely and are affected by numerous industry factors over which we have no control. The aggregate effect of these factors on the gold price is impossible for us to predict. The price of gold may not remain at a level allowing us to economically exploit our reserves. It is our policy not to hedge this commodity price risk.

### *Concentration of credit risk*

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our receivables from customers and investment securities.

Our financial instruments do not represent a concentration of credit risk, because we deal with a variety of major banks and financial institutions located in South Africa after evaluating the credit ratings of the representative financial institutions. Furthermore, our trade receivables and loans are regularly monitored and assessed for recoverability. Where it is appropriate, an impairment loss is raised.

In addition, our South African operations deliver their gold to Rand Refinery, which refines the gold to saleable purity levels and then sells the gold, on behalf of the South African operations, on the bullion market. The gold is sold by Rand Refinery on the same day as it is delivered and settlement is made within two days.

### *Foreign currency risk*

Our reporting currency is the South African Rand. Although gold is sold in US dollars, the Company is obliged to convert this into South African Rands. We are thus exposed to fluctuations in the US Dollar/South African Rand exchange rate. Foreign exchange fluctuations affect the cash flow that we will realize from our operations as gold is sold in US Dollars, while production costs are incurred primarily in South African Rands. Our results are positively affected when the US Dollar strengthens against the Rand and adversely affected when the US Dollar weakens against the Rand. Our cash and cash equivalent balances are held in US Dollars, Australian dollars and South African Rands; holdings denominated in other currencies are relatively insignificant.

### *Long-term debt*

Set out below is an analysis of our debt as at June 30, 2008, analyzed between fixed and variable interest rates and classified by currency.

|                                      | <b><u>Rand<br/>denominated<br/>loans<br/>R'000</u></b> | <b><u>Total<br/>R'000</u></b> |
|--------------------------------------|--|-------------------------------|
| <b>Interest rate</b>                 |  |                               |
| Variable rate .....                  | 24,734   | 24,734                        |
| Weighted average interest rate ..... | 15.5%  | 15.5%                         |
| Fixed rate .....                     | 140,900  | 140,900                       |
| Weighted average interest rate ..... | 13%  | 13%                           |
| Total .....                          | 165,634  | 165,634                       |
| <b>Repayment period</b>              |  |                               |
| 2009 .....                           | 39,972   | 39,972                        |
| 2010 .....                           | 23,776   | 23,776                        |
| 2011 onwards.....                    | 101,886  | 101,886                       |
| Total .....                          | 165,634  | 165,634                       |

Based on our fiscal 2008 financial results, a hypothetical 10% increase/decrease in interest rate activity would increase/decrease our interest expense by R0.4 million.



## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## **PART II**

## **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

There have been no material defaults in the payment of principal, interest, a sinking or purchase fund installment, or any other material defaults with respect to any indebtedness of ours.

## **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

## **ITEM 15. CONTROLS AND PROCEDURES**

### ***15A. Disclosure Controls and Procedures***

Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as this term is defined under the rules of the SEC) as of June 30, 2008. Based on this evaluation and the material weaknesses in our internal control over financial reporting described below, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2008, our disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the US Securities Exchange Act of 1934.

### ***15B. Management's Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our Chief Executive and Chief Financial Officer and effected by our board, management and other personnel 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 is required to assess our internal controls surrounding the financial reporting process as at the end of each fiscal year. Based on that assessment, management is to determine whether or not our internal controls over financial reporting are effective.

Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and board; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Instead, it must be noted that even those systems that management deems to be effective can only provide reasonable assurance with respect to the preparation and presentation of our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework". Based on our assessment and those criteria, our management concluded that as of June 30, 2008 our internal control over financial reporting was not effective, as a result of the material weaknesses in our internal control over financial reporting described below.

Management's assessment identified two material weaknesses in our internal control over financial reporting as of June 30, 2008.

- IFRS application:

We did not have adequate internal control over the accounting for certain complex and non-routine transactions in accordance with IFRS, which resulted in errors and adjustments to the financial statements. These errors were identified and corrected prior to the issuance of the accompanying financial statements. As a result of this deficiency, there is a reasonable possibility that a material misstatement of the annual financial statements would not be prevented or detected on a timely basis.

- Review process:

Our review process over the year-end financial reporting process did not operating effectively, resulting in errors and adjustments to the financial statements. Some of these errors and adjustments related to transactions that require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. These errors were identified and corrected prior to the issuance of the accompanying financial statements. As a result of this deficiency, there is a reasonable possibility that a material misstatement of the annual financial statements would not be prevented or detected on a timely basis.

***Plan for remediation of material weaknesses***

We have developed the following remediation plan to address the material weaknesses and will proceed expeditiously with the following remediation measures in order to enhance internal control. Our Audit Committee has reviewed and endorsed this remediation plan:

- IFRS application:

We intend to improve our process to assess the accounting implications of complex and non-routine transactions. These accounting implications will be adequately documented and reviewed by management and the Audit Committee prior to year-end. Consideration will also be given to staffing needs including consultations with external accounting experts where necessary.

- Review process:

We intend to improve our process for an effective evaluation of transactions that require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. The appropriate level of management will be involved in the decision-making process over the selection of the appropriate assumptions and applying them consistently. The evaluation process will be adequately documented and reviewed and the appropriate assumptions will be approved by management and the Audit Committee prior to year-end.

We will also improve our process of internal control over financial reporting specifically as it relates to our review process of the annual financial statements. Processes will be amended, where required, to include detailed policies and procedures that provide for the review of our financial statements to identify errors at a level of precision that would prevent or detect a material misstatement.

***15C. Independent Auditor's Attestation Report***

The effectiveness of internal control over financial reporting as of June 30, 2008 was audited by KPMG Inc., independent registered public accounting firm, as stated in their report on page F-2 of this Form 20-F.

***15D. Changes in Internal Control Over Financial Reporting***

During the year ended June 30, 2008, there have not been any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Mr. R.P. Hume, Chairman of the Audit Committee, has been determined by our board to be an audit committee financial expert within the meaning of the Sarbanes-Oxley Act, in accordance with the Rules of the Nasdaq Capital Market and the SEC. The board is satisfied that the skills, experience and attributes of the members of the audit committee are sufficient to enable those members to discharge the responsibilities of the audit committee.

## ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics and Conduct that applies to all senior executives including our Non-Executive Chairman, the Chief Executive Officer, Chief Financial Officer and the Group Financial Manager and Financial Manager at each mining operation as well as all other employees. The Code of Ethics and Conduct can be accessed on the Company's website at [www.drdgold.com](http://www.drdgold.com).

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG Inc. has served as our independent public accountant for the fiscal years ending June 30, 2008, 2007 and 2006, for which audited financial statements appear in this Annual Report. The Annual General Meeting elects the auditors annually.

The following table presents the aggregate fees for professional audit services and other services rendered by KPMG Inc. to us in fiscal 2008 and 2007:

| <i>Auditors' remuneration</i> | <b>Year ended June 30,</b> |               |
|-------------------------------|----------------------------|---------------|
|                               | <b>2008</b>                | <b>2007</b>   |
|                               | <b>R'000</b>               | <b>R'000</b>  |
| Audit fees.....               | 10,002                     | 13,153        |
| Audit-related fees.....       | -                          | 2,101         |
| Tax fees .....                | 451                        | -             |
| All other fees .....          | -                          | 164           |
|                               | <u>10,453</u>              | <u>15,418</u> |

### *Audit Fees*

Audit fees billed for the annual audit services engagement, which are those services that the external auditor reasonably can provide, include the company audit; statutory audits; comfort letters and consents; attest services; and assistance with and review of documents filed with the SEC.

### *Audit-Related Fees*

For fiscal 2007, audit-related fees include fees billed by KPMG Inc. in respect of half-year reviews conducted at Porgera and Tolukuma, as well as a review of historical financial information at Porgera.

### *Tax Fees*

Fees for tax services include fees billed for tax compliance, tax advice and tax planning services.

### *All Other Fees*

All other fees consist of all fees billed which are not included under audit fees, audit related fees or tax fees. In fiscal 2007, these amounts related to fees billed for reviews of a shareholders' circulars issued during these years.

The Audit Committee appoints, re-appoints and removes the external auditors as well as determines the remuneration and terms of engagement of the external auditors. The committee pre-approves, and has pre-approved, all non-audit services provided by the external auditors. The Audit Committee considered all of the fees mentioned above and determined that such fees are compatible with maintaining KPMG Inc.'s independence.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

## PART III

### ITEM 17. FINANCIAL STATEMENT

Not applicable.

### ITEM 18. FINANCIAL STATEMENTS

The following financial statements and related auditor's reports are filed as part of this Annual Report.

|   | <u>Page</u> |
|---|-------------|
| Report of the independent registered public accounting firm.....                                    | F-1 to F-2  |
| Consolidated income statements for the years ended June 30, 2008, 2007 and 2006.....                | F-3         |
| Consolidated balance sheets at June 30, 2008 and 2007. ....   | F-4         |
| Consolidated statements of changes in equity for the years ended June 30, 2008, 2007 and 2006. .... | F-5         |
| Consolidated cash flow statements for the years ended June 30, 2008, 2007 and 2006. ....            | F-6         |
| Notes to the annual financial statements. ....  | F-7 to F-62 |

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of DRDGOLD Limited:

We have audited the accompanying consolidated balance sheets of DRDGOLD Limited and subsidiaries as of June 30, 2008 and 2007, and the related consolidated income statements, the statements of changes in equity, and the cash flow statements for each of the years in the three-year period ended June 30, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DRDGOLD Limited and subsidiaries as of June 30, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), DRDGOLD Limited's internal control over financial reporting as of June 30, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 12, 2008, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG Inc.

KPMG Inc.

Registered Accountants and Auditors

Johannesburg, Republic of South Africa

December 12, 2008

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of DRDGOLD Limited

We have audited DRDGOLD Limited's internal control over financial reporting as of June 30, 2008, based on, criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DRDGOLD Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in Management's Annual Report on Internal Control Over Financial Reporting:

- Inadequate control over the proper application of International Financial Reporting Standards; and
- Ineffective management review over the year-end financial reporting process.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of DRDGOLD Limited and subsidiaries. The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements, and this report does not affect our report dated December 12, 2008, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weaknesses on the achievement of the objectives of the control criteria, DRDGOLD Limited has not maintained effective internal control over financial reporting as of June 30, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We do not express an opinion or any other form of assurance on management's statements referring to corrective actions taken after June 30, 2008, relative to the aforementioned material weaknesses in internal control over financial reporting.

/s/ KPMG Inc.

KPMG Inc.

Registered Accountants and Auditors

Johannesburg, Republic of South Africa

December 12, 2008

**DRDGOLD Limited**  
**CONSOLIDATED INCOME STATEMENTS**  
**for the year ended June 30, 2008**

|  | Note | Continuing operations |               |               | Discontinued operations <sup>1</sup> |               |               | Total operations   |               |               |
|--|------|-----------------------|---------------|---------------|--------------------------------------|---------------|---------------|--------------------|---------------|---------------|
|  |      | 2008<br>R'000         | 2007<br>R'000 | 2006<br>R'000 | 2008<br>R'000                        | 2007<br>R'000 | 2006<br>R'000 | 2008<br>R'000      | 2007<br>R'000 | 2006<br>R'000 |
| Revenue  | 2    | <b>1,843,912</b>      | 1,534,777     | 970,604       | <b>89,235</b>                        | 674,928       | 629,390       | <b>1,933,147</b>   | 2,209,705     | 1,599,994     |
| Cost of sales  |      | <b>(1,598,364)</b>    | (1,397,046)   | (958,912)     | <b>(139,369)</b>                     | (847,150)     | (615,998)     | <b>(1,737,733)</b> | (2,244,196)   | (1,574,910)   |
| Operating costs <sup>2</sup>   |      | <b>(1,503,015)</b>    | (1,315,126)   | (873,236)     | <b>(124,437)</b>                     | (719,996)     | (509,853)     | <b>(1,627,452)</b> | (2,035,122)   | (1,383,089)   |
| Depreciation   | 10   | <b>(69,077)</b>       | (63,905)      | (54,749)      | <b>(854)</b>                         | (115,027)     | (95,883)      | <b>(69,931)</b>    | (178,932)     | (150,632)     |
| Retrenchment costs   | 3    | <b>(11,344)</b>       | (938)         | (984)         | –                                    | (26,507)      | (4,642)       | <b>(11,344)</b>    | (27,445)      | (5,626)       |
| Movement in provision for environmental rehabilitation                         | 17   | <b>(30,171)</b>       | (19,952)      | (28,301)      | <b>(4,019)</b>                       | –             | (10,768)      | <b>(34,190)</b>    | (19,952)      | (39,069)      |
| Movement in gold in progress   |      | <b>15,243</b>         | 2,875         | (1,642)       | <b>(10,059)</b>                      | 14,380        | 5,148         | <b>5,184</b>       | 17,255        | 3,506         |
| <b>Gross profit/(loss) from operating activities</b>                           |      | <b>245,548</b>        | 137,731       | 11,692        | <b>(50,134)</b>                      | (172,222)     | 13,392        | <b>195,414</b>     | (34,491)      | 25,084        |
| Profit/(loss) on derivative financial instruments                              |      | –                     | –             | 37            | <b>(433)</b>                         | (50,852)      | 34,577        | <b>(433)</b>       | (50,852)      | 34,614        |
| Impairments  | 3    | <b>(63,915)</b>       | (5,913)       | 44,073        | <b>(46,718)</b>                      | (872,133)     | 74,465        | <b>(110,633)</b>   | (878,046)     | 118,538       |
| Administration expenses and general costs                                      |      | <b>(79,439)</b>       | (109,277)     | (48,161)      | <b>(20,084)</b>                      | (100,709)     | (83,222)      | <b>(99,523)</b>    | (209,986)     | (131,383)     |
| Share of loss of associates  |      | –                     | –             | –             | –                                    | –             | (151,963)     | –                  | –             | (151,963)     |
| <b>Operating profit/(loss) before finance income and finance expenses</b>      | 3    | <b>102,194</b>        | 22,541        | 7,641         | <b>(117,369)</b>                     | (1,195,916)   | (112,751)     | <b>(15,175)</b>    | (1,173,375)   | (105,110)     |
| Finance income   | 5    | <b>91,975</b>         | 7,908         | 10,566        | <b>3,040</b>                         | 21,215        | 92,732        | <b>95,015</b>      | 29,123        | 103,298       |
| Finance expenses   | 6    | <b>(108,068)</b>      | (24,236)      | (92,889)      | <b>(59,625)</b>                      | (81,747)      | (13,687)      | <b>(167,693)</b>   | (105,983)     | (106,576)     |
| <b>Profit/(loss) before taxation</b>   |      | <b>86,101</b>         | 6,213         | (74,682)      | <b>(173,954)</b>                     | (1,256,448)   | (33,706)      | <b>(87,853)</b>    | (1,250,235)   | (108,388)     |
| Income tax   | 7    | <b>68,303</b>         | (737)         | (1,323)       | <b>75,408</b>                        | (4,996)       | (23,069)      | <b>143,711</b>     | (5,733)       | (24,392)      |
| <b>Profit/(loss) after taxation</b>  |      | <b>154,404</b>        | 5,476         | (76,005)      | <b>(98,546)</b>                      | (1,261,444)   | (56,775)      | <b>55,858</b>      | (1,255,968)   | (132,780)     |
| Profit on disposal of discontinued operations                                  | 8    | –                     | –             | –             | <b>1,169,210</b>                     | 90,938        | 18,322        | <b>1,169,210</b>   | 90,938        | 18,322        |
| <b>Profit/(loss) for the year</b>  |      | <b>154,404</b>        | 5,476         | (76,005)      | <b>1,070,664</b>                     | (1,170,506)   | (38,453)      | <b>1,225,068</b>   | (1,165,030)   | (114,458)     |
| <b>Attributable to:</b>  |      |                       |               |               |                                      |               |               |                    |               |               |
| Ordinary shareholders of the company   |      | <b>128,558</b>        | (2,674)       | (71,478)      | <b>867,483</b>                       | (921,792)     | (38,611)      | <b>996,041</b>     | (924,466)     | (110,089)     |
| Minority interest  |      | <b>25,846</b>         | 8,150         | (4,527)       | <b>203,181</b>                       | (248,714)     | 158           | <b>229,027</b>     | (240,564)     | (4,369)       |
| <b>Profit/(loss) for the year</b>  |      | <b>154,404</b>        | 5,476         | (76,005)      | <b>1,070,664</b>                     | (1,170,506)   | (38,453)      | <b>1,225,068</b>   | (1,165,030)   | (114,458)     |
| <b>Earnings per share attributable to ordinary shareholders of the company</b> |      |                       |               |               |                                      |               |               |                    |               |               |
| Basic and diluted earnings/(loss) per share (cents)                            | 9    | <b>34</b>             | (1)           | (23)          | <b>231</b>                           | (270)         | (12)          | <b>265</b>         | (271)         | (35)          |

<sup>1</sup> The discontinued operations relate to the Porgera Joint Venture (disposed on 17 August 2007), Emperor (disposed on 22 October 2007), Netgold (disposed on 13 March 2008) and Buffelsfontein Gold Mines Limited (liquidated on 22 March 2005).

<sup>2</sup> Operating costs equates to cash costs of production.

**DRDGOLD Limited**  
**CONSOLIDATED BALANCE SHEETS**  
**at June 30, 2008**

|   |             | <b>2008</b>      | <b>2007</b>  |
|---|-------------|------------------|--------------|
|   | <b>Note</b> | <b>R'000</b>     | <b>R'000</b> |
| <b>ASSETS</b>                               |             |                  |              |
| Non-current assets                          |             | <b>1,073,290</b> | 785,302      |
| Property, plant and equipment               | 10          | <b>815,592</b>   | 649,770      |
| Non-current investments and other assets    | 11          | <b>176,123</b>   | 135,532      |
| Deferred tax                                | 19          | <b>81,575</b>    | —            |
| <b>Current assets</b>                       |             | <b>1,189,205</b> | 1,161,861    |
| Inventories                                 | 13          | <b>62,857</b>    | 108,741      |
| Trade and other receivables                 | 14          | <b>240,278</b>   | 93,264       |
| Derivative financial instruments            | 21          | <b>—</b>         | 5,982        |
| Taxation receivable                         |             | <b>210</b>       | 1,565        |
| Cash and cash equivalents                   |             | <b>846,114</b>   | 105,420      |
| Assets classified as held for sale          | 15          | <b>39,746</b>    | 846,889      |
| <b>Total assets</b>                         |             | <b>2,262,495</b> | 1,947,163    |
| <b>EQUITY AND LIABILITIES</b>               |             |                  |              |
| <b>Equity</b>                               |             | <b>1,305,461</b> | 143,456      |
| Shareholders' equity                        | 16          | <b>1,244,257</b> | 141,171      |
| Minority shareholders' interest             |             | <b>61,204</b>    | 2,285        |
| <b>Non-current liabilities</b>              |             | <b>529,654</b>   | 462,118      |
| Provision for environmental rehabilitation  | 17          | <b>381,252</b>   | 282,580      |
| Post-retirement and other employee benefits | 18          | <b>22,740</b>    | 26,019       |
| Deferred tax                                | 19          | <b>—</b>         | 104,334      |
| Long-term liabilities                       | 20          | <b>125,662</b>   | 49,185       |
| <b>Current liabilities</b>                  |             | <b>427,380</b>   | 1,341,589    |
| Trade and other payables                    |             | <b>385,110</b>   | 303,846      |
| Short-term liabilities                      | 20          | <b>39,972</b>    | 790,343      |
| Taxation payable                            |             | <b>1,771</b>     | 310          |
| Bank overdraft                              |             | <b>527</b>       | 117,849      |
| Liabilities classified as held for sale     | 15          | <b>—</b>         | 129,241      |
| <b>Total equity and liabilities</b>         |             | <b>2,262,495</b> | 1,947,163    |



**DRDGOLD Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**At June 30, 2008**

|  | Number<br>of<br>ordinary<br>shares | Number of<br>cumulative<br>preference<br>shares | Share capital<br>and share<br>premium<br>R'000 | Cumulative<br>preference<br>share capital<br>R'000 | Revaluation<br>and other<br>reserves <sup>1</sup><br>R'000 | Retained<br>earnings<br>R'000 | Total<br>shareholders<br>equity<br>R'000 | Minority<br>Interest<br>R'000 | Total equity<br>R'000 |
|--|------------------------------------|---|--|--|--|-------------------------------|--|-------------------------------|-----------------------|
| <b>Balance at June 30, 2005</b>                        | <b>296,206,048</b>                 | <b>5,000,000</b>                                | <b>3,564,974</b>                               | <b>500</b>   | <b>62,134</b>  | <b>(3,150,358)</b>            | <b>477,250</b>                           | <b>5,844</b>                  | <b>483,094</b>        |
| Issued shares for cash                                 | 23,200,021                         |   | 199,870  |  |  |                               | 199,870                                  |                               | 199,870               |
| Staff options exercised                                | 629,009                            |   | 3,468  |  |  |                               | 3,468                                    |                               | 3,468                 |
| Share issue expenses                                   |                                    |   | (6,944)  |  |  |                               | (6,944)                                  |                               | (6,944)               |
| Share-based payments                                   |                                    |   |  |  | 13,341   |                               | 13,341                                   |                               | 13,341                |
| Acquisition of subsidiaries                            |                                    |   |  |  | 126,489  |                               | 126,489                                  | 200,526                       | 327,015               |
| Foreign exchange gain on translation                   |                                    |   |  |  | 78,762   |                               | 78,762                                   | 31,124                        | 109,886               |
| Loss for the year                                      |                                    |   |  |  |  | (110,089)                     | (110,089)                                | (4,369)                       | (114,458)             |
| Total recognized income and expense for the year       |                                    |   |  |  | 205,251  | (110,089)                     | 95,162                                   | 227,281                       | 322,443               |
| <b>Balance at June 30, 2006</b>                        | <b>320,035,078</b>                 | <b>5,000,000</b>                                | <b>3,761,368</b>                               | <b>500</b>   | <b>280,726</b>   | <b>(3,260,447)</b>            | <b>782,147</b>                           | <b>233,125</b>                | <b>1,015,272</b>      |
| Issued shares for cash                                 | 50,132,575                         |   | 314,594  |  |  |                               | 314,594                                  |                               | 314,594               |
| Staff options exercised                                | 174,328                            |   | 973  |  |  |                               | 973                                      |                               | 973                   |
| Share issue expenses                                   |                                    |   | (7,839)  |  |  |                               | (7,839)                                  |                               | (7,839)               |
| Share-based payments                                   |                                    |   |  |  | 12,686   |                               | 12,686                                   |                               | 12,686                |
| Partial disposal of subsidiary                         |                                    |   |  |  |  |                               | –  | 18,515                        | 18,515                |
| Foreign exchange loss on translation                   |                                    |   |  |  | (36,924)   |                               | (36,924)                                 | (8,791)                       | (45,715)              |
| Loss for the year                                      |                                    |   |  |  |  | (924,466)                     | (924,466)                                | (240,564)                     | (1,165,030)           |
| Total recognized income and expense for the year       |                                    |   |  |  | (36,924)   | (924,466)                     | (961,390)                                | (230,840)                     | (1,192,230)           |
| <b>Balance at June 30, 2007</b>                        | <b>370,341,981</b>                 | <b>5,000,000</b>                                | <b>4,069,096</b>                               | <b>500</b>   | <b>256,488</b>   | <b>(4,184,913)</b>            | <b>141,171</b>                           | <b>2,285</b>                  | <b>143,456</b>        |
| Issued shares for cash                                 | 5,800,000                          |   | 27,976   |  |  |                               | 27,976                                   |                               | 27,976                |
| Staff options exercised                                | 429,607                            |   | 2,353  |  |  |                               | 2,353                                    |                               | 2,353                 |
| Share issue expenses                                   |                                    |   | (1,219)  |  |  |                               | (1,219)                                  |                               | (1,219)               |
| Share-based payments                                   |                                    |   |  |  | 6,591  |                               | 6,591                                    |                               | 6,591                 |
| Fair value adjustment on available-for-sale investment |                                    |   |  |  | 1,744  |                               | 1,744                                    |                               | 1,744                 |
| Transfer of reserve on disposal of subsidiaries        |                                    |   |  |  | (126,489)  | 126,489                       | –  | (184,079)                     | (184,079)             |
| Foreign exchange gain on translation                   |                                    |   |  |  | 69,600   |                               | 69,600                                   | 13,971                        | 83,571                |
| Profit for the year                                    |                                    |   |  |  |  | 996,041                       | 996,041                                  | 229,027                       | 1,225,068             |
| Total recognized income and expense for the year       |                                    |   |  |  | (55,145)   | 1,122,530                     | 1,067,385                                | 58,919                        | 1,126,304             |
| <b>Balance at June 30, 2008</b>                        | <b>376,571,588</b>                 | <b>5,000,000</b>                                | <b>4,098,206</b>                               | <b>500</b>   | <b>207,934</b>   | <b>(3,062,383)</b>            | <b>1,244,257</b>                         | <b>61,204</b>                 | <b>1,305,461</b>      |

<sup>1</sup> Revaluation and other reserves comprise foreign exchange differences arising on translation of foreign subsidiaries, share-based payment reserves and asset revaluation reserves.

**DRDGOLD Limited**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
**For the year ended June 30, 2008**

|   | <b>Note</b> | <b>2008<br/>R'000</b> | <b>2007<br/>R'000</b> | <b>2006<br/>R'000</b> |
|---|-------------|-----------------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |             |                       |                       |                       |
| Cash received from sales of precious metals                 |             | <b>1,933,147</b>      | 2,209,705             | 1,599,994             |
| Cash paid to suppliers and employees                        |             | <b>(1,728,030)</b>    | (2,151,012)           | (1,579,749)           |
| <b>Cash generated by operations</b>                         | <b>29</b>   | <b>205,117</b>        | 58,693                | 20,245                |
| Finance income  |             | <b>46,859</b>         | 15,925                | 32,841                |
| Dividends received  |             | <b>4,074</b>          | 3,829                 | –                     |
| Finance expenses  |             | <b>(35,528)</b>       | (58,842)              | (42,109)              |
| Income tax paid   |             | <b>(37,902)</b>       | (17,268)              | (27,002)              |
| Payments arising from derivative instruments                |             | –                     | –                     | (37,375)              |
| <b>Net cash inflow/(outflow) from operating activities</b>  |             | <b>182,620</b>        | 2,337                 | (53,400)              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |             |                       |                       |                       |
| Purchase of investments                                     |             | <b>(26,539)</b>       | (7,498)               | (50,862)              |
| Proceeds on sale of investments                             |             | <b>19,225</b>         | 3,774                 | 385                   |
| Additions to property, plant and equipment                  |             | <b>(286,664)</b>      | (313,034)             | (263,286)             |
| Proceeds on disposal of property, plant and equipment       |             | <b>10,054</b>         | 981                   | 7,162                 |
| Purchase of subsidiaries net of cash acquired               | <b>30</b>   | –                     | –                     | 45,343                |
| Cash flow on disposal of subsidiaries net of cash disposed  | <b>30</b>   | <b>(121,761)</b>      | (558)                 | 22,325                |
| Cash flow on disposal of joint venture net of cash disposed | <b>31</b>   | <b>1,936,726</b>      | –                     | –                     |
| <b>Net cash inflow/(outflow) from investing activities</b>  |             | <b>1,531,041</b>      | (316,335)             | (238,933)             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |             |                       |                       |                       |
| Proceeds from the issue of shares                           |             | <b>30,329</b>         | 315,567               | 203,338               |
| Advances of long-term liabilities                           |             | <b>24,864</b>         | 111,576               | 332,694               |
| Repayments of long-term liabilities                         |             | <b>(819,916)</b>      | (518,046)             | (76,778)              |
| Share issue expenses  |             | <b>(1,219)</b>        | (7,839)               | (6,944)               |
| Capital distribution to minorities                          |             | <b>(74,080)</b>       | –                     | –                     |
| <b>Net cash (outflow)/inflow from financing activities</b>  |             | <b>(840,022)</b>      | (98,742)              | 452,310               |
| <b>NET INCREASE/(DECREASE) IN</b>                           |             |                       |                       |                       |
| <b>CASH AND CASH EQUIVALENTS</b>                            |             | <b>873,639</b>        | (412,740)             | 159,977               |
| Cash and cash equivalents at beginning of the year          |             | <b>(12,429)</b>       | 454,652               | 232,038               |
| Foreign exchange movements                                  |             | <b>(15,623)</b>       | (54,341)              | 62,637                |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>32</b>   | <b>845,587</b>        | (12,429)              | 454,652               |

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended June 30, 2008**

### **1. ACCOUNTING POLICIES**

DRDGOLD Limited is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended June 30, 2008 comprise the company and its subsidiaries, together referred to as the group and its interests in associates and jointly controlled entities.

### **STATEMENT OF COMPLIANCE**

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).

The financial statements were approved by the Board of Directors on 22 September 2008.

### **BASIS OF MEASUREMENT**

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

### **FUNCTIONAL AND PRESENTATION CURRENCY**

The consolidated financial statements are presented in South African Rands, which is the company's functional currency. All financial information presented in South African Rands has been rounded to the nearest thousand.

### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

### **Significant accounting policies**

The accounting policies set out below have been applied consistently by all entities in the group to all periods presented.

### **Change in presentation**

For the year ended June 30, 2008, the group changed its presentation in respect of metals on consignment. Metals on consignment previously classified as cash and cash equivalents have been reclassified as trade and other receivables. The change was applied retrospectively and had no effect on the current or previous financial performance of the group. Management is of the opinion that it is a more appropriate presentation.

### **Change in accounting policy**

The group adopted the following new standards, amendments to standards and interpretations:

IAS 1 – Capital Disclosures (Amendment).

IFRS 7 – Financial Instruments: Disclosures.

IFRIC 11 – IFRS2 – Group and Treasury Share Transactions.

### **IAS 1 Capital Disclosures (Amendment)**

The group adopted IAS 1 Amendment – Capital Disclosures as of June 30, 2008. The amendment requires additional disclosures about the group's objectives, policies and processes of managing capital. The adoption of the amendment did not have any effect on the financial position or performance of the group.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**IFRS 7 Financial Instruments: Disclosures**

The group adopted IFRS 7 – Financial instruments: Disclosures as of June 30, 2008. The statement introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about the exposure to risks arising from financial instruments. The adoption of the statement did not have any effect on the financial position or performance of the group.

**IFRIC 11 IFRS2 – Group and Treasury Share Transactions**

The group adopted IFRIC Interpretation 11 retrospectively as of June 30, 2008. This interpretation addresses how IFRS 2 Share-based Payment should be applied in the separate financial statements of entities where there are share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).

The adoption of the interpretation had no effect on the group.

**New accounting standards and IFRIC interpretations**

Certain new accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2008. These new standards and interpretations have not been early adopted by the group. A reliable estimate of the impact of the adoption thereof for the group cannot yet be disclosed for all of them.

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

| <b>Standard/interpretation</b> |  | <b>Effective date</b>  |
|--------------------------------|--|--|
| IAS 23                         | Borrowing Costs  | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |
| IFRS 8                         | Operating Segments   | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |
| IFRIC 12                       | Service Concession Arrangements  | Annual periods commencing on or after January 1, 2008 <sup>(2)</sup> |
| IFRIC 13                       | Customer Loyalty Programs  | Annual periods commencing on or after July 1, 2008 <sup>(2)</sup>    |
| IFRIC 14                       | IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction   | Annual periods commencing on or after January 1, 2008 <sup>(2)</sup> |
| IAS 1                          | Presentation of Financial Statements   | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |
| IFRS 2 amendment               | IFRS 2 Share-based Payment: Vesting Conditions and Cancellations   | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |
| IAS 27 & IFRS 1 amendment      | Cost of an Investment in a Subsidiary, Jointly Controlled Group or Associate   | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |
| IAS 32 & IAS 1 amendment       | IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

| <b>Standard/interpretation</b> |   | <b>Effective date</b>  |
|--------------------------------|---|--|
| IAS 39 amendment               | Eligible Hedged Items                             | Annual periods commencing on or after July 1, 2009 <sup>(2)</sup>    |
| IFRS 3                         | Business Combinations                             | Annual periods commencing on or after July 1, 2009 <sup>(1)</sup>    |
| IAS 27 amendment               | Consolidated and Separate Financial Statements    | Annual periods commencing on or after July 1, 2009 <sup>(1)</sup>    |
| IFRS 5 amendment               | Improvements to IFRS                              | Annual periods commencing on or after July 1, 2009 <sup>(1)</sup>    |
| IFRIC 15                       | Agreements for the Construction of Real Estate    | Annual periods commencing on or after January 1, 2009 <sup>(2)</sup> |
| IFRIC 16                       | Hedges of a Net Investment in a Foreign Operation | Annual periods commencing on or after October 1, 2008 <sup>(2)</sup> |
| Various                        | Improvements to IFRS (excluding IFRS 5 amendment) | Annual periods commencing on or after January 1, 2009 <sup>(1)</sup> |

(1) Impact not yet known or cannot be reasonably estimated.

(2) Assessed: not applicable.

Where the above standards and interpretations affect the group, the standard or interpretation will be adopted when effective.

**BASIS OF CONSOLIDATION**

**Subsidiaries**

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries with a year-end on a date other than June 30, are included in the consolidated financial statements using the most recent financial results with no more than a three-month difference if impracticable to prepare financial statements at the group reporting date. Adjustments are made for material transactions and events between the group and subsidiary in the intervening period.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the group.

**Associates**

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another group. Associates are accounted for using the equity method and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition and is presented net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an associate, the group's carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**Joint ventures**

Joint ventures are those entities over the activities of which the group has joint control. They are established by contractual agreement and require unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the group's proportionate share of the entities' assets, liabilities, revenue and expenses, with items of a similar nature on a line-by-line basis, from the date that joint control starts until the date that joint control ceases.

**Transactions eliminated on consolidation**

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**FOREIGN CURRENCY**

**Functional currency**

The functional currency is the currency of the primary economic environment in which the entity operates. This is determined by all companies in the group after analyzing all sources and influences of various currencies on their respective financial position and performance, in order to establish the currency with the most dominant influence as its functional currency.

Each entity in the group has determined its own functional currency in accordance with the above process. The functional currency of the company is the South African rand.

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies, measured at fair value, are translated at foreign exchange rates ruling at the dates that the fair value was determined. Foreign exchange differences arising on translation are recognized in the income statement, except for differences arising on the translation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation, which are recognized directly in equity.

**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into South African Rands at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to South African Rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity, namely the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

**Net investment in foreign operations**

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in the foreign currency translation reserve in the consolidated financial statements.

**FINANCIAL INSTRUMENTS**

Financial instruments recognized on the balance sheet include investments, derivative financial instruments, trade and other receivables, cash and cash equivalents, long- and short-term interest-bearing borrowings, trade and other payables, and bank overdrafts.

Financial instruments are initially recognized at fair value and include any directly attributable transaction costs, except those financial instruments measured at fair value through profit or loss. Subsequent to initial recognition, financial instruments are measured as described below.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**FINANCIAL INSTRUMENTS (continued)**

**Financial assets at fair value through profit or loss**

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the group manages and evaluates performance of such investments, and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy.

Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

**Held-to-maturity investments**

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

**Loans and receivables**

Loans and receivables and other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

**Available-for-sale financial assets**

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

**Derivative financial instruments**

The group uses derivative financial instruments as economic hedges to hedge its exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are subsequent to initial recognition measured at fair value. The gain or loss is recognized immediately in profit or loss.

**Trade and other receivables**

Subsequent to initial recognition, trade and other receivables are measured at amortized cost less impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are subsequent to initial recognition measured at amortized cost, which is equivalent to their fair value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Interest-bearing borrowings**

Interest-bearing borrowings (including the preference share liabilities) are subsequent to initial recognition measured at amortized cost with any difference between the initial amount and the redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis. If the group revises its estimates of payments, the carrying amount of the liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the liability's original effective interest rate. The adjustment is recognized as income or expense in profit or loss.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**FINANCIAL INSTRUMENTS (continued)**

**Convertible loan notes**

Convertible loan notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds as explained below.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. This fair value is determined as the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized against equity, net of any tax benefit.

Where the conversion feature in convertible loan notes is denominated in a foreign currency with a conversion option to convert a fixed amount of notes into a fixed number of shares denominated in the functional currency, the convertible loan notes are classified entirely as a liability.

**Trade and other payables**

Subsequent to initial recognition, trade and other payables are measured at amortized cost, using the effective interest rate method.

**PROPERTY, PLANT AND EQUIPMENT**

**Owned assets**

The group's property, plant and equipment consists mainly of mining assets which comprise mining properties (including mineral rights), mine development costs, mine plant facilities and equipment and vehicles. Development costs which are capitalized consist primarily of expenditure that gives access to proved and probable ore reserves. Mine development costs to maintain production and exploration costs, are expensed as incurred.

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Certain items of property, plant and equipment that have been revalued to fair value on or prior to 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. These assets have been subject to depreciation since the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing an asset to a working condition for its intended use, as well as the costs of dismantling and removing an asset and restoring the site on which it was located.

Where parts of an item of property, plant and equipment with costs that are significant in relation to the total cost of the item have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within 'other income' in profit or loss.

**Leased assets**

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset and liability are measured at amounts 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.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**PROPERTY, PLANT AND EQUIPMENT (continued)**

**Subsequent costs**

The group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the part will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs are recognized in the income statement as an expense as incurred.

**Depreciation**

Depreciation of mining properties (including mineral rights), mine development and mine plant facilities relating to underground operations are computed using the units-of-production method based on estimated proved and probable ore reserves, which are calculated using our life of mine business plans and a gold price at the end of each financial year. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. Changes in management's estimates of the quantities of economically recoverable reserves impact depreciation on a prospective basis. The prevailing market price of gold at the end of the financial year was R117,055, R154,437 and R208,287 per kilogram for the fiscal years ended June 30, 2006, 2007 and 2008, respectively.

Other assets are depreciated using the straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

The current estimated useful lives are:

- mining properties – life of mine for each operation, currently between three and 28 years
- mine development – life of mine for each operation, currently between three and 28 years
- mine plant facilities – life of mine for each operation, currently between three and 28 years
- equipment and vehicles – three to five years

The residual values, estimated useful lives and depreciation methods are reassessed annually.

**IMPAIRMENT**

**Financial assets**

A financial asset 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.

**Financial assets measured at amortized cost**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

**Available-for-sale financial assets**

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Financial assets that are individually significant are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**IMPAIRMENT (continued)**

**Non-financial assets**

The carrying amounts of the group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit 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. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices, production levels and cash costs of production, all based on life of mine business plans. The term "recoverable minerals" means proved and probable ore reserves which are calculated using our life of mine business plans and a gold price at the end of each financial year. The prevailing market price of gold at the end of the financial year was R117,055, R154,437 and R208,287 per kilogram for the fiscal years ended June 30, 2006, 2007 and 2008, respectively. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognized directly against the carrying amount of the asset whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated to the carrying amounts of the assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**INVENTORIES**

Gold in process is measured at the lower of cost and net realizable value. Costs are assigned to gold in process on an 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. Selling, refining and general administration costs are excluded from inventory valuation.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Consumable inventory is measured at the lower of cost and net realizable value. 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.

**TAXATION**

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

**Current taxation**

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**TAXATION (continued)**

**Deferred taxation**

Deferred taxation is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, and based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends, such as secondary tax on companies, are recognized at the same time as the liability to pay the related dividend is recognized.

**SHARE CAPITAL**

**Ordinary share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

**Preference share capital**

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognized as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

**Dividends**

Dividends are recognized as a liability in the period in which they are declared.

**EMPLOYEE BENEFITS**

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Pension plans, which are multi-employer plans in the nature of defined contribution plans, are funded through monthly contributions to these defined contribution plans. Obligations for contributions are recognized as an employee benefit expense in the income statement as incurred.

**Long-service benefits**

The group makes long-service bonus payments (long-service awards) for certain eligible employees, under the Chamber of Mines of South Africa Long Service Award Scheme. The amount of the award is based on both the employee's skill level and years of service with gold mining companies that qualify for the scheme. The obligation is accrued over the service life of the employees and is calculated using a projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**EMPLOYEE BENEFITS (continued)**

**Share-based payment transactions**

The group grants share options to certain employees under an employee share plan to acquire shares of the company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions such as share prices not achieving the threshold for vesting.

**Post-retirement medical benefits**

Post-retirement medical benefits in respect of qualifying employees are recognized as an expense over the expected remaining service lives of relevant employees. The group has an obligation to provide medical benefits to certain of its pensioners and dependants of ex-employees. These liabilities are provided in full, calculated on an actuarial basis and discounted using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Periodic valuation of these obligations is carried out by independent actuaries using appropriate mortality tables, long-term estimates of increases in medical costs and appropriate discount rates. The fair value of any planned assets is deducted. Actuarial gains and losses are recognized immediately in the income statement. When the calculation results in a benefit to the group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

**PROVISIONS**

A provision is recognized in the balance sheet when the group has present legal or constructive obligations resulting from past events that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Decommissioning liabilities**

The provision for decommissioning represents the cost that will arise from rectifying damage caused before production commenced. Accordingly an asset is recognized and included within mining properties.

Decommissioning liabilities are provided at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning obligation is included in the income statement. Estimated future costs of decommissioning obligations are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology. Changes in estimates are capitalized or reversed against the relevant asset.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

**Restoration liabilities**

The provision for restoration represents the cost of restoring site damage after the start of production. Increases in the provision are charged to the income statement as a cost of production. Gross restoration liabilities are estimated at the present value of the expenditures expected to settle the obligation.

**Rehabilitation trust fund**

Annual contributions are made to dedicated rehabilitation trust funds to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. These contributions are recognized as a right to receive reimbursement from the fund and measured at the fair value of the fund assets. Changes in the carrying value of the fund assets, other than contributions to and payments from the fund, are recognized in profit or loss.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**REVENUE RECOGNITION**

**Gold bullion and by-products**

Revenue from the sale of gold bullion and by-products is measured at the fair value of the consideration received or receivable. Revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

**Government grants**

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grant will be received. Grants that compensate the group for expenses incurred are recognized in the income statement as a deduction against the related expense.

**Finance income**

Finance income includes dividends received, interest received, growth in the environmental rehabilitation trust funds, changes in the fair value of financial assets at fair value through profit or loss, and other profits and losses arising on disposal of investments.

Dividends are recognized when the group's right to receive payment is established. Interest is recognized on a time proportion basis taking account of the principal outstanding and the effective rate to maturity on the accrual basis.

**EXPENSES**

**Operating lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

**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.

**Finance expenses**

Finance expenses comprise interest payable on borrowings calculated using the effective interest method, unwinding of discounting of provision for environmental rehabilitation, net foreign exchange gains and losses, net gains or losses on financial instruments measured at amortized cost, and interest on finance leases.

**Finance costs capitalized**

Interest on borrowings utilized to finance qualifying capital projects under construction is capitalized during the construction phase as part of the cost of the project. All other borrowing costs are recognized in profit or loss using the effective interest method.

**SEGMENT REPORTING**

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business and geographical segments. The group's primary format for segment reporting is based on business segments. The business segments are determined based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**1. ACCOUNTING POLICIES (continued)**

**NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

A held-for-sale asset is classified as such if it is a non-current asset, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the group's accounting policies. Thereafter, in general, the non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement. Gains are not recognized in excess of any cumulative impairment loss.

A discontinued operation in the group is a component of the group's business that represents a separate major line of business, or geographical area of operations which has been disposed of or is held for sale, or is a subsidiary acquired exclusively for resale.

An operation is recognized as being discontinued on disposal or, if earlier, the date it meets the criteria to be classified as held for sale. A disposal group that is to be abandoned may also qualify. When an operation is classified as a discontinued operation, the comparative income statement is restated.

**EARNINGS PER SHARE**

The group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings or loss per share are calculated based on the net profit or loss after taxation for the year attributable to ordinary shareholders of the company, divided by the weighted average number of ordinary shares in issue during the year. Diluted earnings or loss per share are presented when the inclusion of ordinary shares that may be issued in the future, has a dilutive effect on earnings or loss per share and headline earnings or loss per share, which comprises share options granted to employees.

**BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

In the absence of more specific guidance, the group consistently applied the book value measurement method to all common control transactions on the basis that an investment is simply being transferred from one part of the group to another. Any difference between the carrying amount of the net assets received and the consideration paid, if any, is recognized directly in equity as an excess arising from the common-control transaction.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | <b>2008</b>      | <b>2007</b>  | <b>2006</b>  |
|--|------------------|--------------|--------------|
|  | <b>R'000</b>     | <b>R'000</b> | <b>R'000</b> |
| <b>2. REVENUE</b>  |                  |              |              |
| Revenue consists of the following principal categories:  |                  |              |              |
| Gold revenue   | <b>1,897,723</b> | 2,160,800    | 1,576,883    |
| By-product revenue   | <b>35,424</b>    | 48,905       | 23,111       |
| <b>Total revenue</b>   | <b>1,933,147</b> | 2,209,705    | 1,599,994    |
| <b>3. OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME AND FINANCE EXPENSES INCLUDES THE FOLLOWING:</b> |                  |              |              |
| Auditors' remuneration   | <b>(10,453)</b>  | (15,418)     | (13,606)     |
| Audit fees – current year  | <b>(10,163)</b>  | (11,555)     | (9,595)      |
| Over/(under) provision – prior year  | <b>161</b>       | (2,291)      | (951)        |
| Fees for other services  | <b>(451)</b>     | (1,572)      | (3,060)      |
| Management, technical, administrative and secretarial service fees                                   | <b>(15,760)</b>  | (11,811)     | (15,476)     |
| Staff costs  |                  |              |              |
| Included in staff costs are:   | <b>(652,168)</b> | (795,926)    | (487,058)    |
| Salaries and wages   | <b>(598,160)</b> | (706,663)    | (440,525)    |
| Share-based payments   | <b>(6,591)</b>   | (12,686)     | (13,341)     |
| Retrenchment and restructuring costs   | <b>(11,344)</b>  | (27,445)     | (5,626)      |
| Post-retirement and other employee benefit contributions   | <b>(36,073)</b>  | (49,132)     | (27,566)     |
| Profit/(loss) on sale of property, plant and equipment   | <b>10,054</b>    | (301)        | 6,537        |
| (Impairments)/reversal of impairments  | <b>(110,633)</b> | (878,046)    | 118,538      |
| Property, plant and equipment  | <b>(116,522)</b> | (872,133)    | –            |
| Investments in associates  |                  |              | 67,728       |
| Loans to associates  |                  |              | 74,488       |
| Other loans  | <b>5,889</b>     | (5,913)      | (23,678)     |

During the year ended June 30, 2008, an impairment of R69.8 million was recorded against ERPM's property, plant and equipment due to unprofitable long walls, and an impairment of R46.7 million was recorded against Emperor's property, plant and equipment. The impairments were due to the recoverable amount represented by the value in use of these assets being less than their carrying amount.

An impairment of R3.5 million recorded during the previous financial year against the preference shares held by the company in its black economic empowerment partner, Khumo Gold SPV (Pty) Limited, and a R2.4 million impairment which was raised against the loan to the DRDGOLD SA Employee Share Trust, were reversed during the current financial year. The reversal of these impairments was due to the recoverable amount represented by the value in use of these assets being higher than their carrying amount.

During the year ended June 30, 2007, an impairment amounting to R872.1 million was recorded against property, plant and equipment at Emperor. R65.0 million related to an impairment of Tolukuma's property, plant and equipment and R807.1 million related to an impairment of Vatukoula's property, plant and equipment. The impairments were due to the recoverable amount represented by the value in use of these assets being less than their carrying amount.

During the year ended June 30, 2006 the group reversed R67.7 million of the R160.4 million impairment recorded in 2004 and 2005 against loans advanced to East Rand Proprietary Mines Limited (ERPM). The ability of ERPM to repay the loans was reassessed based on the discounted cash flows of that operation. The discounted cash flows were calculated using the updated mine plan, a gold price of R131 094 per kilogram and a discount rate of 13%. Accordingly, a decision was made to reverse a portion of the previously recorded impairments.

The R74.5 million impairment recorded in 2005 on the group's investment in Emperor Mines Limited (Emperor) was reversed during the year ended June 30, 2006, based on the market price of Emperor's shares on the Australian Stock Exchange. The investment was impaired the previous year down to A\$0.28 per share. As at June 30, 2006 Emperor's share price closed at A\$0.40 per share.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | <b>2008</b>  | <b>2007</b>  | <b>2006</b>  |
|--|--------------|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |
| Operating leases (refer note 22)                                   | (2,635)      | (3,428)      | (1,631)      |
| Pumping subsidy received   | 12,703       | 19,599       | 6,096        |
| <b>4. DIRECTORS' EMOLUMENTS</b>                                    |              |              |              |
| <b>Executive directors</b>   |              |              |              |
| <i>Services rendered as directors of the company</i>               |              |              |              |
| Salaries   | (3,994)      | (2,852)      | (3,422)      |
| Bonuses  | (1,655)      | (1,184)      | (2,065)      |
| Pension/provident fund contributions                               | –            | –            | (50)         |
| End-of-contract payments   | –            | –            | (950)        |
| <i>Services rendered by directors as directors of subsidiaries</i> |              |              |              |
| Salaries   | –            | (2,556)      | (3,651)      |
| Bonuses  | –            | (3,134)      | (3,397)      |
| End-of-contract payments   | –            | (1,905)      | (2,251)      |
| <b>Non-executive directors</b>                                     |              |              |              |
| <i>Services rendered as directors of the company</i>               |              |              |              |
| Directors fees and bonuses   | (3,071)      | (2,473)      | (2,082)      |
| <i>Services rendered as directors as directors of subsidiaries</i> |              |              |              |
| Directors fees and bonuses   | (877)        | (1,147)      | –            |
| <b>Alternate Directors</b>   |              |              |              |
| <i>Services rendered as directors of the company</i>               |              |              |              |
| Salaries   | (1,562)      | (943)        | –            |
| Bonuses  | (716)        | –            | –            |
| Pension/provident fund contributions                               | (130)        | (70)         | –            |
| <i>Services rendered by directors as directors of subsidiaries</i> |              |              |              |
| Salaries   | –            | (398)        | –            |
| Bonuses  | –            | (431)        | –            |
| Included in administration and general costs                       | (12,005)     | (17,093)     | (17,868)     |
| <b>5. FINANCE INCOME</b>   |              |              |              |
| Dividends received   | 4,074        | 3,829        | –            |
| Royalties received   | –            | 1,960        | –            |
| Interest received on bank deposits                                 | 70,232       | 12,998       | 8,206        |
| Profit on realization of investments                               | 12,005       | 1,152        | 455          |
| Profit on disposal of subsidiaries                                 | –            | –            | 674          |
| Profit arising on rights issue by subsidiary                       | –            | –            | 88,361       |
| Growth in environmental rehabilitation trust funds                 | 8,486        | 8,061        | 5,515        |
| Other investment income  | 218          | 1,123        | 87           |
|  | 95,015       | 29,123       | 103,298      |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|   | <b>2008</b>      | <b>2007</b>      | <b>2006</b>      |
|---|------------------|------------------|------------------|
|   | <b>R'000</b>     | <b>R'000</b>     | <b>R'000</b>     |
| <b>6. FINANCE EXPENSE</b>   |                  |                  |                  |
| Interest paid on bank loans and overdrafts  | (34,133)         | (86,293)         | (8,870)          |
| Interest paid on overdue accounts   | (787)            | (988)            | (87)             |
| Interest expense on convertible bond (refer note 20)                                  | –                | (11,795)         | (28,548)         |
| Loss on disposal of subsidiaries  | –                | (8,896)          | –                |
| Unrealized foreign exchange (loss)/gain   | (37,314)         | 14,012           | (43,608)         |
| Net (loss)/profit on financial liabilities measured at amortized cost (refer note 20) | (83,721)         | (5,182)          | (16,629)         |
| Unwinding of provision for environmental rehabilitation (refer note 17)               | (4,735)          | (3,250)          | (5,662)          |
| Unwinding of discount on financial liabilities measured at amortized cost             | (6,394)          | (3,371)          | (1,355)          |
| Other finance expenses  | (609)            | (220)            | (1,817)          |
|   | <b>(167,693)</b> | <b>(105,983)</b> | <b>(106,576)</b> |
| <b>7. INCOME TAX</b>  |                  |                  |                  |
| Mining tax  | 147,737          | (204)            | (23,069)         |
| Non-mining tax  | (4,026)          | (5,068)          | (1,323)          |
| Secondary tax on companies  | –                | (461)            | –                |
|   | <b>143,711</b>   | <b>(5,733)</b>   | <b>(24,392)</b>  |
| Comprising:   |                  |                  |                  |
| <b>South African</b>  |                  |                  |                  |
| Income tax  | (13,272)         | (276)            | 289              |
| Deferred tax  | 81,575           | –                | (1,612)          |
| Secondary tax on companies  | –                | (461)            | –                |
| <b>Foreign</b>  |                  |                  |                  |
| Income tax  | (32,678)         | (4,792)          | (14,436)         |
| Deferred tax  | 108,086          | (204)            | (8,633)          |
|   | <b>143,711</b>   | <b>(5,733)</b>   | <b>(24,392)</b>  |

In South Africa, mining tax on mining income is determined based on a formula which takes into account the profit and revenue from a gold mining company during the year. Non-mining income, which consists primarily of interest, is taxed at a standard rate of 28% (2007: 29%) (2006: 29%). The tax rates applicable to mining and non-mining income of a gold mining company depend on whether the company has elected to be exempt from secondary tax on companies (STC). STC is a tax on dividends declared, which is payable by the company declaring the dividend. At present, the STC tax rate is equal to 10.0% (2007: 12.5% 2006: 12.5%) of the amount of income declared as a dividend. In 1993, all existing gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply to both mining and non-mining income.

In 2008, 2007 and 2006, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 43% (2007: 45%) (2006: 45%) and 35% (2007: 37%) (2006: 37%), respectively. During those same years, the tax rates for companies that did not elect the STC exemption were 34% (2007: 35% 2006: 35%) and 28% (2007: 29% 2006: 29%) for taxable mining and non-mining income, respectively.

In 1993, the company elected not to be exempt from STC, as this would have meant that the company would be subject to normal taxation at the higher rates of 43% for mining income and 35% for non-mining income. The company, having chosen not to be subject to the STC exemption, is subject to 34% (2007: 35% 2006: 35%) tax on mining income and 28% (2007: 29% 2006: 29%) for non-mining income. With the exception of Crown, all of the South African subsidiaries elected not to be exempt from STC. The tax rate for all the Australasian operations is 30%.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**7. INCOME TAX (continued)**

South African deferred tax is provided at the estimated effective mining tax rate applicable in terms of the mining tax formula to the relevant operations at either 34% or 43% (2007: 35% or 45%)(2006: 35% or 45%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2007: 30%)(2006: 30%).

Each company is taxed as a separate entity and no tax set-off is allowed between the companies.

|  | <b>2008</b>      | <b>2007</b>  | <b>2006</b>  |
|--|------------------|--------------|--------------|
|  | <b>R'000</b>     | <b>R'000</b> | <b>R'000</b> |
| Unredeemed capital expenditure at year-end<br>(available for deduction against future mining income) | <b>1,395,736</b> | 1,724,708    | 1,536,421    |
| Tax losses at year-end (available to reduce future<br>taxable income)                                | <b>963,940</b>   | 892,363      | 653,683      |
| Estimated tax losses and unredeemed capital expenditure<br>carried forward                           | <b>2,359,676</b> | 2,617,071    | 2,190,104    |
| <b>Estimated future tax relief at applicable statutory rates</b>                                     | <b>748,071</b>   | 879,635      | 765,221      |

**Tax reconciliation**

Major items causing the group's income tax provision to differ from the statutory rate were:

|  |                  |           |          |
|--|------------------|-----------|----------|
| Taxation benefit on net loss at applicable statutory rates           | <b>27,987</b>    | 451,071   | 42,656   |
| Temporary difference for which deferred tax assets<br>not recognized | <b>(208,054)</b> | (504,606) | (5,933)  |
| Disallowable expenditure   | <b>(94,659)</b>  | (78,930)  | (68,678) |
| Exempt income  | <b>226,850</b>   | 139,705   | 6,554    |
| Additional tax relating to the previous year                         | –                | –         | (1,612)  |
| Tax incentives   | <b>5,678</b>     | 3,107     | –        |
| Secondary tax on companies   | –                | (461)     | –        |
| Utilization of previously unrecognized tax losses                    | <b>122,038</b>   | –         | –        |
| Deferred tax movement excluding unrecognized tax losses              | <b>63,871</b>    | (12,320)  | –        |
| Other  | –                | (3,299)   | 2,621    |
| <b>Taxation charge</b>   | <b>143,711</b>   | (5,733)   | (24,392) |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**8. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS**

An extensive three-month review of the Vatukoula mine was completed in early December 2006. The results of the review concluded that continuation of the mine plan was no longer economically viable. On December 5, 2006 mining ceased, and the mine was closed and placed on care and maintenance.

The sale of Emperor's 20% interest in the Porgera Joint Venture to Barrick was completed on August 17, 2007 for a cash consideration of R1.9 billion (\$255.0 million) and subsequently Emperor retired all its debt facilities. Emperor's capital return to its shareholders amounting to R308.5 million (\$43.9 million) was completed on 3 September 2007 and DRDGOLD received its portion of the capital return, amounting to R242.8 million (\$37.7 million).

The sale of DRDGOLD's 78.72% interest in Emperor was concluded on October 22, 2007 for a total consideration of R355.8 million (A\$56.0 million), drawing to a close the group's mining investment in Australasia.

On March 30, 2008 DRDGOLD disposed of its 50.25% shareholding in NetGold Services Limited (NetGold) and in exchange for its shareholding in NetGold obtained a 12.3% stake in GM Networks Limited (GoldMoney). Subsequent to year-end DRDGOLD sold its investment in GoldMoney and at year-end this investment was classified as held for sale.

On March 9, 2005, the North West Operations suffered the effects of an earthquake measuring 5.3 on the Richter scale. As a consequence of the extensive damage caused by the earthquake, the No. 5 shaft of the North West Operations was closed. There was continuing seismic activity in the area and on March 16, 2005, the company closed the No. 2 shaft because of concerns for the safety of the employees. On March 22, 2005 application was made to the High Court of South Africa for the provisional liquidation of Buffelsfontein Gold Mines Limited, or Buffelsfontein (which owns the North West Operations), which order was granted on the same day.

| <b>2008</b>  | <b>2007</b>  | <b>2006</b>  |
|--------------|--------------|--------------|
| <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |

Comparative information has been restated and re-presented to show the discontinued operations separately from the continuing operations.

|   |                  |        |        |
|---|------------------|--------|--------|
| Profit on disposal of Porgera                               | <b>1,052,393</b> | –      | –      |
| Profit on disposal of Emperor                               | <b>103,403</b>   | –      | –      |
| Profit on disposal of NetGold                               | <b>13,414</b>    | –      | –      |
| Profit on disposal of the Vatukoula mine.                   | –                | 90,895 | –      |
| Costs recovered on liquidation of the North West Operations | –                | 43     | 18,322 |
| <b>Profit on disposal of discontinued operations</b>        | <b>1,169,210</b> | 90,938 | 18,322 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**9. EARNINGS/(LOSS) PER SHARE**

**Basic**

The calculation of earnings/(loss) per ordinary share is based on the following:

|  |                    |             |             |
|--|--------------------|-------------|-------------|
| Basic earnings/(loss) attributable to ordinary shareholders                            | <b>996,041</b>     | (924,466)   | (110,089)   |
| Basic earnings/(loss) from continuing operations attributable to ordinary shareholders | <b>128,558</b>     | (2,674)     | (71,478)    |
| Weighted average number of ordinary shares in issue                                    | <b>376,023,344</b> | 340,928,374 | 310,565,826 |

**Diluted**

|   |                |           |           |
|---|----------------|-----------|-----------|
| Basic earnings/(loss) attributable to ordinary shareholders | <b>996,041</b> | (924,466) | (110,089) |
| Interest paid on convertible loan notes                     | –              | –         | 28,548    |
| Diluted basic earnings/(loss)                               | <b>996,041</b> | (924,466) | (81,541)  |

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

|   |                    |             |             |
|---|--------------------|-------------|-------------|
| Weighted average number of ordinary shares in issue                           | <b>376,023,344</b> | 340,928,374 | 310,565,826 |
| Number of staff options allocated   | <b>22,813</b>      | 895,747     | –           |
| Convertible loan notes  | –                  | –           | 17,600,000  |
| Diluted weighted average number of ordinary shares                            | <b>376,046,157</b> | 341,824,121 | 328,165,826 |
| Basic earnings/(loss) per ordinary share (cents)                              | <b>265</b>         | (271)       | (35)        |
| Basic diluted earnings/(loss) per share (cents)                               | <b>265</b>         | (271)       | (35)        |
| Basic earnings/(loss) from continuing operations per ordinary share (cents)   | <b>34</b>          | (1)         | (23)        |
| Diluted earnings/(loss) from continuing operations per ordinary share (cents) | <b>34</b>          | (1)         | (23)        |

There was no dilution in loss per share for 2007 and 2006 as the effect of dilutive securities in issue would be anti-dilutive, as the group recorded losses.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|   | <b>2008</b>        | <b>2007</b>  |
|---|--------------------|--------------|
|   | <b>R'000</b>       | <b>R'000</b> |
| <b>10. PROPERTY, PLANT AND EQUIPMENT</b>        |                    |              |
| Total   |                    |              |
| Cost  | <b>1,812,323</b>   | 2,783,736    |
| Opening balance                                 | <b>2,783,736</b>   | 3,768,207    |
| Additions                                       | <b>374,106</b>     | 313,034      |
| Borrowing costs capitalized                     | <b>2,613</b>       | —            |
| Disposals                                       | —                  | (2,082)      |
| Disposed through disposal of subsidiary         | <b>(1,391,555)</b> | —            |
| Transferred to non-current assets held for sale | —                  | (1,377,786)  |
| Foreign exchange movement                       | <b>43,423</b>      | 82,363       |
| Accumulated depreciation and amortization       | <b>(996,731)</b>   | (2,133,966)  |
| Opening balance                                 | <b>(2,133,966)</b> | (1,917,611)  |
| Current depreciation                            | <b>(69,931)</b>    | (178,932)    |
| Impairment of assets                            | <b>(116,522)</b>   | (872,133)    |
| Disposals                                       | —                  | 800          |
| Disposed through disposal of subsidiary         | <b>1,366,295</b>   | —            |
| Transferred to non-current assets held for sale | —                  | 892,086      |
| Foreign exchange movement                       | <b>(42,607)</b>    | (58,176)     |
| Net book value                                  | <b>815,592</b>     | 649,770      |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | <b>2008</b>      | <b>2007</b>  |
|--|------------------|--------------|
|  | <b>R'000</b>     | <b>R'000</b> |
| <b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b> |                  |              |
| <b>Mining property</b>                               |                  |              |
| Cost   | <b>315,052</b>   | 935,223      |
| Opening balance                                      | <b>935,223</b>   | 1,030,625    |
| Additions  | <b>161,430</b>   | 19,952       |
| Borrowing costs capitalized                          | <b>2,613</b>     | –            |
| Disposed through disposal of subsidiary              | <b>(808,809)</b> | –            |
| Transferred to non-current assets held for sale      | –                | (200,067)    |
| Foreign exchange movement                            | <b>24,595</b>    | 84,713       |
| <b>Accumulated depreciation and amortization</b>     | <b>(145,574)</b> | (873,143)    |
| Opening balance                                      | <b>(873,143)</b> | (254,134)    |
| Current depreciation                                 | <b>(9,927)</b>   | (41,619)     |
| Impairment of assets                                 | <b>(46,718)</b>  | (596,323)    |
| Disposed through disposal of subsidiary              | <b>808,809</b>   | –            |
| Transferred to non-current assets held for sale      | –                | 91,914       |
| Foreign exchange movement                            | <b>(24,595)</b>  | (72,981)     |
| <b>Net book value</b>                                | <b>169,478</b>   | 62,080       |
| <b>Mine development</b>                              |                  |              |
| Cost   | <b>929,235</b>   | 901,907      |
| Opening balance                                      | <b>901,907</b>   | 1,543,471    |
| Additions  | <b>150,584</b>   | 185,191      |
| Disposals  | –                | (51)         |
| Disposed through disposal of subsidiary              | <b>(127,371)</b> | –            |
| Transferred to non-current assets held for sale      | –                | (814,984)    |
| Foreign exchange movement                            | <b>4,115</b>     | (11,720)     |
| <b>Accumulated depreciation and amortization</b>     | <b>(513,450)</b> | (531,574)    |
| Opening balance                                      | <b>(531,574)</b> | (904,777)    |
| Current depreciation                                 | <b>(34,452)</b>  | (75,137)     |
| Impairment of assets                                 | <b>(69,804)</b>  | (37,128)     |
| Disposed through disposal of subsidiary              | <b>126,466</b>   | –            |
| Transferred to non-current assets held for sale      | –                | 476,769      |
| Foreign exchange movement                            | <b>(4,086)</b>   | 8,699        |
| <b>Net book value</b>                                | <b>415 785</b>   | 370 333      |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | 2008<br>R'000    | 2007<br>R'000 |
|--|------------------|---------------|
| <b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b> |                  |               |
| <b>Mine plant facilities</b>                         |                  |               |
| <b>Cost</b>  | <b>547,018</b>   | 726,579       |
| Opening balance                                      | 726,579          | 989,260       |
| Additions  | 56,416           | 83,838        |
| Disposals  | –                | (267)         |
| Disposed through disposal of subsidiary              | (243,856)        | –             |
| Transferred to non-current assets held for sale      | –                | (362,735)     |
| Foreign exchange movement                            | 7,879            | 16,483        |
| <b>Accumulated depreciation and amortization</b>     | <b>(324,383)</b> | (537,084)     |
| Opening balance                                      | (537,084)        | (607,633)     |
| Current depreciation                                 | (23,276)         | (39,748)      |
| Impairment of assets                                 | –                | (210,939)     |
| Disposed through disposal of subsidiary              | 243,856          | –             |
| Transferred to non-current assets held for sale      | –                | 323,403       |
| Foreign exchange movement                            | (7,879)          | (2,167)       |
| <b>Net book value</b>                                | <b>222,635</b>   | 189,495       |
| <b>Equipment and vehicles</b>                        |                  |               |
| <b>Cost</b>  | <b>21,018</b>    | 220,027       |
| Opening balance                                      | 220,027          | 204,851       |
| Additions  | 5,676            | 24,053        |
| Disposals  | –                | (1,764)       |
| Disposed through disposal of subsidiary              | (211,519)        | –             |
| Foreign exchange movement                            | 6,834            | (7,113)       |
| <b>Accumulated depreciation and amortization</b>     | <b>(13,324)</b>  | (192,165)     |
| Opening balance                                      | (192,165)        | (151,067)     |
| Current depreciation                                 | (2,276)          | (22,428)      |
| Impairment of assets                                 | –                | (27,743)      |
| Disposals  | –                | 800           |
| Disposed through disposal of subsidiary              | 187,164          | –             |
| Foreign exchange movement                            | (6,047)          | 8,273         |
| <b>Net book value</b>                                | <b>7,694</b>     | 27,862        |

Certain assets have been encumbered as security for specified liabilities (refer note 20).

Borrowing costs are capitalized at the prime lending rate.

In assessing the recoverability of the above assets, where there are indicators of possible impairment, the estimated cash flows have been calculated using the following estimates:

- recoverable proved and probable ore reserves;
- gold price estimates are based on a gold price of R235 000/kg of gold (\$905/oz) in year one, escalating at an average of 11% per annum for the next five years and 7.5% thereafter, and a base exchange rate of R8.08 = \$1.00, with the rand weakening in future years based on the expected differential between the local South African interest rates in those years over the United States interest rates in those years. The US dollar gold price is based on an escalation of 4.7% per annum;
- working cost estimates are based on current working costs per kilogram at June 30, 2008, escalated for expected South African inflationary increases of approximately 11% per annum for the next five years and 7.5% thereafter; and
- capital cost estimates are based on current estimates of future development costs to mine the current proved and probable ore reserves, escalated for expected South African inflationary increases of approximately 7.5% per annum.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|   | <b>2008</b>    | <b>2007</b>  |
|---|----------------|--------------|
|   | <b>R'000</b>   | <b>R'000</b> |
| <b>11. NON-CURRENT INVESTMENTS AND OTHER ASSETS</b>     |                |              |
| Listed investments (see below)                          | –              | 2,042        |
| Opening balance   | <b>2,042</b>   | 1,514        |
| Foreign exchange movement                               | <b>191</b>     | 218          |
| Additions   | <b>27</b>      | –            |
| Disposals   | <b>(1 402)</b> | –            |
| Fair value adjustment                                   | <b>(858)</b>   | 310          |
| Unlisted investments                                    | <b>10,689</b>  | 8,940        |
| Loan to DRDSA Empowerment Trust                         | <b>13,628</b>  | 11,257       |
| Loan to Khumo Gold SPV (Pty) Ltd                        | <b>41,040</b>  | 37,523       |
| Investments in environmental rehabilitation trust funds | <b>110,766</b> | 75,770       |
| Opening balance   | <b>75,770</b>  | 60,383       |
| Contributions   | <b>26,510</b>  | 7,326        |
| Growth in environmental rehabilitation trust funds      | <b>8,486</b>   | 8,061        |
| Total non-current investments and other assets          | <b>176,123</b> | 135,532      |
| Directors' valuation of unlisted investments            | <b>10,689</b>  | 8,940        |

Listed investments consisted of:

|                            | <b>% Held</b> | <b>Number<br/>of<br/>shares</b> | <b>Market<br/>value<br/>2008<br/>R'000</b> | <b>Carrying<br/>value<br/>2008<br/>R'000</b> | <b>Carrying<br/>value<br/>2007<br/>R'000</b> |
|----------------------------|---------------|---------------------------------|--|--|--|
| Drillsearch Energy Limited | †             | –                               | –  | –  | 2,022  |
| Konekt Limited             | †             | –                               | –  | –  | 20   |
|                            |               |                                 | –  | –  | 2,042  |

† Represented a less than 1% shareholding.

Unlisted investments comprise investments in various unlisted companies in South Africa. The valuations are based on the net asset value of these investments which approximates the instruments' fair value. During the year the group disposed of all its listed investments. The monies in the environmental rehabilitation trust funds are invested primarily in low-risk interest-bearing debt securities and may be used only for environmental rehabilitation purposes.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|   | <b>2008</b>  | <b>2007</b>  |
|---|--------------|--------------|
|   | <b>R'000</b> | <b>R'000</b> |
| <b>12. INVESTMENT IN JOINT VENTURES</b>   |              |              |
| The group acquired a 50% interest in Ergo Mining (Pty) Limited with effect from May 6, 2008. Ergo Mining (Pty) Limited is jointly controlled by the group and Mintails Limited.       |              |              |
| The group sold its 20% interest in the Porgera Joint Venture on August 17, 2007.  |              |              |
| The group's effective share of income, expenses, assets, liabilities and cash flows of the joint ventures, which is included in the consolidated financial statements, is as follows: |              |              |
| <b>Income statement</b>   |              |              |
| Revenue   | –            | 327,611      |
| Cost of sales   | –            | (200,394)    |
| Operating profit from gold  | –            | 127,217      |
| Other income, administration and general costs  | (42)         | (44,723)     |
| (Loss)/profit before taxation   | (42)         | 82,494       |
| <b>Balance sheet</b>  |              |              |
| Non-current assets  | 94,408       | 888,594      |
| Current assets  | 51,318       | 118,476      |
| Total assets  | 145,726      | 1,007,070    |
| Shareholders' equity  | (30)         | 949,739      |
| Non-current liabilities   | 78,329       | 5,967        |
| Current liabilities   | 67,427       | 51,364       |
| Total equity and liabilities  | 145,726      | 1,007,070    |
| <b>13. INVENTORIES</b>  |              |              |
| Gold in process   | 30,398       | 31,875       |
| Consumable stores   | 32,459       | 76,866       |
| Total inventories   | 62,857       | 108,741      |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | <b>2008</b>    | <b>2007</b>  |
|--|----------------|--------------|
|  | <b>R'000</b>   | <b>R'000</b> |
| <b>14. TRADE AND OTHER RECEIVABLES</b>           |                |              |
| Trade receivables (refer notes 23 and 26)        | <b>58,650</b>  | 29,848       |
| Receivables from related parties (refer note 23) | <b>515</b>     | 557          |
| Other receivables (refer note 23)                | <b>180,828</b> | 41,309       |
| Prepayments                                      | <b>285</b>     | 21,550       |
|  | <b>240,278</b> | 93,264       |

**15. ASSETS CLASSIFIED AS HELD FOR SALE**

On March 30, 2008 DRDGOLD disposed of its 50.25% shareholding in NetGold and, in exchange for its shareholding in NetGold, acquired a 12.3% stake in GoldMoney. DRDGOLD recognized the sale at a fair value of R22.1 million (\$2.7 million) with a subsequent re-measurement to fair value at June 30, 2008 to R24.7 million (\$3.1 million). Included in offshore segment (refer note 25).

In April 2007, the group announced the sale of its 20% interest in the Porgera Joint Venture to Barrick. Total consideration for the transaction was R1.9 billion (\$255.0 million) to be paid in cash. The effective date of the transaction was April 1, 2007.

Emperor's consolidated loss includes nine months (July 1, 2006 to March 31, 2007) of operating results from its 20% interest in the Porgera Joint Venture and excludes all Porgera Joint Venture operational transactions post 31 March 2007. The sale was approved by the company's shareholders and Emperor shareholders at the extraordinary general meetings held on July 27 and July 30, 2007, respectively. The transaction was completed on August 17, 2007.

At June 30, 2007, as the sale was announced and not completed, the group's 20% interest in the Porgera Joint Venture was disclosed as held for sale, comprising assets held for sale of R831.9 million and liabilities held for sale of R129.2 million. Included in Offshore segment (refer note 25).

Mining property of R15.0 million, being the DRDGOLD mine village, is presented as held for sale following the decision of the group's management on January 13, 2006 to sell this disposal group as part of the closure of the old Durban Deep mine. A sale was expected by June 30, 2008; however, due to circumstances beyond the company's control, the sale has been postponed and is expected to be completed within 15 months. The company remains committed to its plan to sell this disposal group. Included in South African segment (refer note 25).

The disposal groups are carried at the lower of carrying amount or fair value less costs to sell.

**Assets classified as held for sale**

|  |               |         |
|--|---------------|---------|
| Property, plant and equipment            | <b>15,000</b> | 500,698 |
| Non-current investments and other assets | <b>24,746</b> | –       |
| Inventories                              | –             | 326,167 |
| Trade and other receivables              | –             | 17,616  |
| Cash and cash equivalents                | –             | 2,408   |
|  | <b>39,746</b> | 846,889 |

**Liabilities classified as held for sale**

|                          |   |         |
|--------------------------|---|---------|
| Trade and other payables | – | 48,133  |
| Provisions               | – | 81,108  |
|                          | – | 129,241 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

|  | 2008<br>R'000    | 2007<br>R'000    |
|--|------------------|------------------|
| <b>16. SHAREHOLDERS' EQUITY</b>  |                  |                  |
| Details of shareholders' equity are provided in the statements of changes in equity on page F-5. |                  |                  |
| Authorized share capital   |                  |                  |
| 600,000,000 (2007: 600,000,000) ordinary shares of no par value                                  |                  |                  |
| 5,000,000 (2007: 5,000,000) cumulative preference shares of 10 cents each                        | 500              | 500              |
| Issued share capital   |                  |                  |
| 376,571,588 (2007: 370,341,981) ordinary shares of no par value                                  | 4,098,206        | 4,069,096        |
| 5,000,000 (2007: 5,000,000) cumulative preference shares of 10 cents each                        | 500              | 500              |
|  | <b>4,098,706</b> | <b>4,069,596</b> |

**Share capital**

**Unissued shares**

The group operates a share option scheme as an incentive tool for its executive directors and senior employees whose skills and experience are recognized as being essential to the group's performance. In terms of the scheme rules, a maximum of 15% of the issued ordinary shares is reserved for issuance thereunder and no participant may hold options at any time, which if exercised in full, would exceed 2% of the company's issued share capital at that time. The number of issued and exercisable share options is 4.2% of the issued ordinary share capital which is within the internationally accepted guideline of 3% to 5% for such schemes.

In addition, the participants in the scheme are fully taxed at their marginal tax rate on any gains realized on the exercise of their options.

On November 12, 2002, the company issued \$66 million of 6% Senior Convertible Notes (refer to note 20). The notes were convertible into ordinary shares, or American Depositary Receipts, at a conversion price of \$3.75 per share at the company's election, subject to adjustment in certain events. On November 15, 2006, the company repaid, in full, its outstanding 6% Senior Convertible Notes which matured on November 12, 2006. The company's obligations under the Senior Convertible Notes have now been satisfied and discharged.

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.

**Cumulative preference shares**

The terms of issue of the cumulative preference shares were that they carried the right, having priority over the company's ordinary shares, to receive a dividend equal to 3% of the gross future revenue generated by the exploitation or the disposal of Argonaut's mineral rights acquired from Randgold and Exploration Company Limited in September 1997. In 2005, the Argonaut mineral rights reverted to the South African Government after no application for conversion was lodged within the stipulated period of one year, under the provisions of the Mineral and Petroleum Resources Development Act (MPRDA).

**Option instruments**

The company currently has one class of options authorized but not issued, namely Durban Deep 'C' options. There are 10,000,000 authorized option instruments at year-end which entitle the holder to subscribe for one ordinary share per option instrument at a subscription price of R15 per ordinary share, which are exercisable at any time during the period from the date on which the option is issued by the company to a date no later than five years from the date of issue.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**16. SHAREHOLDERS' EQUITY (continued)**

|  | <b>2008</b>    | <b>2007</b>  |
|--|----------------|--------------|
|  | <b>R'000</b>   | <b>R'000</b> |
| <b>Revaluation and other reserves</b>    |                |              |
| Foreign exchange translation reserve (a) | <b>157,144</b> | 82,417       |
| Asset revaluation reserve (b)            | <b>6,744</b>   | 131,489      |
| Share-based payments reserve (c)         | <b>44,046</b>  | 42,582       |
|  | <b>207,934</b> | 256,488      |

(a) The foreign exchange translation reserve represents the cumulative translation effect arising on the translation of the financial statements of the company's foreign operations, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

(b) Certain items of property, plant and equipment that have been revalued to fair value on or prior to 1 July 2004 – the date of transition to IFRS – are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation. A revaluation adjustment of R5.0 million has been recognized in the asset revaluation reserve.

The reserve also includes a R1.7 million fair-value adjustment on available-for-sale financial instruments.

On the acquisition of Emperor, an amount of R126.5 million was taken to the asset revaluation reserve. This amount represented that part of the increase in the fair value of Emperor's net assets after the acquisition of the group's initial interest which is attributable to that initial interest. On disposal of Emperor, the revaluation reserve was transferred directly to the accumulated loss of the group.

(c) The company issues equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorized but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest. During 2008, a deferred share-based compensation expense of R6.6 million (2007: R12.7 million) was charged to the income statement (refer to note 3).

**17. PROVISION FOR ENVIRONMENTAL REHABILITATION**

|  |                |          |
|--|----------------|----------|
| Opening balance  | <b>282,580</b> | 322,308  |
| Foreign exchange movement  | –              | (580)    |
| Acquired/(disposed) through purchase/(disposal) of joint ventures/subsidiaries | <b>59,747</b>  | (756)    |
| Unwinding of discount (refer note 6)   | <b>4,735</b>   | 3,250    |
| Charge to the income statement   | <b>34,190</b>  | 19,952   |
| Transferred to non-current liabilities held for sale                           | –              | (61,594) |
| Closing balance  | <b>381,252</b> | 282,580  |

Amounts have been contributed to irrevocable trusts (refer to note 11)

The company intends to fund the ultimate rehabilitation costs from the money invested with the trust funds as well as, at the time of mine closure, the proceeds on sale of remaining assets and gold from plant clean-up.

**18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS**

|  |               |        |
|--|---------------|--------|
| Liability for post-retirement medical benefits | <b>21,504</b> | 19,009 |
| Liability for long-service awards              | <b>1,236</b>  | 1,322  |
| Liability for long-service leave               | –             | 5,688  |
|  | <b>22,740</b> | 26,019 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**18. POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)**

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |

**Contribution funds**

The group participates in a number of multi-employer, industry-based retirement plans. All plans are governed by the Pension Funds Act, 1956. The group pays fixed contributions to external institutions and will have no legal or constructive obligation to pay further amounts. Pension plans, which are multi-employer plans in the nature of defined contribution plans, are funded through monthly contributions to these defined contribution plans. Obligations for contributions are recognized as an employee benefit expense in the income statement as incurred.

Amount recognized in the income statement is as follows:

|                       |                 |          |
|-----------------------|-----------------|----------|
| Contribution payments | <b>(33,578)</b> | (46,885) |
|-----------------------|-----------------|----------|

**Post-retirement medical benefits**

The group has an obligation to fund a portion of the medical aid contributions of certain of its employees after they have retired. A provision for post-retirement medical benefits has been raised based on the latest calculations, using a projected unit credit method, of independent actuaries performed as at June 30, 2006. Post-retirement medical benefits are actuarially valued every three years. The obligation is unfunded.

Amounts recognized on the balance sheet are as follows:

|                      |               |        |
|----------------------|---------------|--------|
| Opening balance      | <b>19,009</b> | 16,762 |
| Interest costs       | <b>1,474</b>  | –      |
| Current service cost | <b>1,021</b>  | 2,247  |
| Closing balance      | <b>21,504</b> | 19,009 |

Amounts recognized in the income statement are as follows:

|                      |                |         |
|----------------------|----------------|---------|
| Interest costs       | <b>(1,474)</b> | –       |
| Current service cost | <b>(1,021)</b> | (2,247) |
|                      | <b>(2,495)</b> | (2,247) |

**Principal actuarial assumptions at the balance sheet date:**

|   |                       |                |
|---|-----------------------|----------------|
| Health care cost inflation                  | <b>5.8%</b>           | 5.8%           |
| Discount rate                               | <b>7.8%</b>           | 7.8%           |
| Real discount rate                          | <b>1.9%</b>           | 1.9%           |
| Income at retirement (as % of final salary) | <b>50.0%</b>          | 50.0%          |
| Normal retirement age                       | <b>62.5/63/65</b>     | 62.5/63/65     |
| Expected average retirement age             | <b>61.6/62.0/63.5</b> | 61.6/62.0/63.5 |
| Spouse age gap                              | <b>3 years</b>        | 3 years        |
| Continuation at retirement                  | <b>100%</b>           | 100%           |
| Proportion married at retirement            | <b>85%</b>            | 85%            |

**Historical information:**

|                    | <b>2008</b>   | 2007   | 2006   |
|--------------------|---------------|--------|--------|
|                    | <b>R'000</b>  | R'000  | R'000  |
| Unfunded liability | <b>21,504</b> | 19,009 | 16,762 |

There are currently no long-term assets set aside in respect of post-employment medical care liabilities.

Assuming all other variables remain constant, a 1% change in health care costs would have the following effects:

**Sensitivity analysis:**

|   | <b>100 bp<br/>increase</b> | <b>100 bp<br/>decrease</b> |
|---|----------------------------|----------------------------|
|   | <b>R'000</b>               | <b>R'000</b>               |
| Effect on the aggregate service and interest cost | 634                        | (492)                      |
| Effect on past service cost liability             | 5,441                      | (4,215)                    |

The group expects to pay contributions to the amount of R3.1 million during 2009.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**18. POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)**

**Long-service awards**

The group participates in the Chamber of Mines of South Africa Long Service Awards Scheme (the scheme). The scheme does not confer on any employee or other persons any right of payment of any award.

In terms of the scheme, bonus payments may be made to certain employees, usually semi-skilled, upon reaching the age of 55, who have completed 15 years of continuous service in South African gold mining companies which are members of the Chamber of Mines of South Africa and The Employment Bureau of Africa, provided such service is not pensionable service. The scheme lays down the rules under which an employee may be eligible for the award. The award is paid by the company for which the employee works upon becoming eligible for the award and electing to receive payment. All awards must be confirmed by the Chamber of Mines of South Africa before payment. The amount of the award is based on both the employee's skill level and years of service with gold mining companies that qualify for the scheme.

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |
| <b>Amounts recognized in the balance sheet are as follows:</b> |              |              |
| Opening balance  | <b>1,322</b> | 3,800        |
| Actuarial gain   | –            | (2,067)      |
| Benefits paid  | <b>(86)</b>  | (411)        |
| <b>Closing balance</b>   | <b>1,236</b> | 1,322        |
| <b>Amounts recognized in the income statement</b>              |              |              |
| Actuarial gain   | –            | 2,067        |

**Share option scheme**

**a) Details of the scheme**

The company operates a share option scheme, DRDGOLD (1996) Share Scheme, (the scheme), as an incentive tool for its executive directors and senior employees whose skills and experience are recognized as being essential to the company's performance. In terms of the scheme rules a maximum of 15% of the issued ordinary shares of the company is reserved for issuance thereunder and no participant may hold options at any time which, if exercised in full, would exceed 2% of the company's issued share capital at that time. The number of issued and exercisable share options is approximately 4.2% of the issued ordinary share capital which is within the internationally accepted guideline of 3% to 5% for such schemes. In addition, the participants in the scheme are fully taxed at their maximum marginal tax rate on any gains realized on the exercise of their options.

The price at which an option may be exercised is the lowest seven-day trailing average of the closing market prices of an ordinary share on the JSE limited, as confirmed by the company's directors, during the three months preceding the day on which the employee is granted the option. Each option remains in force for 10 years after the date of grant, subject to the terms of the option plan. Options granted under a plan vest at the discretion of the company's directors, but primarily according to the following schedule over a maximum of a three-year period:

| <b>Percentage vested in each period grant:</b> | <b>Period after the original date of the option:</b> |
|--|--|
| 25%  | 6 months   |
| 25%  | 1 year   |
| 25%  | 2 years  |
| 25%  | 3 years  |

Any options not exercised within 10 years from the original date of the option will expire and may not thereafter be exercised.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**18. POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)**

**b) Share options activity in respect of the DRDGOLD (1996) Share Scheme was as follows:**

|                          | Outstanding       | Average price per share R | Vested            | Average price per share R |
|--------------------------|-------------------|---------------------------|-------------------|---------------------------|
|                          | Number of shares  |                           | Number of shares  |                           |
| Balance at 1 July 2006   | 14,575,256        | 12.86                     | 9,257,847         | 15.64                     |
| Granted                  | 2,086,500         | 9.08                      |                   |                           |
| Exercised                | (123,426)         | 5.47                      |                   |                           |
| Forfeited/lapsed         | (283,556)         | 10.01                     |                   |                           |
| Balance at June 30, 2007 | 16,254,774        | 12.48                     | 12,163,058        | 14.18                     |
| Granted                  | 4,581,800         | 3.88                      |                   |                           |
| Exercised                | (429,607)         | 5.48                      |                   |                           |
| Forfeited/lapsed         | (4,471,348)       | 14.34                     |                   |                           |
| Balance at June 30, 2008 | <b>15,935,619</b> | <b>13.85</b>              | <b>11,257,594</b> | <b>11.58</b>              |

Options to acquire the company's ordinary shares that were granted post November 7, 2002 and remain unvested at January 1, 2005, are measured at fair value at grant date. This fair value is recognized as an employee expense over the vesting period, adjusted to reflect actual levels of vesting, with the corresponding credit to a share-based payments reserve, which is part of equity.

The fair value of the options granted is measured using the Black - Scholes option valuation model, taking into account the terms and conditions upon which the options were granted.

**Analysis of unvested share options:**

|         | Vested            | June 30, 2009    | June 30, 2010    | June 30, 2011    |
|---------|-------------------|------------------|------------------|------------------|
| R5<     | 1,125,675         | 1,145,450        | 1,060,875        | 1,060,875        |
| R5>R10  | 4,662,766         | 995,975          | 414,850          | —                |
| R10>R15 | 1,409,600         | —                | —                | —                |
| R15>R20 | 3,501,753         | —                | —                | —                |
| R20>R30 | 557,800           | —                | —                | —                |
|         | <b>11,257,594</b> | <b>2,141,425</b> | <b>1,475,725</b> | <b>1,060,875</b> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**18. POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)**

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |
| <b>c) The fair value of the options determined using the Black - Scholes option valuation model.</b> |              |              |
| Significant inputs into the model were:  |              |              |
| <b>Market price at date of grant (rand per share)</b>  |              |              |
| 1 November 2004 option grant   | <b>10.93</b> | 10.93        |
| 15 April 2005 option grant   | <b>5.13</b>  | 5.13         |
| 17 June 2005 option grant  | <b>5.50</b>  | 5.50         |
| 25 October 2005 option grant   | <b>5.94</b>  | 5.94         |
| 30 October 2006 option grant   | <b>9.93</b>  | 9.93         |
| 29 October 2007 option grant   | <b>5.50</b>  |              |
| <b>Vesting periods (years)</b>   |              |              |
| 1 November 2004 option grant   | <b>3</b>     | 3            |
| 15 April 2005 option grant   | <b>3</b>     | 3            |
| 17 June 2005 option grant  | <b>3</b>     | 3            |
| 25 October 2005 option grant   | <b>3</b>     | 3            |
| 30 October 2006 option grant   | <b>3</b>     | 3            |
| 29 October 2007 option grant   | <b>3</b>     |              |
| <b>Option strike price (rand per share)</b>  |              |              |
| 1 November 2004 option grant   | <b>11.70</b> | 11.70        |
| 15 April 2005 option grant   | <b>4.84</b>  | 4.84         |
| 17 June 2005 option grant  | <b>7.10</b>  | 7.10         |
| 25 October 2005 option grant   | <b>8.78</b>  | 8.78         |
| 30 October 2006 option grant   | <b>9.08</b>  | 9.08         |
| 29 October 2007 option grant   | <b>3.88</b>  |              |
| <b>Risk-free rate</b>  |              |              |
| 1 November 2004 option grant   | <b>8.56%</b> | 8.56%        |
| 15 April 2005 option grant   | <b>7.81%</b> | 7.81%        |
| 17 June 2005 option grant  | <b>7.58%</b> | 7.58%        |
| 25 October 2005 option grant   | <b>7.94%</b> | 7.94%        |
| 30 October 2006 option grant   | <b>8.39%</b> | 8.39%        |
| 29 October 2007 option grant   | <b>8.79%</b> |              |
| <b>Volatility <sup>(1)</sup></b>   |              |              |
| 1 November 2004 option grant   | <b>29%</b>   | 29%          |
| 15 April 2005 option grant   | <b>37%</b>   | 37%          |
| 17 June 2005 option grant  | <b>38%</b>   | 38%          |
| 25 October 2005 option grant   | <b>36%</b>   | 36%          |
| 30 October 2006 option grant   | <b>44%</b>   | 44%          |
| 29 October 2007 option grant   | <b>28%</b>   |              |
| <b>Dividend yield</b>  |              |              |
| 1 November 2004 option grant   | —            | —            |
| 15 April 2005 option grant   | —            | —            |
| 17 June 2005 option grant  | —            | —            |
| 25 October 2005 option grant   | —            | —            |
| 30 October 2006 option grant   | —            | —            |
| 29 October 2007 option grant   | —            |              |

(1) The volatility is measured at the standard deviation of the expected share price returns and is based on statistical analysis of daily share prices over the last three years.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**19. DEFERRED TAX**

|  | <b>2008</b>   | <b>2007</b>  |
|--|---------------|--------------|
|  | <b>R'000</b>  | <b>R'000</b> |
| Balances arose from the following temporary differences:                     |               |              |
| <b>Deferred tax asset</b>  |               |              |
| Property, plant and equipment  | 194,445       | 309,733      |
| Provisions, including rehabilitation provision                               | 271,178       | 79,451       |
| Estimated assessed losses  | 140,724       | 205,167      |
| Other temporary differences  | 151,983       | 853          |
| Deferred mining and income tax asset not recognized                          | (676,755)     | (595,204)    |
|  | <b>81,575</b> | –            |
| <b>Deferred tax liability</b>  |               |              |
| Property, plant and equipment  | –             | (111,650)    |
| Inventories  | –             | (17,862)     |
| Provisions, including rehabilitation provision                               | –             | 25,178       |
|  | –             | (104,334)    |
| Net deferred mining and income tax asset/(liability)                         | <b>81,575</b> | (104,334)    |
| <b>Reconciliation between deferred taxation opening and closing balances</b> |               |              |
| Opening balance  | (104,334)     | (92,014)     |
| Foreign exchange movement  | (3,752)       | (12,116)     |
| Income statement credit/(charge)   | 189,661       | (204)        |
| Closing balance  | <b>81,575</b> | (104,334)    |

**20. LONG-TERM LIABILITIES**

**Secured**

|  |        |         |
|--|--------|---------|
| Industrial Development Corporation (a) | –      | 1,424   |
| Investec Bank (Mauritius) Limited (b)  | –      | 27,771  |
| ANZ Banking Group Limited (c)          | –      | 759,034 |
| Finance lease agreements (d)           | –      | 2,114   |
| AngloGold Ashanti (e)                  | 24,734 | –       |

**Unsecured**

|   |                |           |
|---|----------------|-----------|
| Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDGOLD SA |                |           |
| Employee Share Trust (f)  | 140,900        | 49,185    |
| Convertible loan notes (g)  | –              | –         |
|   | <b>165,634</b> | 839,528   |
| Less: payable within one year included under current liabilities          | (39,972)       | (790,343) |
|   | <b>125,662</b> | 49,185    |

**Long-term liability repayment schedule for capital amounts payable in the 12 months to:**

|               |                |         |
|---------------|----------------|---------|
| June 30, 2008 | –              | 790,343 |
| June 30, 2009 | 39,972         | –       |
| June 30, 2010 | 23,776         | –       |
| Thereafter    | 101,886        | 49,185  |
|               | <b>165,634</b> | 839,528 |

**Analysis of gross long-term liabilities by currency:**

|                      |                |         |
|----------------------|----------------|---------|
| United States dollar | –              | 27,771  |
| South African rand   | 165,634        | 50,609  |
| Australian dollar    | –              | 761,148 |
|                      | <b>165,634</b> | 839,528 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**20. LONG-TERM LIABILITIES (continued)**

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |
| <b>Effective interest rates:</b>               |              |              |
| <b>Secured liabilities</b>                     |              |              |
| Industrial Development Corporation             | <b>12.0%</b> | 12.0%        |
| Investec Bank (Mauritius) Limited              | <b>8.3%</b>  | 8.3%         |
| ANZ Banking Group Limited                      | <b>7.9%</b>  | 7.9%         |
| AngloGold Ashanti                              | <b>15.5%</b> |              |
| <b>Unsecured liabilities</b>                   |              |              |
| Convertible loan notes                         | –            | 8.74%        |
| <b>Undrawn committed borrowing facilities:</b> |              |              |
| Investec Bank (Mauritius) Limited              | –            | 219,887      |

(a) On July 18, 2002, Blyvoor entered into a loan agreement with the Industrial Development Corporation of South Africa for R65 million specifically for financing capital expenditures incurred by Blyvoor in completing the Blyvoor Expansion Project. The loan bore interest at 1% below the prime rate of First National Bank of Southern Africa Limited on overdraft. As of June 30, 2007, the interest rate on this loan stood at 12% per annum and R1.4 million was outstanding. The loan was repayable in 48 monthly installments starting from September 2003. The loan was secured by a special notarial bond over the Blyvoor metallurgical plant to the value of R73.0 million. The loan agreement prohibited the company from disposing of or further encumbering the assets covered by the notarial bond and placed restrictions over its ability to change the business of Blyvoor. The loan has been repaid in full.

(b) On September 13, 2006, a facility of \$35.0 million was entered into with Investec (Mauritius). The company had drawn down R242.4 million (\$33.0 million) under this facility for the purpose of repaying the Senior Convertible Notes. At June 30, 2007, the company had repaid a portion of this amount by issuing 39 518 327 ordinary shares to the value of R214.6 million (\$29.1 million). The facility bore interest at the three-month London Interbank Offered Rate (LIBOR) plus basis points and was secured by DRD (Offshore)'s shares in Emperor Mines Limited. The loan agreement prohibited the company from disposing of or further encumbering the secured assets and the facility was renewable. The loan was repaid in full by issuing 5,800,000 ordinary shares to the value of R28.0 million.

(c) As at June 30, 2007, there were five loan facilities from the ANZ Banking Group Limited (ANZ Bank), they comprised the (i) Vatukoula loan facility (R71.8 million), (ii) project loan facilities (R422.9 million), (iii) a property loan (R8.9 million), (iv) a gold call option facility (R13.4 million), and (v) a hedge book facility of (R242.0 million).

- i) The Vatukoula loan facility from ANZ Bank, secured over the assets and mining rights of Emperor Gold Mining Company Limited (Fiji), was novated to Emperor Mines Limited (Emperor) on March 28, 2007 following the completion of the sale of the Vatukoula mine to Westech Gold (Pty) Limited. The sale included the transfer of all the assets and liabilities (other than the ANZ Bank loan, lease liability and the gold hedge book) to Westech on March 28, 2007 and security over the Fijian assets was subsequently released by ANZ Bank. An agreement was reached with the ANZ Bank prior to June 30, 2007 to defer principal repayments in relation to all facilities provided by the bank to Emperor and its subsidiaries until the successful completion of the sale of Emperor's 20% interest in the Porgera Joint Venture. The loan bore interest at LIBOR plus 2.5%. This facility was repaid on August 17, 2007.
- ii) The project loan facilities agreement was signed on March 21, 2006 between ANZ Bank and Emperor for R305.3 million (\$42.0 million). These facilities comprised a R254.4 million (\$35.0 million) senior facility with a 59-month tenor and a R50.9 million (\$7.0 million) revolving working capital facility, which were secured by the Papua New Guinean gold assets and an Emperor Mines Limited guarantee. On January 22, 2007, Emperor signed documentation with ANZ Bank to increase the revolving working capital facility from \$7.0 million to \$22.0 million to fund the restructure of the Emperor assets which provided working capital for the Papua New Guinean operations and exit costs associated with the Vatukoula mine sale. The additional facility bore interest at LIBOR plus 4.0%. This facility was repaid on August 17, 2007.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**20. LONG-TERM LIABILITIES (continued)**

- iii) The property loan represented a mortgage over a property purchased in Brisbane during May 2006. The loan attracted interest payments only for the first five years of the mortgage. A first registered mortgage by Emperor Mines over the property situated at 45 Milman St Clayfield, Queensland, Australia was held by ANZ Bank as security for this loan. The loan bore interest at 6.79% per annum. The loan was repaid on August 17, 2007.
- iv) The gold call option facility was implemented to purchase gold call options from ANZ Bank. The term of the facility was 12 months from April 6, 2006 and the loan bore interest at LIBOR plus 2.1%. The settlement of this facility would have coincided with the closing out of the call options for which the facility was implemented, however, this facility was repaid on August 17, 2007.
- v) A hedge book facility with ANZ Bank was entered into by Emperor to close out its gold forward hedge book of 165 695 ounces on May 16, 2007 at a spot price of \$670/oz. The hedge book was closed out at an amount of \$34.2 million and ANZ Bank agreed to defer the settlement of this amount until December 31, 2007 or earlier following receipt of funds from the sale of Emperor's 20% interest in the Porgera Joint Venture. The deferral facility bore interest at LIBOR plus 3.7%. This facility was repaid on August 17, 2007.

(d) Finance leases were effectively secured over vehicles owned by the Vatukoula mine; however, security over these assets was released by ANZ Bank after the disposal of the Vatukoula mine. This facility was repaid on August 17, 2007.

(e) Effective July 31, 2007 and March 1, 2008, Ergo Mining (Pty) Limited entered into two separate loan facilities, amounting to R85.3 million, with AngloGold Ashanti Limited for the purchase of the remaining movable and immovable assets of Ergo. The facilities are repayable in equal monthly installments over 23 and 19 months, respectively. The loans bear interest at the prime lending rate, which was 15.5% at June 30, 2008. The loans are secured over the assets that were purchased from AngloGold Ashanti Limited.

(f) On November 18, 2005, the group issued Class A cumulative participating preference shares to Khumo Gold SPV (Pty) Limited (Khumo Gold), for a subscription price of R10.6 million. Class B and Class C cumulative participating preference shares, for a subscription price of R7.1 million and R8.6 million, were issued to Khumo Gold and the DRDGOLD SA Empowerment Trust, respectively on November 30, 2006. The preference shares entitle Khumo Gold and the employee trust to receive a dividend of R0.26 for every R0.74 paid by Crown, ERPM and Blyvoor to the company towards capital and interest on their outstanding intra-group loans as at November 30, 2005. The preference shares are measured at amortized cost.

(g) On November 12, 2002, the company issued \$66 million of 6% Senior Convertible Loan Notes due in November 2006, in a private placement. The company issued the notes at a purchase price of 100% of the principal amount thereof. If not converted or previously redeemed, the notes were to be repaid at 102.5% of their principal amount plus accrued interest on the fifth business day following their maturity date in November 2006. The notes were convertible into the company's ordinary shares, or, under certain conditions, American Depositary Receipts (ADRs) at a conversion price of \$3.75 per share or ADR, subject to adjustments in certain events.

The company was entitled to redeem the notes at their accredited value plus accrued interest, if any, subject to certain prescribed conditions being fulfilled after November 12, 2005. The company offered the notes only to qualified institutional buyers in reliance on Rule 144A of Securities Act of 1933, as amended (the Securities Act), and to non-US persons in reliance on Regulation S under the Securities Act.

On November 15, 2006, the company repaid, in full, its outstanding 6% Senior Convertible Notes which matured on November 12, 2006. The company paid a total of R492.8 million (\$69.6 million) to the holders of the Senior Convertible Notes, which included the aggregate principal amount of the Senior Convertible Notes of R469.8 million (\$66.0 million), plus all accrued original issue discount and interest. The company's obligations under the Senior Convertible Notes have now been satisfied and discharged.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**20. LONG-TERM LIABILITIES (continued)**

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |
| <b>Convertible loan notes</b>            |              |              |
| Opening balance                          | –            | 490,115      |
| Issuance costs amortized during the year | –            | 5,088        |
| Interest expense                         | –            | 11,795       |
| Interest paid                            | –            | (14,402)     |
| Foreign exchange movement                | –            | 231          |
| Loan repayment                           | –            | (492,827)    |
| Closing balance                          | –            | –            |

**Borrowing powers**

In terms of the Articles of Association of the company, the borrowing powers of the company and its subsidiaries shall not exceed the greater of R30 million or the aggregate of the issued and paid-up capital together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves.

|                    |                  |         |
|--------------------|------------------|---------|
| Total equity       | <b>1,244,257</b> | 141,171 |
| Currently utilized | <b>165,634</b>   | 839,528 |

**21. DERIVATIVE FINANCIAL INSTRUMENTS**

|                                  |   |              |
|----------------------------------|---|--------------|
| Interest rate swap agreement (a) | – | <b>264</b>   |
| Option contracts (b)             | – | <b>5,718</b> |
|                                  | – | <b>5,982</b> |
| Disclosed under current assets   | – | <b>5,982</b> |
|                                  | – | <b>5,982</b> |

(a) The Vatukoula loan facility bore interest at an average variable rate of LIBOR plus 2.5%. In order to minimize fluctuation in interest rates, 64% of the loan was covered by entering into interest rate swap contracts under which Emperor was obliged to receive interest at variable rates and pay interest at fixed rates until October 2008 (the Vatukoula loan facility was settled on August 17, 2007). The contracts were settled on a net basis and the net amount receivable or payable at the reporting date was included in derivative financial instruments. The fixed interest rate payable was 4.34%. (refer note 23).

(b) This amount represented the positive mark-to-market on gold call options in DRD (IOM). European-style call options were purchased in January 2006 with strike prices ranging from \$634.00/oz to \$652.50/oz. Expiry dates of the options ranged from September 2006 to December 2008. The call options provided the group with the right but not the obligation to buy, in total, up to 46 426 ounces (reducing throughout the period) of gold at the various strike prices. The gold call options were taken up by the company to mitigate the deterioration in the gold forward contracts discussed above.

| <b>Strike price</b> | <b>June 30, 2007</b> |
|---------------------|----------------------|
| <b>\$</b>           | <b>Ounces</b>        |
| 634.00              | 6,920                |
| 645.80              | 13,842               |
| 652.50              | 6,920                |
|                     | <b>27,682</b>        |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**22. COMMITMENTS AND CONTINGENT LIABILITIES**

|  | 2008<br>R'000  | 2007<br>R'000 |
|--|----------------|---------------|
| <b>Capital commitments</b>   |                |               |
| Contracted for but not provided for in the annual financial statements | 79,366         | 19,493        |
| Authorized by the directors but not contracted for                     | 143,074        | 17,120        |
|  | <b>222,440</b> | <b>36,613</b> |

This capital expenditure will be financed from existing cash resources.

**Operating lease commitments**

The company leases its office building in terms of an operating lease. The company does not have an option to acquire the building at the termination of the lease. There is an escalation of 10% per annum imposed by the lease agreement.

Crown leases its vehicles under various operating leases. There is an average escalation of 2.5% per annum imposed by these lease agreements.

The future minimum lease payments under non-cancelable operating leases are as follows:

|                       |       |       |
|-----------------------|-------|-------|
| Not later than 1 year | 4,589 | 2,652 |
| Between 1 and years   | 2,246 | 3,915 |
| Later than 5 years    | –     | 2,359 |

**Finance lease commitments**

The Vatukoula mine had finance leases over vehicles. This facility was repaid on August 17, 2007.

Commitments in relation to finance leases are as follows:

|                       |   |       |
|-----------------------|---|-------|
| Not later than 1 year | – | 2,114 |
|-----------------------|---|-------|

**Contingent liabilities and uncertainties**

**Environmental**

At **Durban Roodepoort Deep mine**, rehabilitation of the surface has continued throughout the year. Nine redundant shafts have been filled and capped and the vegetation that was planted at the Princess dump is now well established. No further vegetation was needed at the mine's tailings dams due to the future mining of these dams.

At **West Wits mine**, permission has been given to fill a section of the pit with slime from the Mogale Gold (Pty) Ltd plant. The filling of the pit will remove a potential liability as well as reduce water ingress into the underground basin. Grassing of the West Rand Consolidated Mines' tailings complex continued with 55 hectares planted during the year. These dams will be reprocessed by Mintails. The current grassing program will reduce dust being blown off the dams.

The Western Basin Environmental Corporation (WBEC), a section 21 company, was formed by Mintails, West Wits and Harmony to manage the underground water decant. Pilot plants were constructed and the results are very promising. The feasibility study for a full-scale plant is continuing. The water in the basin is currently being pumped to bring down the water level to prevent any overflow. Water from this basin will initially be used by Harmony and Mintails for the reprocessing of surface dumps and thereafter treated and sold as industrial quality water. This will be a sustainable solution to the problem of mine decant water from the Western Basin.

**Blyvoor** continues to pump water from underground and discharges approximately 8 Ml per day into the Wonderfontein spruit. Regular monthly quality meetings continue to take place with the Potchefstroom Municipality, with Blyvoor being fully compliant with the requirements of the agreement with the Potchefstroom City Council. Blyvoor also participates in the Mining Interest Group, a sub-group of the Wonderfontein spruit Forum, to determine strategies regarding potential pollution and remedial action for the Wonderfontein spruit and eventual regional closure. The regulators have formed a specialist task team to determine what, if any, remedial action is necessary in the spruit. The Mining Interest Group is proposing a grant to the North-West University to enable them to consolidate all the information available and make recommendations regarding the spruit and potential remedial action required.

Blyvoor is aiming to be a zero discharge mine. A pilot plant to clean the discharge water to a potable standard was constructed and the results are very good. A contract is being drawn up for the construction and operation of a full-scale plant. This plant could be operational in the first quarter of 2009.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

Blyvoor has embarked on a surface clean-up project where slime from historic run-off and pipe bursts is cleaned up and the area rehabilitated.

**Crown** has updated its Environmental Management Program (EMP) and submitted it to the Department of Minerals and Energy (DME) for approval. Crown has been very proactive in concurrent rehabilitation and the management of oversize material which has resulted in a further reduction of R30.0 million in its closure liability over the last year. These initiatives are continuing with rehabilitation being an integral part of operational management.

**ERPM** has updated its EMP to meet the requirements of the Mineral and Petroleum Resources Development Act (MPRDA) and submitted it to the DME for approval. The concurrent rehabilitation of redundant structures and holdings continued throughout the year. Water pumping is continuing at SWV Shaft. Pumping from the Hercules Basin started on 21 November 2007. The total pumping infrastructure must be upgraded if pumping is to continue into the future and to allow more reliability and flexibility. The Central Basin Environmental Corporation (CBEC), a section 21 company similar to WBEC on the west, has been established to manage the Central Basin water. The members of CBEC are ERPM, DRDGOLD SA, Central Rand Gold, West Wits Mining and Mintails. CBEC, together with WBEC, will work to establish a long-term sustainable water solution. The plugging program at ERPM has been completed and ERPM's mining area is now completely isolated from the Central Basin.

**Taxation**

The group has received a 'Letter of Findings' from the South African Revenue Services (SARS) which has indicated that the view is that when DRDGOLD disposed of its shares in Buffelsfontein Gold Mines Limited (Buffelsfontein) for R1.00 in the financial year ended June 30, 2006, it received 'proceeds' pursuant to an indemnity given by the Simmer & Jack companies and that such amount is equal to R887 187 285. Also, when DRDGOLD disposed of the irrecoverable loan owing by Buffelsfontein of R1 034 551 617 to Simmer & Jack Investments (Proprietary) Limited at the same time, SARS considered that DRDGOLD and Buffelsfontein were connected persons and that paragraph 56 (1) of the Eighth Schedule to the Income Tax Act, No 58 of 1962 is applicable, thus disallowing the capital loss claimed by DRDGOLD. SARS has requested the company to submit its position on the above-mentioned findings.

**Mining rights**

The company's rights to own and exploit its mineral reserves and deposits are governed by the laws and regulations of the jurisdictions in which the mineral properties are located. Currently all of the company's mineral reserves and deposits are located in South Africa.

On May 1, 2004, the Mineral and Petroleum Resources Development Act of 2002 (MPRDA), which was passed by the Parliament of South Africa in June 2002, came into effect. Prior to the introduction of the MPRDA, private ownership in mineral rights and statutory mining rights in South Africa could be acquired through the common law or by statute. With effect from May 1, 2004, as all mineral rights have been placed under the custodianship of the South African Government. Under the provisions of the MPRDA, old order proprietary rights need to be converted to new order rights of use within certain prescribed time frames. The MPRDA vests custodianship of South Africa's mineral resources in the state which will issue prospecting rights or mining rights to applicants in the future. The existing common law prospecting, mining and mineral rights will cease to exist but transitional arrangements are provided in order to give holders of existing rights the opportunity to convert to new rights. The implementation of the MPRDA may result in significant adjustment to the company's property ownership structure, which could have a material adverse effect on its financial condition and results of operations.

Where the company holds mineral rights and mining authorizations and conducts mining operations on the date on which the MPRDA came into effect, it will be able, within five years from the date of effectiveness of the MPRDA, to submit the old rights and authorizations for conversion to a new mining right. It will need to submit a mining work program to substantiate the area and period of the new right, and also to comply with the requirements of the Mining Charter. A similar procedure applies where it holds prospecting rights and a prospecting permit and conducts prospecting operations, but it must apply for a conversion to a new prospecting right within two years from the date of effectiveness of the MPRDA for which purpose a prospecting work program must be submitted. Where the company holds unused rights however, it will have one year to apply for new prospecting rights or mining rights.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

If the company does not acquire new rights under the MPRDA, it will be entitled to claim compensation from the state as provided for under the constitution of South Africa if it can prove that through this outcome its property has been expropriated. Whether mineral rights constitute property and whether the MPRDA does bring about an expropriation are both aspects which are the subject of legal debate which, ultimately, is likely to be settled by litigation. The factors in determining compensation include not only fair market value, but also history of acquisition and use and aspects of redress and reform, which could have the effect of reducing the compensation.

The company has been granted a prospecting right in respect of the Argonaut area and ERPM has been granted a prospecting right over the Sallies area. The company has submitted applications in respect of the group's mining rights.

**Royalty Bill**

Royalties from mining activities will become payable to the state, as from May 1, 2009, under provisions contained in Royalty Bill. The Royalty Bill was promulgated by government on August 14, 2008. The most significant feature of the Royalty Bill is that the royalty is to be determined in accordance with a formula based system and no longer to be a predetermined specific rate for the different types of minerals. The royalty will be deductible for normal income tax purposes.

**Tax on earnings of company officers**

The South African Revenue Services, or SARS, conducted a payroll audit on the company's payroll during 2002. At the time the company, acting on professional advice, did not deduct tax from some of the earnings of certain of its officers, who were provisional taxpayers. SARS took the view that the company was in fact obliged to have made these deductions and called for a full disclosure of all payments for the tax years 1999, 2000, 2001, 2002 and 2003 in respect of the earnings of these officers.

If it is established that these officers failed to declare and pay taxes on their earnings during these tax years, SARS may have recourse for arrear taxes against the company in terms of Section 5(2) of the South African Income Tax Act, 1962 as amended. The company is aware that its possible exposure could be up to R25.0 million, but in view of the fact that the tax records of these officers are protected by statutory confidence, it is not yet possible to determine the full extent of the exposure, if any, that the company faces. Whilst the company is aware that SARS has engaged these officers personally, no tax assessments have been made against the company to date.

**Litigation**

The group is subject to litigation in the normal course of business.

**23. FINANCIAL INSTRUMENTS**

**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 from customers and investment securities.

The group's financial instruments do not represent a concentration of credit risk, because the group deals with a variety of major banks and financial institutions located in South Africa after evaluating the credit ratings of the representative financial institutions. Furthermore, its trade receivables and loans are regularly monitored and assessed for recoverability. Where it is appropriate, an impairment loss is raised.

In addition, the group's South African operations all deliver their gold to Rand Refinery Limited (Rand Refinery), which refines the gold to saleable purity levels and then sells the gold, on behalf of the South African operations, on the bullion market. The gold is sold by Rand Refinery on the same day as it is delivered and settlement is made within two days.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

The following represents the maximum exposure to credit risk for all financial assets at June 30:

|   | <b>Carrying<br/>value</b> | <b>Fair<br/>value</b> | <b>Carrying<br/>value</b> | <b>Fair<br/>value</b> |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
|   | <b>2008</b>               | <b>2008</b>           | 2007                      | 2007                  |
|   | <b>R'000</b>              | <b>R'000</b>          | R'000                     | R'000                 |
| <b>Financial assets</b>                             |                           |                       |                           |                       |
| Listed investments (refer note 11)                  | –                         | –                     | 2,042                     | 2,042                 |
| Unlisted investments (refer note 11)                | <b>10,689</b>             | <b>10,689</b>         | 8,940                     | 8,940                 |
| Loans to black empowerment entities (refer note 11) | <b>54,668</b>             | <b>54,668</b>         | 48,780                    | 48,780                |
| Trade and other receivables (refer note 14)         | <b>239,993</b>            | <b>239,993</b>        | 71,714                    | 71,714                |
| Derivative financial instruments (refer note 21)    | –                         | –                     | 5,982                     | 5,982                 |
| Cash and cash equivalents                           | <b>846,114</b>            | <b>846,114</b>        | 105,420                   | 105,420               |
|   | <b>1,151,464</b>          | <b>1,151,464</b>      | 242,878                   | 242,878               |

The following represents the maximum exposure to credit risk for trade and other receivables at June 30:

|  |                |                |        |        |
|--|----------------|----------------|--------|--------|
| Trade receivables (refer note 14)                | <b>58,650</b>  | <b>58,650</b>  | 29,848 | 29,848 |
| Receivables from related parties (refer note 14) | <b>515</b>     | <b>515</b>     | 557    | 557    |
| Other receivables (refer note 14)                | <b>180,828</b> | <b>180,828</b> | 41,309 | 41,309 |
|  | <b>239,993</b> | <b>239,993</b> | 71,714 | 71,714 |

The ageing of trade and other receivables at June 30:

|                      | <b>Gross<br/>value</b> | <b>Impair-<br/>ment</b> | <b>Gross<br/>value</b> | <b>Impair-<br/>ment</b> |
|----------------------|------------------------|-------------------------|------------------------|-------------------------|
|                      | <b>2008</b>            | <b>2008</b>             | 2007                   | 2007                    |
|                      | <b>R'000</b>           | <b>R'000</b>            | R'000                  | R'000                   |
| Not past due         | <b>200,189</b>         | <b>(94)</b>             | 57,887                 | (434)                   |
| Past due 0-30 days   | <b>20,300</b>          | <b>(22)</b>             | 5,790                  | (131)                   |
| Past due 31-120 days | <b>15,236</b>          | <b>(104)</b>            | 1,699                  | (107)                   |
| More than 120 days   | <b>12,469</b>          | <b>(7,981)</b>          | 19,766                 | (12,756)                |
|                      | <b>248,194</b>         | <b>(8,201)</b>          | 85,142                 | (13,428)                |

Impairments were raised due to the uncertainty of the timing of the cash flows.

Movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

|                                  | <b>Impairment</b> | <b>Impairment</b> |
|----------------------------------|-------------------|-------------------|
|                                  | <b>2008</b>       | 2007              |
|                                  | <b>R'000</b>      | R'000             |
| Balance at 1 July                | <b>13 428</b>     | 11 097            |
| Impairment (reversed)/recognized | <b>(5 227)</b>    | 2 331             |
| Balance at June 30               | <b>8 201</b>      | 13 428            |

The group has no significant credit risk as the majority of the group's receivables are from customers with good track records.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

**Interest rate and 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.

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risks. 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 minimizing risks. Funding deficits for the group's mining operations have been financed through the issue of additional shares and external borrowings. Lower interest rates result in lower returns on investments and deposits and may also 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

|   | <b>Carrying<br/>amount<br/>R'000</b> | <b>Contractual<br/>cash flows<br/>R'000</b> | <b>6 months<br/>or less<br/>R'000</b> | <b>6-12<br/>months<br/>R'000</b> | <b>2-5 years<br/>R'000</b> | <b>More than<br/>5 years<br/>R'000</b> |
|---|--------------------------------------|---|---------------------------------------|----------------------------------|----------------------------|--|
| <b>June 30, 2008</b>  |                                      |   |                                       |                                  |                            |  |
| <b>Secured</b>  |                                      |   |                                       |                                  |                            |  |
| AngloGold Ashanti   | 24,734                               | (28,488)                                    | (13,972)                              | (12,123)                         | (2,393)                    | –                                      |
| <b>Unsecured</b>  |                                      |   |                                       |                                  |                            |  |
| Preference shares held by Khumo<br>Gold SPV (Pty) Limited and the<br>DRDGOLD SA Employee Share Trust    | 140,900                              | (237,065)                                   | –                                     | (60,577)                         | (147,044)                  | (29,444)                               |
| Trade and other payables  | 385,110                              | (385,110)                                   | (385,110)                             | –                                | –                          | –                                      |
| Bank overdraft  | 527                                  | (527)                                       | (527)                                 | –                                | –                          | –                                      |
|   | <b>551,271</b>                       | <b>(651,190)</b>                            | <b>(399,609)</b>                      | <b>(72,700)</b>                  | <b>(149,437)</b>           | <b>(29,444)</b>                        |
| <b>June 30, 2007</b>  |                                      |   |                                       |                                  |                            |  |
| <b>Secured</b>  |                                      |   |                                       |                                  |                            |  |
| Industrial Development Corporation  | 1,424                                | (1,439)                                     | (1,439)                               | –                                | –                          | –                                      |
| Investec Bank (Mauritius) Limited   | 27,771                               | (27,976)                                    | (27,976)                              | –                                | –                          | –                                      |
| ANZ Banking Group Limited   | 759,034                              | (920,239)                                   | (920,239)                             | –                                | –                          | –                                      |
| Finance lease agreements  | 2,114                                | (2,235)                                     | (2,235)                               | –                                | –                          | –                                      |
| <b>Unsecured</b>  |                                      |   |                                       |                                  |                            |  |
| Preference shares held by Khumo<br>Gold SPV (Pty) Limited and the<br>DRDGOLD SA Employee<br>Share Trust | 49,185                               | (237,065)                                   | –                                     | –                                | (164,387)                  | (72,678)                               |
| Trade and other payables  | 303,846                              | (303,846)                                   | (303,846)                             | –                                | –                          | –                                      |
| Bank overdraft  | 117,849                              | (117,849)                                   | (117,849)                             | –                                | –                          | –                                      |
|   | <b>1,261,223</b>                     | <b>(1,610,649)</b>                          | <b>(1,373,584)</b>                    | <b>–</b>                         | <b>(164,387)</b>           | <b>(72,678)</b>                        |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

The following represents the interest rate risk profile for the group's interest-bearing financial instruments:

|   | Carrying<br>amount<br>2008<br>R'000 | Carrying<br>amount<br>2007<br>R'000 |
|---|-------------------------------------|-------------------------------------|
| <b>Variable interest rate instruments</b> |                                     |                                     |
| Financial assets                          | 846,114                             | 105,420                             |
| Financial liabilities                     | (527)                               | (908,192)                           |
|   | <u>845,587</u>                      | <u>(802,772)</u>                    |

**Cash flow sensitivity analysis for variable rate instruments:**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

|                                    | 2008  |                             | 2007  |                             |
|------------------------------------|---|-----------------------------|---|-----------------------------|
|                                    | Profit or (loss)<br>100 bp<br>increase<br>R'000 | 100 bp<br>decrease<br>R'000 | Profit or (loss)<br>100 bp<br>increase<br>R'000 | 100 bp<br>decrease<br>R'000 |
| <b>June 30</b>                     |   |                             |   |                             |
| Variable interest rate instruments | 8,456   | (8,456)                     | (8,028)   | 8,028                       |
| Cash flow sensitivity              | 8,466   | (8,466)                     | (8,028)   | 8,028                       |

**Fair value of financial instruments**

The following table represents the carrying amounts and fair values of the group's financial instruments at June 30:

|   | Carrying<br>value<br>2008<br>R'000 | Fair<br>value<br>2008<br>R'000 | Carrying<br>value<br>2007<br>000 | Fair<br>value<br>2007<br>R'000 |
|---|------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| <b>Financial assets</b>                             |                                    |                                |                                  |                                |
| Listed investments (refer note 11)                  | –                                  | –                              | 2,042                            | 2,042                          |
| Unlisted investments (refer note 11)                | 10,689                             | 10,689                         | 8,940                            | 8,940                          |
| Loans to black empowerment entities (refer note 11) | 54,668                             | 54,668                         | 48,780                           | 48,780                         |
| Trade and other receivables (refer note 14)         | 239,993                            | 239,993                        | 71,714                           | 71,714                         |
| Derivative financial instruments (refer note 21)    | –                                  | –                              | 5,982                            | 5,982                          |
| Cash and cash equivalents                           | 846,114                            | 846,114                        | 105,420                          | 105,420                        |
|   | <u>1,151,464</u>                   | <u>1,151,464</u>               | <u>242,878</u>                   | <u>242,878</u>                 |
| <b>Financial liabilities</b>                        |                                    |                                |                                  |                                |
| Long-term liabilities (refer note 20)               |                                    |                                |                                  |                                |
| – long-term   | 125,662                            | 113,382                        | 49,185                           | 49,185                         |
| – short-term  | 39,972                             | 39,972                         | 790,343                          | 790,343                        |
| Trade and other payables                            | 385,110                            | 385,110                        | 303,846                          | 303,846                        |
| Bank overdrafts                                     | 527                                | 527                            | 117,849                          | 117,849                        |
|   | <u>551 271</u>                     | <u>538 991</u>                 | <u>1 261 223</u>                 | <u>1 261 223</u>               |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**Fair values**

*Trade and other receivables*

The fair value approximates the carrying value due to their short-term maturities.

*Loans to black empowerment entities*

The fair value of these loans cannot be reliably estimated and are carried at cost.

*Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDGOLD SA Employee Share Trust*

Preference shares are measured at amortized cost based on expected future discounted cash flows. The original risk adjusted discount rate of 13% is used when estimating the possible future liability and are re-measured on an annual basis.

*Loans from AngloGold Ashanti*

Loans from AngloGold Ashanti are measured at amortized cost using the market interest rate. The loans bear interest at the prime lending rate.

*Cash and cash equivalents*

The carrying value of cash and cash equivalents approximates their fair value because of the short-term maturity of these deposits.

*Listed investments*

The fair value of listed investments is determined by reference to published price quotations from recognized securities exchanges.

*Trade and other payables*

The fair value approximates the carrying value due to their short-term maturities.

*Unlisted investments*

The valuations are based on the net asset values of these investments which approximates the investments' fair value.

*Derivative instruments*

Derivative financial instruments are measured at fair value with reference to quoted market prices.

**Foreign currency risk**

The group's reporting currency is the South African rand. Although gold is sold in US dollars, the company is obliged to convert this into South African Rands. The company is thus exposed to fluctuations in the US dollar/South African rand exchange rate. The company conducted its operations in South Africa during the current year. Foreign exchange fluctuations affect the cash flow that it will realize from its operations as gold is sold in US dollars, while production costs are incurred primarily in South African Rands. The company's results are positively affected when the US dollar strengthens against the rand and adversely affected when the US dollar weakens against the rand. The company's cash and cash equivalent balances are held in US Dollars, Australian dollars and South African Rands; holdings denominated in other currencies are relatively insignificant.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

The following represents the exposure to foreign currency risks:

|                             | <b>US\$</b>  | <b>A\$</b>    | <b>US\$</b> | <b>A\$</b> |
|-----------------------------|--------------|---------------|-------------|------------|
|                             | <b>2008</b>  | <b>2008</b>   | 2007        | 2007       |
|                             | <b>'000</b>  | <b>'000</b>   | '000        | '000       |
| Cash and cash equivalents   | <b>1,191</b> | <b>2,787</b>  | 2,077       | 9,936      |
| Trade and other receivables | <b>7,365</b> | <b>12,981</b> | 4,546       | 464        |
| Financial assets            | –            | –             | 808         | 44         |
| Long-term liabilities       | –            | –             | (3,925)     | (126,727)  |
| Trade and other payables    | <b>(75)</b>  | <b>(123)</b>  | (2,990)     | (7,558)    |
| Net balance sheet exposure  | <b>8,481</b> | <b>15,645</b> | 516         | (123,841)  |

The following significant exchange rates applied during the year:

|                      | <b>Spot rate</b> |       | <b>Average rate</b> |        |
|----------------------|------------------|-------|---------------------|--------|
|                      | <b>2008</b>      | 2007  | <b>2008</b>         | 2007   |
| 1 US dollar          | <b>7.965</b>     | 7.076 | <b>7.312</b>        | 7.2188 |
| 1 Australian dollar  | <b>7.658</b>     | 6.006 | <b>6.565</b>        | 5.671  |
| Sensitivity analysis |                  |       |                     |        |

A 10% strengthening of the rand against the currencies mentioned at June 30, would have increased (decreased) equity and profit or (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

|        | <b>US\$</b> | <b>A\$</b>  | <b>US\$</b> | <b>A\$</b> |
|--------|-------------|-------------|-------------|------------|
|        | <b>2008</b> | <b>2008</b> | 2007        | 2007       |
|        | <b>'000</b> | <b>'000</b> | '000        | '000       |
| Equity | (848)       | (1,565)     | (52)        | 12,384     |
| Loss   | (736)       | –           | (422)       | –          |

A 10% weakening of the rand against the above currencies at June 30, would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**23. FINANCIAL INSTRUMENTS (continued)**

The following table represents the carrying amounts and fair values per category of financial instruments at June 30:

|  | <b>Carrying<br/>value<br/>2008<br/>R'000</b> | <b>Fair<br/>value<br/>2008<br/>R'000</b> | <b>Carrying<br/>value<br/>2007<br/>R'000</b> | <b>Fair<br/>value<br/>2007<br/>R'000</b> |
|--|--|--|--|--|
| <b>Financial assets</b>                          |  |  |  |  |
| Available-for-sale financial assets              | <b>10,689</b>                                | <b>10,689</b>                            | 8,940  | 8,940                                    |
| Financial assets held for trading                | –  | –  | 2,042  | 2,042                                    |
| Loans and receivables                            | <b>1,140,775</b>                             | <b>1,140,775</b>                         | 225,914                                      | 225,914                                  |
| Fair value through profit or loss                | –  | –  | 5,982  | 5,982                                    |
|  | <b>1,151,464</b>                             | <b>1,151,464</b>                         | 242,878                                      | 242,878                                  |
| <b>Financial liabilities</b>                     |  |  |  |  |
| Financial liabilities measured at amortized cost | <b>551,271</b>                               | <b>538,991</b>                           | 1,261,223                                    | 1,261,223                                |
|  | <b>551,271</b>                               | <b>538,991</b>                           | 1,261,223                                    | 1,261,223                                |

**24. CAPITAL MANAGEMENT**

The primary objective of the board in 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 optimizes the cost of capital, maximizes shareholders' returns, and ensures that the group remains in a sound financial position. There were no changes to the group's overall capital management approach during the current year. The group manages and makes adjustments to the capital structure as opportunities arise in the market place, as and when borrowings mature, or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof.

The Board of Directors monitors the return on capital, which the group defines as net operating income from continued operations divided by total shareholders' equity, excluding non-redeemable preference shares and minority interest, and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors also monitors the level of dividends to ordinary shareholders.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**25. SEGMENT INFORMATION**

The group operates in one business segment, being the extraction and production of gold and related by-products, therefore the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis by origin as follows:

|  | South<br>African<br>operations <sup>(1)</sup> | Offshore<br>operations <sup>(2)</sup> | Total            |
|--|---|---------------------------------------|------------------|
|  | R'000   | R'000                                 | R'000            |
| <b>2008</b>  |   |                                       |                  |
| <b>Segment revenue</b>                               | <b>1,843,912</b>                              | <b>89,235</b>                         | <b>1,933,147</b> |
| Segment result                                       | 245,548                                       | (50,134)                              | 195,414          |
| Finance income                                       | 84,225  | 10,790                                | 95,015           |
| Finance expenses                                     | (115,635)                                     | (52,058)                              | (167,693)        |
| Income tax <sup>(3)</sup>                            | 68,303  | 75,408                                | 143,711          |
| Other  | (141,243)                                     | 1,099,864                             | 958,621          |
| Profit for the year                                  | 141,198                                       | 1,083,870                             | 1,225,068        |
| <b>Segment assets</b>                                |   |                                       |                  |
| Property, plant and equipment                        | 812,875                                       | –                                     | 812,875          |
| Other assets   | 1,449,620                                     | –                                     | 1,449,620        |
| Total assets   | 2,262,495                                     | –                                     | 2,262,495        |
| <b>Segment liabilities</b>                           |   |                                       |                  |
| Liabilities excluding taxation and deferred taxation | 955,263                                       | –                                     | 955,263          |
| Taxation and deferred taxation                       | 1,771   | –                                     | 1,771            |
| Total liabilities                                    | 957,034                                       | –                                     | 957,034          |
| <b>Other information</b>                             |   |                                       |                  |
| Capital expenditure                                  | 251,180                                       | 47,572                                | 298,752          |
| Depreciation and amortization                        | 69,077  | 854                                   | 69,931           |
| Impairments  | 63,915  | 46,718                                | 110,633          |
| Total number of employees including contractors      | 7,627   | –                                     | 7,627            |

(1) Includes Crown, ERPM, Blyvoor and Ergo.

(2) Includes Tolukuma.

(3) Tax has been allocated to the segmental result as the group is able to do so.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**25. SEGMENT INFORMATION (continued)**

|  | <b>South<br/>African<br/>operations <sup>(1)</sup></b> | <b>Offshore<br/>operations <sup>(2)</sup></b> | <b>Total</b> |
|--|--|---|--------------|
|  | <b>R'000</b>   | <b>R'000</b>                                  | <b>R'000</b> |
| <b>2007</b>  |  |   |              |
| <b>Segment revenue</b>                               | 1,534,777  | 674,928                                       | 2,209,705    |
| Segment result                                       | 137,730  | (172,221)                                     | (34,491)     |
| Finance income                                       | 21,488   | 7,635   | 29,123       |
| Finance expenses                                     | (37,613)   | (68,370)                                      | (105,983)    |
| Income tax   | (737)  | (4,996)                                       | (5,733)      |
| Other  | (82,053)   | (965,893)                                     | (1,047,946)  |
| Profit/(loss) for the year                           | 38,815   | (1,203,845)                                   | (1,165,030)  |
| <b>Segment assets</b>                                |  |   |              |
| Property, plant and equipment                        | 625,325  | 24,445  | 649,770      |
| Other assets   | 237,089  | 1,060,304                                     | 1,297,393    |
| Total assets   | 862,414  | 1,084,749                                     | 1,947,163    |
| <b>Segment liabilities</b>                           |  |   |              |
| Liabilities excluding taxation and deferred taxation | 599,739  | 1,099,324                                     | 1,699,063    |
| Taxation and deferred taxation                       | 310  | 104,334                                       | 104,644      |
| Total liabilities                                    | 600,049  | 1,203,658                                     | 1,803,707    |
| <b>Other information</b>                             |  |   |              |
| Capital expenditure                                  | 139,428  | 173,606                                       | 313,034      |
| Depreciation and amortization                        | 63,905   | 115,027                                       | 178,932      |
| Reversal of impairments                              | (5,889)  | (872,157)                                     | (878,046)    |
| Total number of employees including contractors      | 7,971  | 738   | 8,709        |

(1) Includes Crown, ERPM and Blyvoor.

(2) Includes Tolukuma, 20% of the Porgera Joint Venture until March 31, 2007, and Vatukoula until March 31, 2007.

(3) Tax has been allocated to the segmental result as the group is able to do so.

**26. RELATED PARTY AND OTHER TRANSACTIONS**

The group has related party relationships with its associates, subsidiaries, and with its directors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the company. For the year ended June 30, 2008, total directors' remuneration (short-term benefits) amounted to R12.0 million and other key management personnel remuneration (short-term benefits) to R61.0 million, which include termination benefits of R7.0 million.

Prior to the awarding of a contract to a related party for the supply of goods and services, the group procurement manager reviews both the pricing, quality and the reliability of that party. The contract terms are compared to similar suppliers of goods and services to ensure that the contract is on market related terms.

The company's executive directors review the terms and conditions of all loans to ensure that the terms of the loans are similar to those offered by financial institutions.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**26. RELATED PARTY AND OTHER TRANSACTIONS (continued)**

**Transactions with associates, joint ventures and subsidiary companies**

During the year ended June 30, 2008, the company earned R5.9 million (year ended June 30, 2007: R20.3 million) in management fees from DRD (Offshore) Limited and R17.5 million in management fees from DRDGOLD South African Operations (Pty) Ltd (DRDGOLD SA) (year ended June 30, 2007: R20.3 million). No dividends were received from associates or subsidiaries in 2008 (2007: R nil). Transactions with associates are priced on an arm's length basis.

**Subsidiaries**

The following information relates to the group's financial interest in its subsidiaries at June 30, 2008:

|  | ISSUED ORDINARY     |        | SHARES AT   |              | INDEBTEDNESS |
|--|---------------------|--------|-------------|--------------|--------------|
|  | NUMBER OF<br>SHARES | % HELD | COST        | EFFECTIVE    | NET OF       |
| LESS   |                     |        | DATE OF     | IMPAIRMENTS  |              |
| R'000  |                     |        | ACQUISITION | R'000        |              |
|  |                     |        |             |              |              |
| <b>South Africa</b>  |                     |        |             |              |              |
| Argonaut Financial Services (Pty) Limited                    | 100                 | 100    | –           | Oct 1, 1997  | (1,055)      |
| Crown Consolidated Gold Recoveries Limited                   | 51,300,000          | 100    | –           | Sep 14, 1998 | (143,268)    |
| DRDGOLD South African Operations (Pty) Limited <sup>1</sup>  | 1,000,000           | 74     | 113,177     | Nov 14, 2005 | 763,773      |
| East Champ d'Or Gold Mine Limited                            | 7                   | 100    | –           | Apr 1, 1996  | –            |
| Rand Leases (Vogelstruisfontein) Gold Mining Company Limited | 118,505,000         | 100    | –           | Jan 1, 1996  | (42,092)     |
| Roodepoort Gold Mine (Pty) Limited                           | 1                   | 100    | –           | Jan 1, 1996  | –            |
| West Witwatersrand Gold Holdings Limited                     | 99,900,000          | 100    | –           | Apr 1, 1996  | (22,996)     |
| <b>Australasia/International</b>                             |                     |        |             |              |              |
| Dome Resources NL  | 142,619,074         | 100    | –           | Apr 1, 2000  | –            |
| DRD Australia APS  | 130                 | 100    | –           | Jan 26, 1999 | –            |
| DRD Australasia (Pty) Limited                                | 100                 | 100    | –           | Nov 15, 1999 | –            |
| DRD International APS  | 125                 | 100    | –           | Apr 28, 1999 | –            |
| DRD (Offshore) Limited                                       | 5                   | 100    | 1,007,928   | Nov 4, 2005  | (899,143)    |
| Total  |                     |        | 1,121,105   |              | (344,781)    |

<sup>1</sup> DRDGOLD South African Operations (Pty) Limited holds the following investments: 100% of Blyvooruitzicht Gold Mining Company Limited, 100% of East Rand Proprietary Mines Limited, 100% of Crown Gold Recoveries (Pty) Limited and 50% of Ergo Mining (Pty) Limited



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**26. RELATED PARTY AND OTHER TRANSACTIONS (continued)**

|   | <b>2008</b>        | <b>2007</b>  |
|---|--------------------|--------------|
|   | <b>R'000</b>       | <b>R'000</b> |
| Shares at cost, less impairment loss  | <b>1,121,105</b>   | 965,471      |
| Net indebtedness, less impairment loss  | <b>(344,781)</b>   | (260,949)    |
| Amounts owing by subsidiaries   | <b>997,185</b>     | 962,282      |
| Impairments   | <b>(233,412)</b>   | (881,116)    |
| Amounts owing to subsidiaries   | <b>(1,108,554)</b> | (342,115)    |
| The loans are interest free, unsecured and without any fixed repayment.                 |                    |              |
| Net investment in subsidiaries  | <b>776,324</b>     | 704,522      |
| The interest of the company in the (loss)/profit after taxation of its subsidiaries is: |                    |              |
| Aggregate losses  | <b>(84,397)</b>    | (2,444,878)  |
| Aggregate profits   | <b>255,164</b>     | 141,859      |

**Joint Ventures**

The joint ventures for which the income statement and balance sheet have been proportionately consolidated were as follows:

|   |            |     |
|---|------------|-----|
| Porgera Joint Venture – percentage held | –          | 20% |
| Ergo – percentage held                  | <b>50%</b> |     |

The group acquired a 20% interest in the Porgera Joint Venture in Papua New Guinea on October 14, 2003. The sale of the group's 20% interest in the Porgera Joint Venture to Barrick was completed on August 17, 2007 for a cash consideration of R1.9 billion (\$255.0 million).

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**26. RELATED PARTY AND OTHER TRANSACTIONS (continued)**

The group acquired a 50% interest in Ergo Mining (Pty) Limited with effect from May 6, 2008. Ergo Mining (Pty) Limited is jointly controlled by the group and Mintails Limited.

The group's effective share of income, expenses, assets, liabilities and cash flows of the joint ventures, which is included in the consolidated financial statements, is as follows:

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
|  | <b>R'000</b> | <b>R'000</b> |
| Income statement                               |              |              |
| Revenue  | –            | 327 611      |
| Cost of sales                                  | –            | (200 394)    |
| Operating profit from gold                     | –            | 127 217      |
| Other income, administration and general costs | (42)         | (44 723)     |
| (Loss)/profit before taxation                  | (42)         | 82 494       |
| Balance sheet                                  |              |              |
| Non-current assets                             | 94 408       | 888 594      |
| Current assets                                 | 51 318       | 118 476      |
| Total assets                                   | 145 726      | 1 007 070    |
| Shareholders' equity                           | (30)         | 949 739      |
| Non-current liabilities                        | 78 329       | 5 967        |
| Current liabilities                            | 67 427       | 51 364       |
| Total equity and liabilities                   | 145 726      | 1 007 070    |

**Rand Refinery agreement**

The group has entered into an agreement with Rand Refinery Limited (Rand Refinery), for the refining and sale of all of its gold produced in South Africa. Under the agreement, Rand Refinery performs the final refining of the group's gold and casts it into troy ounce bars. Rand Refinery then sells the gold on the same day as delivery, at the London afternoon fixed price on the day that the gold is sold. In exchange for this service, the group pays Rand Refinery a variable refining fee plus fixed marketing, loan and administration fees. Mr Pretorius, CEO Designate of DRDGOLD, is also a director of Rand Refinery and is a member of its Audit Committee. The group currently owns 4.0% of Rand Refinery (which is jointly owned by South African mining companies). Trade receivables to the amount of R58.7 million (2007: R29.9 million) relate to metals sold.

**Consultancy agreement**

On June 23, 2008 DRDGOLD SA approved a consultancy agreement with Khumo Gold, which owns 20% of DRDGOLD SA. The agreement provides for a monthly retainer of R200,000.

**Success fee payable to Khumo Bathong Holdings (Pty) Ltd**

During the year, the company paid the following amounts to Khumo Bathong Holdings (Pty) Ltd (KBH):

- 1 That against KBH interacting with the DME at the appropriate level on behalf of the company to acquire the licenses and entitlements below; and
  - (a) upon the issuance of an appropriate and valid authority to Blyvoor to treat and dispose of the No 2 rock dump, that the company paid KBH a success fee of R0.5 million (plus VAT); and
  - (b) upon the issuance of an appropriate and valid authority to Crown to treat 3L2, that the company paid KBH a success fee of R0.5 million plus VAT; and
- 2 That in respect of Top Star and in consideration of:

KBH interacting with the DME and government generally (including the Department of Arts and Culture) to procure the issuance of a mining authorization for Top Star, and the removal of such administrative hindrances as may otherwise inhibit the mining of Top Star (e.g. the declaration to bestow heritage status to the site), payable on the granting of the license and the removal of the restriction to mine, the company paid KBH a success fee of R2.0 million (plus VAT), payable upon the issuance of an appropriate and valid authority to Crown to mine Top Star, that is not inhibited by any other administrative conduct.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**26. RELATED PARTY AND OTHER TRANSACTIONS (continued)**

**Mining joint venture**

On June 7, 2007, DRDGOLD and Mintails announced the formation of the Ergo Mining Joint Venture between Mintails SA and DRDGOLD SA. DRDGOLD's contribution to the project will amount to approximately R275 million. As at June 30, 2008 DRDGOLD had contributed R85 million towards the project. A medium-term facility was granted for the amount of R156 million and bears no interest. The aforesaid medium-term facility shall only be repayable under a written unanimous resolution of the joint venture partners. DRDGOLD's share of the Ergo Mining Joint Venture's contractual but not provided commitments, amounts to R66.9 million (refer note 22).

**27. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable in the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Recoverable amount of mining assets**

The recoverable amount of mining assets is generally determined utilizing discounted future cash flows. Management also considers such factors as the market capitalization of the group, the quality of the individual ore body and country risk in determining the recoverable amount. During the year under review, the group calculated recoverable amount based on updated life-of-mine business plans, a gold price of R235 000/kg in year one escalating at 11% per annum for the next five years and 7.5% thereafter, and a discount rate of 20%. At a 10% lower gold price received of R211 500 per kilogram, a further impairment of R45.7 million would have been raised against ERPM's consolidated underground assets (refer note 10).

**(b) Valuation of financial instruments**

If the value of the financial instrument cannot be obtained from an active market, the group has established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, refined to reflect the issuer's specific circumstances.

**(c) Estimate of exposure and liabilities with regard to rehabilitation costs**

Estimated provisions for environmental rehabilitation, comprising pollution control rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

An average discount rate of 11.0%, average inflation rate of 8.9% and expected life of mines according to the life-of-mine plans were utilized in the calculation of the estimated net present value of the rehabilitation liability (2007: discount rate of 9.1% and inflation rate of 6.4%).

**(d) Estimate of post-retirement medical liability**

An updated actuarial valuation is carried out every three years. Assumptions used to determine the liability include a discount rate, health cost inflation rate, real discount rate, income at retirement, retirement age, spouse age gap, continuation at retirement and proportion married at retirement (refer note 18).

**(e) Estimate of taxation**

The group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**27. ACCOUNTING ESTIMATES AND JUDGEMENTS**

**(f) Fair value of share-based compensation**

The fair value of options granted is determined using the Black-Scholes option pricing model. The significant inputs into the model are: vested period and conditions, risk-free interest rate, volatility, price of grant and dividend yield. (Refer to note 18 for detail on the share option scheme.)

**(g) Gold in lock-up**

Gold in lock-up in certain plants is estimated based on the plant call factor calculated.

**(h) Assessment of contingencies**

Contingencies will only realize when one or more future events occur or fail to occur. The exercise of significant judgment and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

**(i) Ore reserves**

At the end of each financial year, the estimate of proved and probable ore reserves is updated using life of mine business plans. Significant changes in the life of mine business plans may occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology and gold prices. Based on the life of mine business plans the company reviews its accounting estimates and adjusts depreciation and the evaluation of each mine for impairment where necessary. The company uses the prevailing gold price at the end of each financial year to determine ore reserves for its life of mine business plans. The prevailing market price of gold at the end of the financial year was R117,055, R154,437 and R208,287 per kilogram for the fiscal years ended June 30, 2006, 2007 and 2008, respectively.

**(j) Estimate of deferred tax asset**

The amount recognized as a deferred tax asset is generally determined utilizing discounted future cash flows similar to estimates used in the calculation of depreciation and rehabilitation liabilities. Management considers all factors that could possibly affect the probability that future taxable profit will be available against which unused tax credits can be utilized. These factors included proven profitability of Crown and Blyvoor, cost restructuring at ERPM and a higher gold price. Where necessary, management applies an uncertainty factor to adjust the amount recognized. The amount recognized as a deferred tax asset is sensitive to the current gold spot price. The amount recognized at June 30, 2008 is based on a future gold price received of R235,000 per kilogram in year one escalating at 11% per annum for the next five years and 7.5% thereafter. At a 10% lower gold price received of R211,500 per kilogram, the deferred tax asset will reduce by R32.5 million.

**28. SUBSEQUENT EVENTS**

**Disposal of interest in GM Network Limited**

Subsequent to the year-end, DRDGOLD disposed of its interest in GM Network Limited (GMN), a company which holds the rights, patents and other intellectual property of GoldMoney.com (a product specializing in digital gold currency), to certain of the shareholders of GMN. The disposal was required in terms of South African exchange control regulations but GMN was also considered to be non-core to the group. The disposal consideration amounted to \$2.9 million.

**Declaration of dividend**

On August 21, 2008, DRDGOLD declared a dividend which, in total, amounts to R37.7 million (10 cents per share). Secondary tax on companies of R3.8 million is payable on the dividend. The last day to trade ordinary shares cum dividend is October 3, 2008.

**Settlement of litigation matters**

There were several legal actions between DRDGOLD, Messrs R A R Kebble and B Kebble (the Kebbles) and other parties in South Africa and Australia. DRDGOLD issued summonses against the Kebbles and others for R77 million, R82 million, A\$5 million and A\$6.1 million relating to the RAWAS transaction. The Kebbles also issued a claim for punitive damages of R7.0 million against DRDGOLD. On September 16, 2008 these litigation matters were settled on the basis that JCI Limited shall pay DRDGOLD an amount of R25.0 million in respect of capital and interest and R0.5 million as a contribution towards costs.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**28. SUBSEQUENT EVENTS (continued)**

**Acquisition of an additional 15% interest in the Elsburg Joint Venture**

Subsequent to the approval of the consolidated financial statements for issue by the board of directors on September 22, 2008, on September 29, 2008, DRDGOLD SA acquired a further 15% interest in the Elsburg Joint Venture, or Ergo Phase 1, from Mintails SA resulting in DRDGOLD SA, which holds its interest through its subsidiary, ERPM, holding a 65% interest and Mintails SA a 35% interest in the joint venture. In addition, Mintails has granted DRDGOLD SA a conditional option (the Elsburg option) to acquire a further 11.4% interest in the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture were not affected by the acquisition and remained unchanged. The purchase consideration in respect of the acquisition was R100 million, which is to be re-invested by Mintails towards its outstanding capital requirements in the Elsburg Joint Venture and the Ergo Joint Venture. The effective date of the acquisition will be the date upon which it becomes unconditional. The option is exercisable between January 1, 2009 and January 15, 2009 at an exercise price of R75.9 million. The acquisition facilitates the advancement of both the Elsburg Joint Venture and the Ergo Joint Venture as well as being consistent with our stated intention of focusing on our South African gold operations and, in particular, our surface dump retreatment operations.

**ERPM's underground operations placed on care and maintenance**

On October 6, 2008 we ceased pumping at ERPM's South West Vertical Shaft following the death of two employees underground. Post mortems suggest that the two men, who had been conducting routine water level measurements, died of asphyxiation. The South West Vertical Shaft has been used only for water pumping purposes for several years.

The Department of Minerals and Energy issued a Section 54 notice in terms of the Mine Health and Safety Act, subjecting access into the area to certain restrictions and conditions relating to ventilation. On October 23, 2008, drilling and blasting operations were suspended after the cessation of pumping of underground water at South West Vertical shaft on October 6, 2008 for safety reasons. Although the Far East Vertical shaft where production is taking place is sealed off from water ingress from the South West Vertical shaft, the pumps at Far East Vertical shaft will no longer be able to cope with rising water, which includes the water resulting from the ice sent underground every day to cool down the underground working places. Without being able to continue to supply ice underground for this purpose, the underground temperature will become unacceptably high and it will not be safe for employees to continue work underground at the Far East Vertical shaft. On November 19, 2008 we announced our intention to place on care and maintenance the underground operations of ERPM, and to proceed with a consultation process in terms of Section 189A of the Labour Relations Act to determine the future of the mine's 1,700 employees. A full impairment of R47.6 million was raised against ERPM's underground assets for the quarter ended September 30, 2008.

**Acquisition of the remaining 35% interest in the Elsburg Joint Venture**

In terms of a binding heads of agreement dated December 8, 2008, DRDGOLD has agreed to acquire:

- the remaining 35% interest (or 23.6% if the Elsburg option is exercised prior to implementation of the acquisition) held by Mintails, through its subsidiary Mogale Gold (Pty) Limited, in the Elsburg Joint Venture; and
- all of the shareholder's loans from the Mintails group to the Elsburg Joint Venture

The implementation of the acquisition will result in the DRDGOLD group holding 100% of the Elsburg Joint Venture. The 50:50 interests of DRDGOLD SA and Mintails in the Ergo Joint Venture are not affected by the acquisition.

The purchase consideration in respect of the acquisition is R177.0 million, which is to be settled in cash. In the event that the Elsburg option is exercised prior to the implementation of the acquisition, the parties have agreed that the purchase price will be reduced by approximately R23.8 million in recognition of amounts that would have been paid by the DRDGOLD group on exercise of the Elsburg option.

The effective date of the acquisition is December 8, 2008, although the risk and title in respect of the acquisition only passes to the DRDGOLD group on completion of the acquisition.

## 29. CASH GENERATED BY/(APPLIED TO) OPERATIONS

|   | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---------------|---------------|---------------|
| Loss before taxation                                      | (87,853)      | (1,250,235)   | (108,388)     |
| <b>Adjusted for</b>                                       |               |               |               |
| Depreciation  | 69,931        | 178,932       | 150,632       |
| Movement in provision for environmental rehabilitation    | 34,190        | 19,952        | 39,069        |
| Movement in gold in progress                              | (5,184)       | (17,255)      | (3,506)       |
| (Profit)/loss on derivative instruments                   | 433           | 50,852        | (34,614)      |
| Impairments/(reversal of impairments)                     | 110,633       | 878,046       | (118,538)     |
| (Profit)/loss on sale of property, plant and equipment    | (10,054)      | 301           | (6,537)       |
| Share-based payments                                      | 6,591         | 12,686        | 13,341        |
| Amortization of convertible loan issuance costs           | –             | 5,088         | 9,937         |
| Non-cash movement in provisions                           | –             | 1,730         | 241           |
| (Reversal of impairment)/impairment on trade receivables  | (5,227)       | 2,331         | (472)         |
| Actuarial losses on post-retirement and employee benefits | –             | 180           | 6,523         |
| Share of loss of associates                               | –             | –             | 151,963       |
| Finance income  | (95,015)      | (29,123)      | (43,061)      |
| Finance expenses  | 167,693       | 105,983       | 46,339        |
| Operating profit/(loss) before working capital changes    | 186,138       | (40,532)      | 102,929       |
| <b>Working capital changes</b>                            | 18,979        | 99,225        | (82,684)      |
| Trade and other receivables                               | (117,271)     | 23,768        | (71,467)      |
| Inventories   | (3,310)       | 57,733        | (5,818)       |
| Trade and other payables                                  | 142,815       | (1,577)       | (4,673)       |
| Post-retirement and other employee benefits               | (3,255)       | 19,301        | (726)         |
| Cash generated by operations                              | 205,117       | 58,693        | 20,245        |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**30. CASH FLOW ON ACQUISITION /DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED OR DISPOSED**

|   | <b>2008</b>  | <b>2007</b>  | <b>2006</b>  |
|---|--------------|--------------|--------------|
|   | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |
| <b>Disposal of Buffelsfontein Gold Mines Limited</b>                              |              |              |              |
| With effect from March 22, 2005 Buffelsfontein Gold Mines Limited was liquidated. |              |              |              |
| Costs on liquidation  | –            | 43           | 18,322       |
| Cash flow on disposal of subsidiary   | –            | 43           | 18,322       |

**Acquisition of Crown Gold Recoveries (Pty) Ltd**

With effect from November 30, 2005 we acquired an additional 60% of the shares of Crown Gold Recoveries (Pty) Ltd from Khumo Bhatong Holdings (Pty) Ltd. In 2006, the acquired business contributed revenues of R206.5 million and profit of R24.1 million.

The fair value of the assets acquired were as follows:

|   |   |   |          |
|---|---|---|----------|
| Property, plant and equipment                               | – | – | 132,918  |
| Non-current investments and other assets                    | – | – | 8,656    |
| Inventories   | – | – | 16,972   |
| Trade and other receivables                                 | – | – | 9,683    |
| Cash and cash equivalents                                   | – | – | 11,175   |
| Provision for environmental rehabilitation                  | – | – | (90,375) |
| Post-retirement and other employee benefits                 | – | – | (14,765) |
| Amounts owing by group companies                            | – | – | (26,020) |
| Trade and other payables                                    | – | – | (48,104) |
| Taxation payable  | – | – | (140)    |
| Carrying value at time of acquisition                       | – | – | –        |
| Total cash consideration                                    | – | – | –        |
| Add: cash and cash equivalents acquired                     | – | – | 11,275   |
| Cash flow on acquisition of subsidiary net of cash acquired | – | – | 11,275   |

**Acquisition of East Rand Proprietary Limited**

With effect from November 30, 2005 we acquired 100% of the shares of East Rand Proprietary Limited from Khumo Bhatong Holdings (Pty) Ltd. In 2006, the acquired business contributed revenues of R225.2 million and profit of R1.2 million.

The fair value of the assets acquired were as follows:

|   |   |   |          |
|---|---|---|----------|
| Property, plant and equipment                               | – | – | 119,088  |
| Non-current investments and other assets                    | – | – | 2,784    |
| Inventories   | – | – | 6,527    |
| Trade and other receivables                                 | – | – | 14,950   |
| Cash and cash equivalents                                   | – | – | 9,313    |
| Provision for environmental rehabilitation                  | – | – | (41,215) |
| Amounts owing to group companies                            | – | – | (46,364) |
| Trade and other payables                                    | – | – | (65,083) |
| Carrying value at time of acquisition                       | – | – | –        |
| Total cash consideration                                    | – | – | –        |
| Add: cash and cash equivalents acquired                     | – | – | 9,313    |
| Cash flow on acquisition of subsidiary net of cash acquired | – | – | 9,313    |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**30. CASH FLOW ON ACQUISITION /DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED OR DISPOSED**

|   | <b>2008</b>  | <b>2007</b>  | <b>2006</b>  |
|---|--------------|--------------|--------------|
|   | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |
| <b>Acquisition of Emperor Mines Limited/disposal of Vatukoula mine</b>  |              |              |              |
| With effect from April 6, 2006 we acquired an additional 48.75% holding in the shares of Emperor Mines Limited. In 2006, the acquired business contributed revenues of R15.5 million and profit of R12.8 million since April 6, 2006. |              |              |              |
| On March 28, 2007, Emperor Mines Limited disposed of the Vatukoula mine to Westech Gold (Pty) Ltd   |              |              |              |
| The fair value of the assets acquired were as follows:  |              |              |              |
| Property, plant and equipment   | –            | –            | 630,236      |
| Deferred tax asset  | –            | –            | 2,695        |
| Inventories   | –            | –            | 39,071       |
| Trade and other receivables   | –            | –            | 5,075        |
| Cash and cash equivalents   | –            | 601          | 24,855       |
| Post-retirement and other employee benefits   | –            | –            | (3,247)      |
| Provision for environmental rehabilitation  | –            | (11,325)     | (5,885)      |
| Deferred tax liability  | –            | –            | (31)         |
| Long-term liabilities   | –            | –            | (83,694)     |
| Derivative financial liabilities  | –            | –            | (215,301)    |
| Amounts owing to group companies  | –            | –            | (47,794)     |
| Trade and other payables  | –            | (80,171)     | (60,622)     |
| Taxation payable  | –            | –            | (2,571)      |
| Profit on disposal  | –            | 90,895       | –            |
| Carrying value at time of acquisition/disposal  | –            | –            | 282,787      |
| Total cash consideration  | –            | –            | (282,787)    |
| Add: cash and cash equivalents acquired   | –            | (601)        | 24,855       |
| Cash flow on (disposal)/acquisition of subsidiary net of cash (disposed)/acquired   | –            | (601)        | 24,855       |

**Disposal of Stand 752 (Pty) Ltd**

With effect from September 30, 20005 Stand 752, Parktown Extension (Pty) Limited was sold.

The fair value of the assets disposed were as follows:

|  |   |   |       |
|--|---|---|-------|
| Property, plant and equipment                            | – | – | 3,340 |
| Trade and other payables                                 | – | – | (11)  |
| Carrying value at time of acquisition/disposal           | – | – | 3,329 |
| Fair value adjustment                                    | – | – | 674   |
| Fair value at time of disposal                           | – | – | 4,003 |
| Add: cash and cash equivalents acquired                  | – | – | –     |
| Cash flow on disposal of subsidiary net of cash disposed | – | – | 4,003 |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**30. CASH FLOW ON ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED OR DISPOSED**

|  | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|--|---------------|---------------|---------------|
| <b>Disposal of Netgold Limited</b>   |               |               |               |
| On March 30, 2008 DRDGOLD disposed of its 50.25% shareholding in NetGold Services Limited (NetGold) and in exchange for its shareholding in NetGold obtained a 12.3% stake in G.M. Networks Limited (GoldMoney). |               |               |               |
| The fair value of the assets disposed were as follows:   |               |               |               |
| Inventories  | 21,908        | —             | —             |
| Trade and other receivables  | 7,283         | —             | —             |
| Cash and cash equivalents  | 21,878        | —             | —             |
| Trade and other payables   | (37,446)      | —             | —             |
| Carrying value at time of disposal   | 13,623        | —             | —             |
| Total cash consideration   | —             | —             | —             |
| Less: cash and cash equivalents of disposed entity   | (21,878)      | —             | —             |
| Cash flow on disposal of subsidiary net of cash disposed   | (21,878)      | —             | —             |
| <b>Disposal of Emperor Mines Limited</b>   |               |               |               |
| Disposal of Emperor Mines Limited DRDGOLD disposed of its 78.72% interest in Emperor on October 2007 for a total consideration of R355.8 million.  |               |               |               |
| The fair value of the assets disposed were as follows:   |               | —             | —             |
| Property, plant and equipment  | 13,469        | —             | —             |
| Inventories  | 32,646        | —             | —             |
| Trade and other receivables  | 62,523        | —             | —             |
| Cash and cash equivalents  | 455,708       | —             | —             |
| Provision for environmental rehabilitation   | (15,535)      | —             | —             |
| Post-retirement and other employee benefits  | (283)         | —             | —             |
| Amounts owing by group companies   | 31            | —             | —             |
| Trade and other payables   | (138,189)     | —             | —             |
| Taxation payable   | (6,160)       | —             | —             |
| Carrying value at time of disposal   | 404,210       | —             | —             |
| Total cash consideration   | 355,826       | —             | —             |
| Less: cash and cash equivalents of disposed entity   | (455,709)     | —             | —             |
| Cash flow on disposal of subsidiary net of cash disposed   | (99,883)      | —             | —             |
| <b>Total net cash flow on disposal/acquisition of subsidiaries</b>   |               |               |               |
| Buffelsfontein Gold Mines Limited  | —             | 43            | 18,322        |
| Netgold Limited  | (21,878)      | —             | —             |
| Crown Gold Recoveries (Pty) Ltd  |               |               | 11,175        |
| East Rand Proprietary Limited  |               |               | 9,313         |
| Emperor Mines Limited  | (99,883)      | —             | 24,855        |
| Vatukoula  | —             | (601)         | —             |
| Stand 752, Parktown Extension (Pty) Ltd  |               |               | 4,003         |
|  | (121,761)     | (558)         | 67,668        |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended June 30, 2008**

**31. CASH FLOW ON DISPOSAL OF JOINT VENTURE, NET OF CASH ACQUIRED OR DISPOSED**

|  | <b>2008</b>      | <b>2007</b>  | <b>2006</b>  |
|--|------------------|--------------|--------------|
|  | <b>R'000</b>     | <b>R'000</b> | <b>R'000</b> |
| <b>Disposal of Porgera Joint Venture</b>   |                  |              |              |
| On August 17, 2007, Emperor Mines Limited disposed of its 20% interest in the Porgera Joint Venture. |                  |              |              |
| The fair value of the assets disposed of were as follows:  |                  |              |              |
| Property, plant and equipment  | <b>500,698</b>   | —            | —            |
| Inventories  | <b>326,167</b>   | —            | —            |
| Trade and other receivables  | <b>17,616</b>    | —            | —            |
| Cash and cash equivalents  | <b>2,408</b>     | —            | —            |
| Trade and other payables   | <b>(48,133)</b>  | —            | —            |
| Provisions   | <b>(81,108)</b>  | —            | —            |
| Carrying value at time of disposal   | <b>717,648</b>   | —            | —            |
| Total cash consideration   | <b>1,939,134</b> | —            | —            |
| Less: cash and cash equivalents of disposed entity   | <b>(2,408)</b>   | —            | —            |
|  | <b>1,936,726</b> | —            | —            |

**32. CASH AND CASH EQUIVALENTS**

|  | <b>2008</b>    | <b>2007</b>  | <b>2006</b>  |
|--|----------------|--------------|--------------|
|  | <b>R'000</b>   | <b>R'000</b> | <b>R'000</b> |
| Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid investments with an original maturity of three months or less. |                |              |              |
| Cash and cash equivalents  | <b>846,114</b> | 105,420      | 457,062      |
| Bank overdrafts  | <b>(527)</b>   | (117,849)    | (2,410)      |
|  | <b>845,587</b> | (12,429)     | 454,652      |

**CASH FLOWS FROM DISCONTINUED OPERATIONS**

|                                    |                    |           |           |
|------------------------------------|--------------------|-----------|-----------|
| Net cash from operating activities | <b>(150,703)</b>   | (139,812) | (48,727)  |
| Net cash from investing activities | <b>1,080,541</b>   | (112,036) | (376,059) |
| Net cash from financing activities | <b>(1,046,610)</b> | 88,944    | 417,219   |

## ITEM 19. EXHIBITS

The following exhibits are filed as a part of this Annual Report:

- 1.1<sup>(1)</sup> Memorandum of Association of DRDGOLD Limited.
- 1.2<sup>(7)</sup> Articles of Association of DRDGOLD Limited, as amended on November 8, 2002.
- 1.3<sup>(1)</sup> Excerpts of relevant provisions of the South African Companies Act.
- 1.4<sup>(2)</sup> Durban Roodepoort Deep (1996) Share Option Scheme as amended.
- 2.1<sup>(1)</sup> Excerpts of relevant provisions of the Johannesburg Stock Exchange Listings Requirements.
- 2.2<sup>(7)</sup> Indenture between DRDGOLD Limited, as Issuer, and The Bank of New York, as Trustee, dated November 12, 2002.
- 2.3<sup>(7)</sup> Purchase Agreement between DRDGOLD Limited and CIBC World Markets Corp., dated November 4, 2002.
- 2.4<sup>(7)</sup> Registration Rights Agreement between DRDGOLD Limited and CIBC World Markets Corp., dated November 12, 2002.
- 2.5<sup>(7)</sup> DRDGOLD Limited 6% Senior Convertible Note Due 2006 in the amount of \$61,500,000 issued pursuant to Rule 144A of the Securities Act of 1933, as amended.
- 2.6<sup>(7)</sup> DRDGOLD Limited 6% Senior Convertible Note Due 2006 in the amount of \$4,500,000 issued pursuant to Regulation S under the Securities Act of 1933, as amended.
- 4.1<sup>(1)</sup> Tribute Agreement, dated October 9, 1992, between DRDGOLD Limited and Rand Leases.
- 4.2<sup>(1)</sup> Service Agreement, dated July 27, 1995, between DRDGOLD Limited and Randgold.
- 4.3<sup>(1)</sup> Agreement, dated September 28, 1995, among First Westgold Mining (Proprietary) Limited, DRDGOLD Limited and Rand Leases in respect of purchase of assets of First Westgold by Rand Leases.
- 4.4<sup>(2)</sup> Pumping Assistance, dated October 14, 1997, for the 1997/1998 fiscal year from the Minister of Mineral and Energy Affairs – Republic of South Africa to DRDGOLD Limited.
- 4.5<sup>(3)</sup> Deposit Agreement among DRDGOLD Limited, The Bank of New York as Depositary, and owners and holders of American Depositary Receipts, dated as of August 12, 1996, as amended and restated as of October 2, 1996, as further amended and restated as of August 11, 1998.
- 4.6<sup>(4)</sup> Security Agreement, dated November 5, 1998, between The Chase Manhattan Bank, DRDGOLD Limited, Blyvoor, Buffels and West Wits.
- 4.7<sup>(4)</sup> Loan Agreement, dated June 8, 1999, between Industrial Development Corporation of South Africa Limited, Crown and DRDGOLD Limited.
- 4.8<sup>(4)</sup> Lender Substitution Deed, dated August 18, 1999, between DRDGOLD Limited, DRD Australasia, NM Rothschild & Sons (Singapore) Limited, NM Rothschild & Sons (Australia) Limited, as agent in its own capacity, and Rothschild Nominees (Pty) Limited.
- 4.9<sup>(4)</sup> A \$10m Facility Agreement, dated September 10, 1999, between DRDGOLD Limited, DRD Australasia and NM Rothschild & Sons (Australia) Limited.
- 4.10<sup>(4)</sup> Facility Agreement, dated August 9, 1996, between PT Barisan Tropical Mining, Rothschild Australia Limited and the Participants.
- 4.11<sup>(4)</sup> Deposit Agreement, dated September 30, 1999, between Buffels and BOE Merchant Bank, a division of BOE Bank Limited.
- 4.12<sup>(4)</sup> Undertaking and Security Agreement, dated November 17, 1999, between BOE Bank Limited, through its division BOE Merchant Bank, and Buffels.
- 4.13<sup>(4)</sup> Guarantee and Indemnity Agreement, dated November 17, 1999, between DRDGOLD Limited, Blyvoor, Argonaut Financial Services (Proprietary) Limited, West Wits, Crown and BOE Bank Limited, through its division BOE Merchant Bank.
- 4.14<sup>(4)</sup> Loan Security Agreement, dated November 17, 1999, between FBCF Equipment Finance (Proprietary) Limited and Buffels.
- 4.15<sup>(4)</sup> Sale of Business Agreement in respect of Harties, dated August 16, 1999, between Avgold Limited, Buffels and DRDGOLD Limited.
- 4.16<sup>(4)</sup> Form of Restraint Agreement.
- 4.17<sup>(4)</sup> Sale of Shares Agreement, dated September 29, 1997, between RMP Properties Limited, Randgold, Crown, City Deep Limited, Consolidated Main Reef Mines and Estate Limited, Crown Mines Limited, RMP Properties SA Limited and Industrial Zone Limited.
- 4.18<sup>(5)</sup> Form of Non-Executive Employment Agreement.
- 4.19<sup>(5)</sup> Form of Executive Employment Agreement.
- 4.20<sup>(5)</sup> Share Sale Option Agreement, dated March 12, 1993, between Newmont Proprietary Limited, Ballimore No. 56 Proprietary Limited, Clayfield Proprietary Limited and Dome Resources N.L.
- 4.21<sup>(5)</sup> Convertible Loan Agreement, dated November 19, 1997, between Tolukuma Gold Mines Proprietary Limited, Dome Resources N.L. and Mineral Resources Development Company Proprietary Limited.
- 4.22<sup>(5)</sup> First Deed of Variation of Loan Agreement, between Mineral Resources Development Company Pty Limited, Dome Resources N.L. and Tolukuma Gold Mines Pty Limited.
- 4.23<sup>(5)</sup> Agreement, dated February 21, 2000, between DRDGOLD Limited and Western Areas Limited.

- 4.24<sup>(5)</sup> Independent Auditor's Report from PricewaterhouseCoopers to the Board of Directors and Shareholders of Crown Consolidated Gold Recoveries Limited, dated August 28, 2000.
- 4.25<sup>(5)</sup> Shareholders' Agreement, dated September 29, 2000, between DRDGOLD Limited, Fraser Alexander Tailings (Proprietary) Limited and Mine Waste Solutions (Proprietary) Limited.
- 4.26<sup>(5)</sup> First Addendum to the Agreement, dated November 15, 2000, between DRDGOLD Limited and Western Areas Limited.
- 4.27<sup>(5)</sup> Second Addendum to the Agreement, dated December 21, 2000, between DRDGOLD Limited and Western Areas Limited.
- 4.28<sup>(6)</sup> Agreement between DRDGOLD Limited, Western Areas Limited, Consolidated African Mines Limited and JCI Gold Limited, dated April 25, 2001.
- 4.29<sup>(6)</sup> Addendum to the Agreement between DRDGOLD Limited, Western Areas Limited, Consolidated African Mines Limited and JCI Gold Limited, dated August 31, 2001.
- 4.30<sup>(6)</sup> Addendum to the Agreement between DRDGOLD Limited, Western Areas Limited, Consolidated African Mines Limited and JCI Gold Limited, dated September 26, 2001.
- 4.31<sup>(6)</sup> Guarantee and Cession in Securitatem Debiti Agreement between DRDGOLD Limited and Investec Bank Limited, dated October 9, 2001.
- 4.32<sup>(6)</sup> Second Deed of Variation of Loan Agreement between Tolukuma Gold Mines Limited, Dome Resources NL and Mineral Resources Development Company Limited, dated June 28, 2001.
- 4.33<sup>(6)</sup> Principal Terms and Conditions for Waiving Right to Declare Default and Enforce Security Deed under 1993 Purchase Agreement between Newmont Second Capital Corporation, Tolukuma Gold Mines (Pty.) Limited, Dome Resources (PNG) Pty. Limited, Dome Resources NL and DRDGOLD Limited, dated July 16, 2001.
- 4.34<sup>(6)</sup> Loan Agreement between Bank of South Pacific Limited and Tolukuma Gold Mines Limited, dated November 8, 2001.
- 4.35<sup>(7)</sup> Master Finance Lease between Volvo Truck Finance Australia (Pty) Ltd and Dome Resources N.L., dated November 1, 2000.
- 4.36<sup>(7)</sup> Agreement between DRDGOLD Limited and Rand Refinery Ltd, dated October 12, 2001.
- 4.37<sup>(7)</sup> Share Purchase Agreement between Crown Consolidated Gold Recoveries Ltd, The Industrial Development Corporation of South Africa Ltd, Khumo Bathong Holdings (Pty) Ltd and DRDGOLD Limited, dated June 12, 2002.
- 4.38<sup>(7)</sup> Shareholder's Agreement between The Industrial Development Corporation of South Africa Limited, Khumo Bathong Holdings (Pty) Ltd, Crown Consolidated Gold Recoveries Ltd, and Crown Gold Recoveries (Pty) Ltd and DRDGOLD Limited, dated June 12, 2002.
- 4.39<sup>(7)</sup> Addendum to Shareholder's Agreement between The Industrial Development Corporation of South Africa Limited, Khumo Bathong Holdings (Pty) Ltd, Crown Consolidated Gold Recoveries Ltd, Crown Gold Recoveries (Pty) Ltd and DRDGOLD Limited, dated June 14, 2002.
- 4.40<sup>(7)</sup> Subscription Agreement between Khumo Bathong Holdings (Pty) Limited and DRDGOLD Limited, dated June 12, 2002.
- 4.41<sup>(7)</sup> Loan Agreement between DRDGOLD Limited and Khumo Bathong Holdings (Pty) Ltd, dated June 12, 2002.
- 4.42<sup>(7)</sup> Memorandum of Loan Agreement No. 1 between Durban Roodepoort Deep and Crown Gold Recoveries (Pty) Ltd, dated June 12, 2002.
- 4.43<sup>(7)</sup> Memorandum of Loan Agreement No. 2 between DRDGOLD Limited and Crown Gold Recoveries (Pty) Ltd, dated June 12, 2002.
- 4.44<sup>(7)</sup> Memorandum of Loan Agreement No. 3 between Crown Consolidated Gold Recoveries Ltd and Crown Gold Recoveries (Pty) Ltd, dated June 12, 2002.
- 4.45<sup>(7)</sup> Loan Agreement between Industrial Development Corporation of South Africa Ltd and Blyvooruitzicht Gold Mining Company Ltd, dated July 18, 2002.
- 4.46<sup>(7)</sup> Agreement of Loan and Pledge between DRDGOLD Limited and East Rand Proprietary Mines Limited, dated September 12, 2002.
- 4.47<sup>(7)</sup> Management Services Agreement between DRDGOLD Limited, Khumo Bathong Holdings (Pty) Ltd and Crown Gold Recoveries (Pty) Ltd, dated October 1, 2002.
- 4.48<sup>(7)</sup> Agreement amongst DRDGOLD Limited, West Witwatersrand Gold Mines Limited and Bophelo Trading (Pty) Ltd, dated June 12, 2002.
- 4.49<sup>(7)</sup> Letter Agreement between DRDGOLD Limited and The Standard Bank of South Africa, represented by its Standard Corporate and Merchant Bank Division, dated October 7, 2002.
- 4.50<sup>(7)</sup> Memorandum of Agreement between Daun Et Cie A.G., Courthiel Holdings (Pty) Ltd, Khumo Bathong Holdings (Pty) Ltd, Claas Edmond Daun, Paul Cornelis Thomas Schouten, Moltin Paseka Ncholo, Michelle Patience Baird, Derek Sean Webbstock, as sellers, and Crown Gold Recoveries (Pty) Ltd, as purchaser, dated October 10, 2002.
- 4.51<sup>(7)</sup> Memorandum of Loan Agreement between DRDGOLD Limited and Crown Gold Recoveries (Pty) Ltd, dated October 10, 2002.
- 4.52<sup>(7)</sup> Letter Agreement Relating to Consultancy Arrangement between DRDGOLD Limited and Nicolas Goodwin, dated October 15, 2002.
- 4.53<sup>(7)</sup> Management Services Agreement between DRDGOLD Limited and East Rand Proprietary Mines Ltd, dated October 10, 2002.

- 4.54<sup>(7)</sup> Agreement for sale of shares in Emperor Mines Limited, between DRD (Isle of Man) Limited and Kola Ventures Limited, dated December 13, 2002.
- 4.55<sup>(8)</sup> Confirmation, dated August 14, 2003, between DRDGOLD Limited and Investec Bank (Mauritius) Limited.
- 4.56<sup>(8)</sup> Amendment to Confirmation, dated September 4, 2003, between DRDGOLD Limited and Investec Bank (Mauritius) Limited.
- 4.57<sup>(9)</sup> Deed of Amalgamation for the Corporate Restructuring of Orogen Minerals (Porgera) Limited, Mineral Resources Porgera Limited and Dome Resources (PNG) Limited, dated October 14, 2003.
- 4.58<sup>(9)</sup> Undertaking, between Oil Search Limited and DRD (Isle of Man) Limited, dated October 14, 2003.
- 4.59<sup>(9)</sup> Loan Assignment Agreement between Orogen Minerals Limited, DRD (Isle of Man) Limited and Orogen Minerals (Porgera) Limited, dated October 14, 2003.
- 4.60<sup>(9)</sup> Agreement between Orogen Minerals Limited and DRD (Isle of Man) Limited, dated October 14, 2003.
- 4.61<sup>(9)</sup> Loan Assignment Agreement, between Dome Resources (PNG) Limited, Dome Resources Pty Limited, DRD (Isle of Man) Limited and Tolukuma Gold Mines Limited, dated November 21, 2003.
- 4.62<sup>(9)</sup> Memorandum of Agreement made and entered into between DRDGOLD Limited, West Witwatersrand Gold Mines Limited, Mogale Gold (Proprietary) Limited and Luipaards Vlei Estates (Proprietary) Limited dated June 6, 2003.
- 4.63<sup>(10)</sup> Porgera Joint Venture Operating Agreement between Placer (P.N.G.) Pty Limited and Highlands Gold Properties Pty. Limited and PGC (Papua New Guinea) Pty Limited, dated November 2, 1988.
- 4.64<sup>(10)</sup> Agreement of Employment between DRDGOLD Limited and Mr. D.J.M. Blackmur, dated as of October 21, 2003.
- 4.65<sup>(10)</sup> Banking Facilities Agreement made and entered between DRDGOLD Limited and Standard Bank of South Africa, Limited, dated November 14, 2003.
- 4.66<sup>(10)</sup> Agreement of Employment between DRDGOLD Limited and Mr. M.M. Wellesley-Wood, dated as of December 1, 2003.
- 4.67<sup>(10)</sup> Service Agreement between DRD (Isle of Man) Limited and Mr. M.M. Wellesley-Wood, dated as of December 1, 2003.
- 4.68<sup>(10)</sup> Agreement of Employment between DRDGOLD Limited and Mr. I.L. Murray, dated as of December 1, 2003.
- 4.69<sup>(10)</sup> Service Agreement between DRD (Isle of Man) Limited and Mr. I.L. Murray, dated as of December 1, 2003.
- 4.70<sup>(10)</sup> Subscription and Option Agreement made and entered between DRD (Isle of Man) Limited, Net-Gold Services Limited and G.M. Network Limited, dated January 26, 2004.
- 4.71<sup>(10)</sup> Forward Bullion Transaction Agreements made and entered between DRDGOLD Limited and Investec Bank Limited, dated February 4, 2004, February 6, 2004, February 10, 2004, February 11, 2004 and February 12, 2004.
- 4.72<sup>(10)</sup> Loan Agreement made and entered between DRDGOLD Limited and Investec Bank Limited, dated June 24, 2004.
- 4.73<sup>(10)</sup> Termination Agreement made and entered between DRDGOLD Limited, Eskom Holdings Limited and Investec Bank Limited, dated June 24, 2004.
- 4.74<sup>(10)</sup> Novation Agreement made and entered between J Aron & Company, Eskom Holdings Limited and Investec Bank Limited, dated June 24, 2004.
- 4.75<sup>(10)</sup> Memorandum of Understanding made and entered between Buffelsfontein Gold Mines Limited, Buffelsfontein Division and The National Union of Mineworkers, The United Association of South Africa, The Mine Workers Union (Solidarity) and The South African Electrical Workers Association regarding retrenchments associated with No. 9, 10 and 12 Shafts of Buffelsfontein Division, dated August 6, 2004.
- 4.76<sup>(10)</sup> CCMA Settlement Agreement made and entered between Blyvooruitzicht Gold Mining Company Limited and The United Association of South Africa, South African Equity Workers' Association, Solidarity and The National Union of Mineworkers regarding the retrenchment of up to 2,000 employees of the Blyvooruitzicht Gold Mining Company, dated September 2, 2004.
- 4.77<sup>(10)</sup> Loan Agreement made and entered between DRDGOLD Limited and Investec Bank Limited, dated September 15, 2004.
- 4.78<sup>(10)</sup> Subscription Agreement made and entered between DRD (Isle of Man) Limited and DRDGOLD Limited, dated September 21, 2004.
- 4.79<sup>(10)</sup> Common Terms Agreement of Loan made and entered between DRD (Isle of Man) Limited and Investec Bank (Mauritius) Limited, dated October 14, 2004.
- 4.80<sup>(10)</sup> Facility A Loan Agreement made and entered between DRD (Isle of Man) Limited and Investec Bank (Mauritius) Limited, dated October 14, 2004.
- 4.81<sup>(11)</sup> Loan Agreement made and entered between DRDGOLD Limited and Investec Bank Limited, dated December 10, 2004.
- 4.82<sup>(11)</sup> Subscription Agreement between DRDGOLD Limited and Baker Steel Capital Managers LLP (BSCM), dated April 7, 2005.
- 4.83<sup>(11)</sup> Underwriting Agreement between DRDGOLD Limited, the Baker Steel Capital Managers LLP (BSCM) and certain underwriters, dated April 5, 2005.
- 4.84<sup>(11)</sup> Memorandum of Agreement between DRDGOLD Limited, Simmer & Jack Mines Limited and Simmer & Jack Investments (Proprietary) Limited (S&J Companies), dated August 31, 2005.
- 4.85<sup>(11)</sup> Cession Agreement entered into among The Industrial Development Corporation of South Africa Limited (IDC), DRDGOLD Limited, Business Ventures Investment No. 750 (Pty) Ltd and Business Ventures Investment No. 751 (Pty) Ltd (the BVI Companies), dated July 13, 2005.

- 4.86<sup>(11)</sup> Share Sale Agreement entered into among The Industrial Development Corporation of South Africa Limited (IDC), DRDGOLD Limited, Business Ventures Investment No. 750 (Pty) Ltd (BVI 1) and Business Ventures Investment No. 751 (Pty) Ltd (BVI 2), dated July 13, 2005.
- 4.87<sup>(11)</sup> Term Sheet concluded between DRDGOLD Limited and Khumo Bathong Holdings (Pty) Ltd (KBH), dated July 6, 2005.
- 4.88<sup>(11)</sup> Facility B Loan Agreement between Investec Bank (Mauritius) Limited and DRD (Isle of Man) Limited (DRDIOM), dated March 3, 2005.
- 4.89<sup>(11)</sup> Convertible Loan Facility Agreement between DRDGOLD Limited and Emperor Mines Limited (Emperor), dated July 8, 2005.
- 4.90<sup>(11)</sup> Agreement of Employment between DRDGOLD Limited and Mr. J.W.C. Sayers, dated as of August 10, 2005.
- 4.91<sup>(11)</sup> Option Agreement entered into by and between DRDGOLD Limited and M5 Developments (Pty) Limited, dated July 21, 2005.
- 4.92<sup>(11)</sup> Share Sale Agreement between DRD (Offshore) Limited, DRDGOLD Limited and Emperor Mines Limited, dated November 16, 2005.
- 4.93<sup>(12)</sup> Deed of Loan, Cession, Payment and Set-Off entered into between DRDGOLD Limited, East Rand Proprietary Mines Limited, Crown Gold Recoveries (Pty) Limited and Blyvooruitzicht Gold Mining Company Limited, dated November 7, 2005.
- 4.94<sup>(12)</sup> Share Sale Agreement between Business Venture Investments 750 (Pty) Ltd and DRDGOLD South African Operations (Pty) Limited, dated November 8, 2005.
- Share Sale Agreement between Business Venture Investments 751 (Pty) Limited and DRDGOLD South African Operations (Pty) Limited, dated November 8, 2005.
- 4.95<sup>(12)</sup> Subscription Agreement between DRDGOLD Limited and DRDGOLD South African Operations (Pty) Limited, dated November 9, 2005.
- 4.96<sup>(12)</sup> Share Sale Agreement between Crown Consolidated Gold Recoveries Limited and DRDGOLD South African Operations (Pty) Limited, dated November 14, 2005.
- 4.97<sup>(12)</sup> Subscription Agreement between DRDGOLD South African Operations (Pty) Limited and Khumo Gold SPV (Pty) Limited, dated November 18, 2005.
- 4.98<sup>(12)</sup> Subscription Agreement between DRDGOLD Limited and Khumo Gold SPV (Pty) Limited, dated November 18, 2005.
- 4.99<sup>(12)</sup> Cession Agreement between DRDGOLD Limited and Khumo Gold SPV (Pty) Limited and Khumo Bathong Holdings (Pty) Limited, dated November 18, 2005.
- 4.100<sup>(12)</sup> Cession Agreement between DRDGOLD Limited and The Industrial Development Corporation of South Africa Limited and Business Venture Investments No. 750 (Pty) Limited and Business Venture Investments No. 751 (Pty) Limited, dated November 18, 2005.
- 4.101<sup>(12)</sup> Option Agreement between DRDGOLD Limited and Khumo Gold SPV (Pty) Limited and DRDGOLD South African Operations (Pty) Limited, dated November 18, 2005.
- 4.102<sup>(12)</sup> Offer of Class A Preference Share between Khumo Gold SPV (Pty) Limited and East Rand Proprietary Mines Limited, dated November 18, 2005.
- 4.103<sup>(12)</sup> Offer of Class A Preference Share between Khumo Gold SPV (Pty) Limited and Blyvooruitzicht Gold Mining Company Limited, dated November 18, 2005.
- 4.104<sup>(12)</sup> Offer of Class A Preference Share between Khumo Gold SPV (Pty) Limited and Crown Gold Recoveries (Pty) Limited, dated November 18, 2005.
- 4.105<sup>(12)</sup> Shareholders' Agreement between DRDGOLD Limited and Khumo Gold SPV (Pty) Limited and DRDGOLD South African Operations (Pty) Limited, dated November 24, 2005.
- 4.106<sup>(12)</sup> Sale and Subscription Agreement between DRDGOLD Limited and DRD (Offshore) Limited, dated January 4, 2006.
- 4.107<sup>(12)</sup> Share Sale Agreement between DRD (Isle of Man) Limited and DRD (Offshore) Limited, dated February 22, 2006.
- 4.108<sup>(12)</sup> Restructure Deed between DRD (Offshore) Limited and DRD (Isle of Man) Limited and Emperor Mines Limited and Emperor Gold Mining Company Limited and Australia and New Zealand Banking Group Limited, dated February 24, 2006.
- 4.109<sup>(12)</sup> Facility Agreement between DRD (Porgera) Limited and Tolukuma Gold Mines Limited and Australia and New Zealand Banking Group Limited, dated March 20, 2006.
- 4.110<sup>(12)</sup> Settlement of Loans Agreement between DRD (Isle of Man) Limited and DRD (Offshore) Limited, dated March 23, 2006.
- 4.111<sup>(14)</sup> Option Exercise Agreement between DRDGOLD Limited, Khumo Gold SPV (Pty) Limited and the Trustees for the time being of the DRDSA Empowerment Trust dated October 10, 2006.
- 4.112<sup>(14)</sup> Class B Preference Share Subscription Agreement between DRDGOLD Limited and Khumo Gold SPV (Pty) Limited dated October 24, 2006.
- 4.113<sup>(14)</sup> Three Class B Preference Share Subscription Agreements between Khumo Gold SPV (Pty) Limited and Blyvooruitzicht Gold Mining Company Limited, Crown Gold Recoveries (Pty) Limited and East Rand Proprietary Mines Limited, dated October 24, 2006.

- 4.114<sup>(14)</sup> Three Class C Preference Share Subscription Agreements between the Trustees for the time being of the DRDSA Empowerment Trust and Blyvooruitzicht Gold Mining Company Limited, Crown Gold Recoveries (Pty) Limited and East Rand Proprietary Mines Limited, dated October 24, 2006.
- 4.115<sup>(14)</sup> Share Sale Agreement between Emperor Mines Limited and Westech Gold (Pty) Limited, dated March 22, 2007, regarding the disposal of its Fijian assets.
- 4.116<sup>(14)</sup> Joint Venture Interest Sale Deed – Procurement Deed between Barrick Gold Corporation, or Barrick, and Emperor Mines Limited, dated April 12, 2007.
- 4.117<sup>(14)</sup> Subscription Agreement between Emperor Mines Limited and Barrick Gold Corporation, dated April 12, 2007.
- 4.118<sup>(14)</sup> Joint Venture Interest Sale Deed between Barrick Gold Corporation, Barrick (Niugini) Limited, Emperor Mines Limited and DRD (Porgera) Limited dated July 19, 2007.
- 4.119<sup>(14)</sup> Deed of Assignment and Assumption between Barrick (Niugini) Limited (“Buyer”), DRD (Porgera) Limited (“Seller”), Barrick (Goldfields PNG Holdings) Limited (“Goldfields”) and Minerals Resources Enga Limited (“MRE”) (collectively “the parties”) dated July 19, 2007.
- 4.120<sup>(14)</sup> Memorandum of Agreement between Anglo Gold Ashanti Limited, Friedshel 849 (Proprietary) Limited (renamed Ergo Mining (Pty) Limited), DRDGOLD South African Operations (Pty) Limited and Mintails SA (Pty) Limited, dated August 6, 2007.
- 4.121<sup>(14)</sup> Merger Implementation Deed between Emperor Mines Limited and Intrepid Mines Limited, dated September 18, 2007.
- 4.122<sup>(14)</sup> Mandate for the Placement of DRD (Offshore) Limited’s 78.72% Shareholding in Emperor Mines Limited, dated September 28, 2007.
- 4.123<sup>(14)</sup> Term Sheet for the joint venture agreement entered into by Acorn Gold (Proprietary) Limited, DRDGOLD Limited, Durban Roodepoort Deep (Proprietary) Limited, Friedshel 850 (Proprietary) Limited, Geotorm Investments Limited, Kgosi Resource Management (Proprietary) Limited, Minerals and Mining Reclamation Services (Proprietary) Limited, Mintails SA (Proprietary) Limited, West Witwatersrand Gold Mines Limited, West Witwatersrand Holdings Limited, West Wits Mining Limited, West Wits Mining SA (Proprietary) Limited, dated November 9, 2007.
- 4.124<sup>(15)</sup> Third Addendum to Memorandum of Agreement between AngloGold Ashanti Limited (“AGA”), Ergo Mining (Pty) Limited (formerly called Friedshel 849 (Pty) Limited) (“Ergo”), DRDGOLD South African Operations (Pty) (“DRDGOLD SA”) Mintails South Africa (Pty) Limited dated November 14, 2007.
- 4.125<sup>(15)</sup> Fifth Addendum to Memorandum of Agreement between AngloGold Ashanti Limited (“AGA”), Ergo Mining (Pty) Limited (formerly called Friedshel 849 (Pty) Limited) (“Ergo”), DRDGOLD South African Operations (Pty) (“DRDGOLDSA”) Mintails South Africa (Pty) Limited dated May 22, 2008.
- 4.126<sup>(15)</sup> Mining User Contract between Crown Gold Recoveries (Pty) Limited (“Crown”), East Rand Proprietary Mines Limited (“ERPM”), Elsburg Gold Mining Joint Venture (“Elsburg JV”), Ergo Mining (Pty) Limited (“Ergo”), Ergo Uranium (Pty) Limited (“Ergo Uranium”) and Mogale Gold (Pty) Limited (“Mogale Gold”) dated August 15, 2008.
- 4.127<sup>(15)</sup> Ergo Uranium Sale Agreement of Brakpan Plants to Ergo Mining between Ergo Uranium (Pty) Limited (“Ergo Uranium”) and Ergo Mining (Pty) Limited (“Ergo”) dated August 15, 2008.
- 4.128<sup>(15)</sup> Ergo Mining Shareholders’ Agreement between Crown Gold Recoveries (Pty) Limited (“Crown”) and Ergo Uranium (Pty) Limited (“Ergo Uranium”) dated August 15, 2008.
- 4.129<sup>(15)</sup> Elsburg Gold Mining Joint Venture (“Elsburg JV”) Agreement between East Rand Proprietary Mines Limited (“ERPM”) and Mogale Gold (Pty) Limited (“Mogale Gold”) dated August 15, 2008.
- 4.130<sup>(15)</sup> Mogale Sale of Part Venture Interest in the Elsburg Gold Mining Joint Venture (“Elsburg JV”) between East Rand Proprietary Mines Limited (“ERPM”) and Mogale Gold (Pty) Limited (“Mogale Gold”) dated September 29, 2008.
- 8.1<sup>(15)</sup> List of Subsidiaries.
- 12.1<sup>(15)</sup> Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2<sup>(15)</sup> Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1<sup>(15)</sup> Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2<sup>(15)</sup> Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1<sup>(10)</sup> Crown Gold Recoveries (Pty) Limited Consolidated Financial Statements for the years ended June 30, 2004 and 2003.
- 15.2<sup>(11)</sup> Crown Gold Recoveries (Pty) Limited Consolidated Financial Statements for the years ended June 30, 2005, 2004 and 2003.
- 15.3<sup>(13)</sup> Crown Gold Recoveries (Pty) Limited Unaudited Consolidated Financial Statements for the period ended December 1, 2005 and the years ended June 30, 2005 and 2004.
- 15.4<sup>(13)</sup> Emperor Mines Limited Unaudited Consolidated Financial Statements for the period ended April 6, 2006 and the years ended June 30, 2005 and 2004.
- 16.1<sup>(11)</sup> Emperor Mines Limited Consolidated Financial Statements for the years ended June 30, 2005 and 2004.

<sup>(1)</sup> Incorporated by reference to our Registration Statement (File No. 0-28800) on Form 20-F.

<sup>(2)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 1997.

<sup>(3)</sup> Incorporated by reference to our Registration Statement (File No. 333-9242) on Form F-6.

<sup>(4)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 1999.

<sup>(5)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2000.

- <sup>(6)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2001.
- <sup>(7)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2002.
- <sup>(8)</sup> Incorporated by reference to Amendment No. 4 of our Annual Report on Form 20-F for the fiscal year ended June 30, 2002.
- <sup>(9)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2003.
- <sup>(10)</sup> Incorporated by reference to Amendment No. 3 of our Annual Report on Form 20-F for the fiscal year ended June 30, 2004.
- <sup>(11)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2005.
- <sup>(12)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2006.
- <sup>(13)</sup> Incorporated by reference to Amendment No. 1 of our Annual Report on Form 20-F for the fiscal year ended June 30, 2006.
- <sup>(14)</sup> Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended June 30, 2007.
- <sup>(15)</sup> Filed herewith.



## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DRDGOLD LIMITED

By: /s/ J.W.C. Sayers  
J.W.C. Sayers  
Chief Executive Officer

By: /s/ C.C. Barnes  
C.C. Barnes  
Chief Financial Officer

Date: December 12, 2008