

## Economic performance



As South Africa's fourth-largest gold producer, DRDGOLD affects the lives of thousands of people: employees and their dependants, investors, suppliers and members of the communities surrounding the company's operations.

The company's strategy in the short and medium term is to enhance shareholder value by:

- reducing risk;
- controlling costs;
- managing margins; and
- taking a disciplined approach to growth.

One of the most significant operational developments for DRDGOLD in 2009 was the progress made in shifting the balance of its production towards lower-risk and less costly surface retreatment operations.

During the year under review the company rejoined the Chamber of Mines of South Africa as an advocacy member. The chamber is a voluntary membership, private sector employer organisation and is the principal advocate of major policy positions endorsed by the mining employers and represents these to various organs of South African national and provincial governments and to other relevant policy-making and opinion-forming entities, both within the country and abroad. The chamber also works closely with the various employee organisations in formulating these positions where appropriate.

## Operational and financial performance

The average gold price received for the financial year was \$873/oz compared with \$821/oz the previous year, illustrating that the precious metal has retained its status as a store of value during times of financial turmoil. DRDGOLD's performance in the first three quarters was excellent – the fourth quarter demonstrated the company's exposure when the rand strengthens against the dollar, rand gold receipts fall and operating costs rise. While the average rand gold price received in the third quarter was R292 369/kg, it fell to R244 927/kg in the fourth quarter.

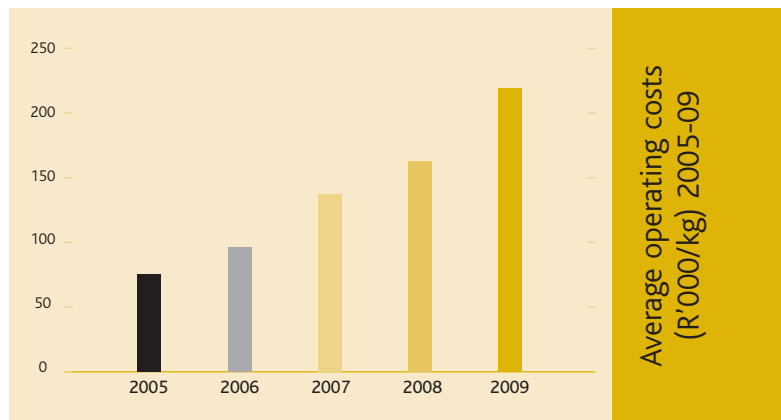
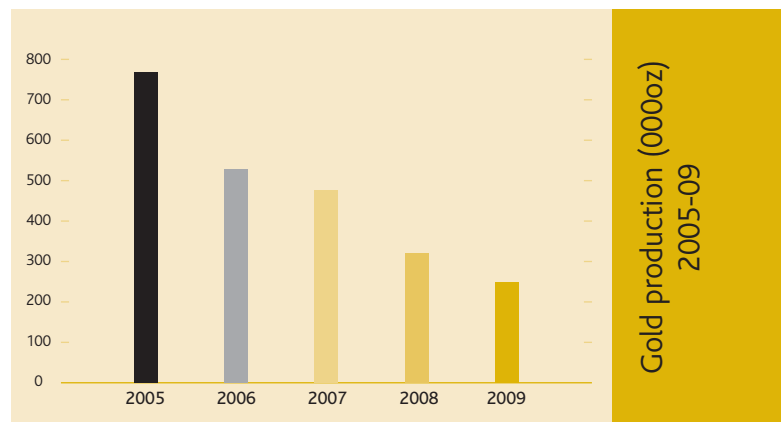
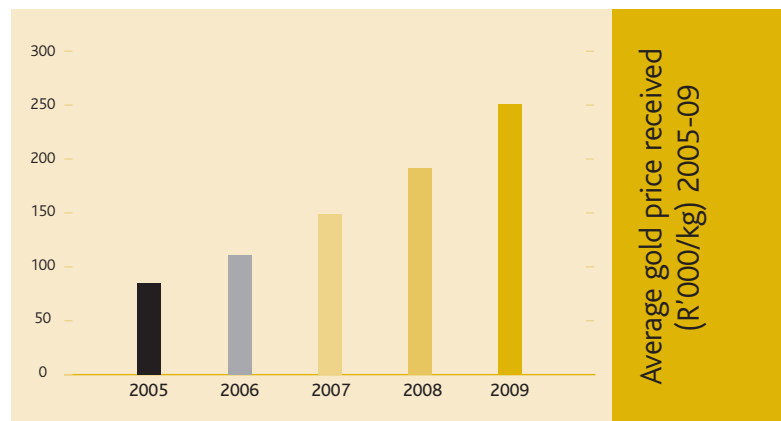
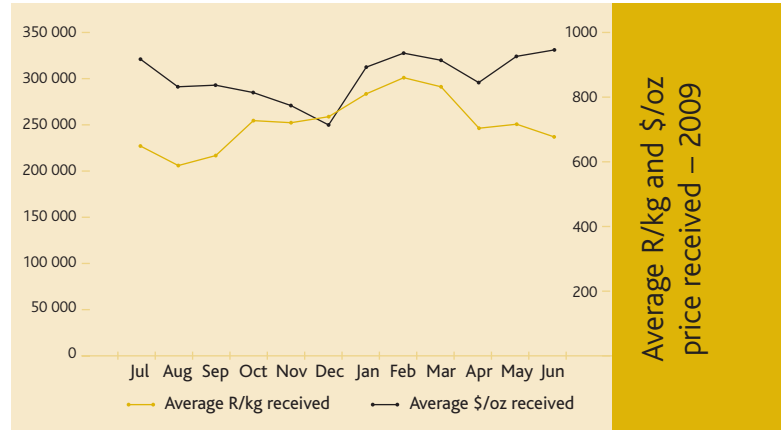
For an in-depth look at DRDGOLD's operational and financial performance during the financial year under review, please refer to the Annual Report 2009 at [www.drdgold.com](http://www.drdgold.com). The key features of the year are set out below.

- Gold production decreased by 23% to 247 690 ounces (2008: 321 432 ounces). The main reasons for this decline were the suspension of underground mining at ERPM in the second quarter and the downward adjustment to throughput at Crown as part of the decommissioning of the Crown Tailings Deposition Facility. Also contributing were several operational challenges at Blyvoor, in particular the reduction in production days following two fatalities in the first half of the year as well as the loss – through seismicity – of high-grade panels during the fourth quarter at No 5 Shaft.
- Total operating costs increased by 40% to R219 024/kg (2008: R162 794/kg).
- Operating profit, at R223.4 million, was down by 27%.
- Net profit declined by 91% to R110.7 million; the R1 225.1 million recorded in 2008 reflected the sale of the Australasian assets.
- Net asset value per share rose 21% to 419 South African cents (2008: 347 SA cents).
- Dividend payments to shareholders amounted to R37.7 million (10 SA cents per share).
- Market capitalisation was R2.3 billion (\$286.9 million) compared with R2.4 billion (\$290.7 million) in the previous year.

## Economic value added

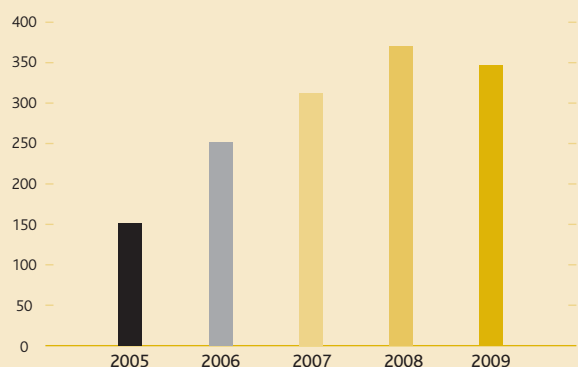
DRDGOLD continued to add significant value during the year. The value-added statement for 2009 appears on page 12. The key features are discussed below.

- In 2009, R673 million was paid to employees, in the form of salaries and wages as well as contributions to retirement and health care funds, representing 68% of the total value distributed during the year (2008: R658 million; 69%). Although this cannot be quantified, employees are likely to have spent a sizeable portion of their disposable income in the region in which they work.
- Taxes of R46 million were paid to local and national government – the same amount paid in 2008. No significant financial benefits were received from government.
- The company spent R1.3 billion with the suppliers of capital and consumer goods and services during the 2009 financial year (2008: R1.3 billion).

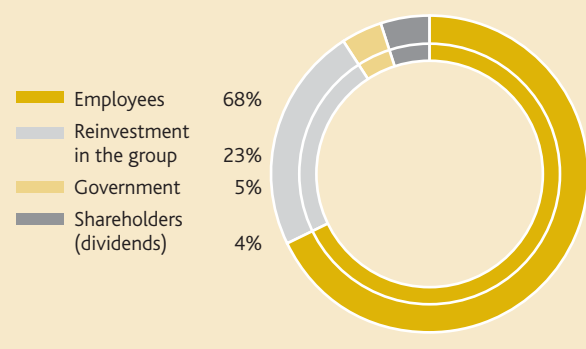


## Economic performance

Annual capital expenditure  
(Rm) 2005-09



Value distributed  
in 2009 (%)



## Shareholders

DRDGOLD has its primary listing on the JSE Limited in Johannesburg, South Africa, and its secondary listing on the Nasdaq Capital Market in the United States. By far the largest percentage of shareholders, 72%, are in the United States, followed by South Africa at 15% and Europe at 10%. At 30 June 2009, institutions and bodies corporate held 93.6% of the issued shares.

DRDGOLD's shares are very liquid with about 80% being held in free float. Around 70% of trading occurs on Nasdaq. Volumes traded and share prices during the financial year under review are illustrated in the accompanying graphs. Shareholders were paid R37.7 million in dividends during the year.

## Capital expenditure

Capital expenditure amounted to R346.7 million (2008: R371.4 million). The breakdown is as follows:

- R157.1 million on ErgoGold and R17.0 million on Ergo Mining;
- R97.5 million on Blyvoor;
- R43.1 million on Crown; and
- R31.7 million on ERPM.

Most of the capital expenditure incurred related to projects to increase production. For example, at ErgoGold the Elsburg reclamation site was completed while at Blyvoor opening up and development and the Way Ahead Project were the main components.

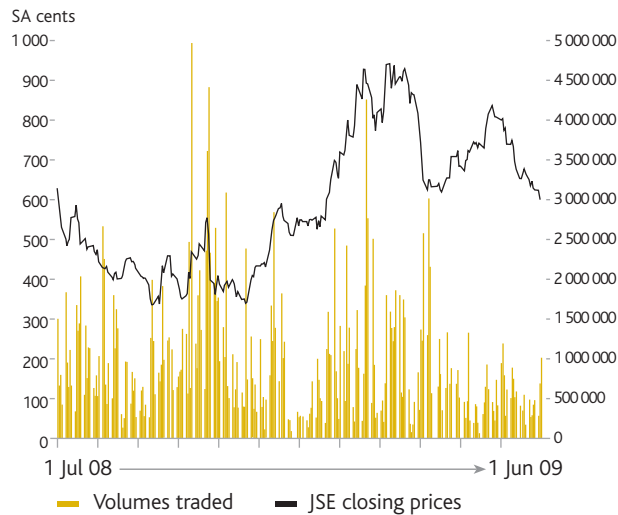
## Value added statement

for the year ended 30 June 2009

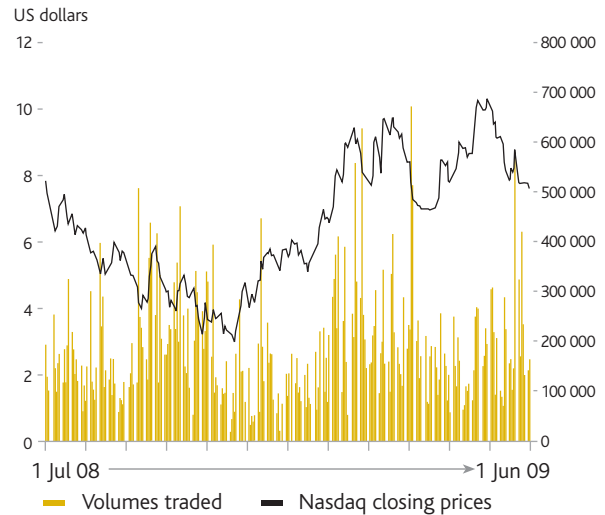
Value added is defined as the value created by activities of a business and its employees and in the case of DRDGOLD is determined as the sale of precious metals less the cost of materials and services. The value added statement reports on the calculation of value added and its application among the stakeholders in the group. The statement shows the total value added and how it was distributed, taking into account the amounts retained and reinvested in the group for the replacement of assets and development of operations.

	2009		2008	
	Rm	%	Rm	%
<b>VALUE ADDED</b>				
Sale of precious metals	1 911		1 933	
Less cost of materials and services	(1 133)		(1 080)	
<b>Value added by operations</b>	<b>778</b>	<b>79</b>	<b>853</b>	<b>90</b>
Income from investments	206	21	95	10
<b>Total value added</b>	<b>984</b>	<b>100</b>	<b>948</b>	<b>100</b>
<b>VALUE DISTRIBUTED</b>				
<b>Employees</b>				
Salaries, wages and other benefits	673	68	658	69
<b>Government</b>				
Current taxation	46	5	46	5
<b>Providers of capital</b>				
Dividends to shareholders	38	4	–	–
Interest on borrowings	4	0	36	4
<b>Total value distributed</b>	<b>761</b>	<b>77</b>	<b>740</b>	<b>78</b>
<b>Reinvested in the group</b>				
Depreciation	99		70	
Reinvested in the group	124		138	
<b>Total value distributed</b>	<b>984</b>	<b>100</b>	<b>948</b>	<b>100</b>

### JSE closing prices and volumes traded



### Nasdaq closing prices and volumes traded



## Black economic empowerment

Black economic empowerment (BEE) in South Africa covers three areas: equity ownership; affirmative procurement; and employment equity. The last-mentioned is dealt with in the Employment section of this report.

With regard to the first aspect, DRDGOLD is in compliance with the BEE equity target of 26%, set by the South African Broad-based Socio-economic Empowerment Charter (the Mining Charter) for 2014. It achieved this goal in the 2007 financial year.

The company's BEE partner, Khumo Gold, acquired a 15% interest in DRDGOLD SA in 2005. At that time Khumo Gold was granted an option, exercisable over the next three years, to acquire a further 11% interest in DRDGOLD SA which included a 6% stake to be placed in a new, proposed employee trust.

In 2006, Khumo Gold acquired 60 000 ordinary shares in DRDGOLD SA which increased its stake to 20%. In addition, as promoter for an employee trust, it exercised its option to acquire a further 60 000 ordinary shares. This trust, the DRDSA Empowerment Trust, has a 6% holding in DRDGOLD SA and it benefits a broad group of historically disadvantaged employees. Khumo Gold and the DRDSA Empowerment Trust also own preference shares in Blyvoor, Crown and ERPM which entitle them to receive a dividend of R0.26 for every R0.74 paid by these

companies towards capital and interest on their outstanding inter-group loans as at 30 November 2005. During the year a preference dividend of R31.8 million was paid to Khumo Gold and the trust.

## Transforming the procurement base

DRDGOLD's procurement policy gives BEE companies preferred supplier status. This means that these companies are on DRDGOLD's vendor list and, provided they are commercially competitive, they are given preference when contracts are awarded.

In total, DRDGOLD's operations spent R1.3 billion on procurement in 2009, of which R771.8 million went to BEE companies. The statistics provided include expenditure with state power utility Eskom and the Rand Water Board.

## Beneficiation

DRDGOLD has a 4% stake in Rand Refinery Limited which refines and sells all of its gold. Gold is refined to a purity of approximately 85% at the DRDGOLD operations. At Rand Refinery, the gold is purified to 99.9% and cast into troy ounce bars. On the same day as the gold is received, Rand Refinery sells the gold on DRDGOLD's behalf at the London afternoon fixed price.

### BEE component of total procurement spend 2009

Operation	Total purchases R	BEE component of total	BEE spend as % of total
Blyvoor	679 638 872	370 612 525	54.5
ERPM	145 202 882	99 474 687	68.5
Crown	388 274 655	258 458 378	66.6
ErgoGold	71 831 951	43 243 165	60.2
<b>Total</b>	<b>1 284 948 360</b>	<b>771 788 755</b>	<b>60.0</b>

*It should be noted that the data capturing system used by DRDGOLD does not make provision for breaking down procurement expenditure into the categories of capital goods, consumables and services.*