ANNUAL FINANCIAL STATEMENTS 2018

DRDGOLD LIMITED

CONTENTS

ANNUAL FINANCIAL STATEMENTS

1 Directors' report
3 Directors' responsibility statement and approval
3 Company Secretary's statement
4 Report of the Audit and Risk Committee
7 Independent Auditor's report

CONSOLIDATED FINANCIAL STATEMENTS

13 Consolidated statement of profit or loss and other comprehensive income
14 Consolidated statement of financial position
15 Consolidated statement of changes in equity
16 Consolidated statement of cash flows
17 Notes to the consolidated financial statements

1 About these consolidated financial statements
2 Use of assumptions, estimates and judgements
3 New standards, amendments to standards and new standards not yet adopted

Performance
4 Revenue
5 Results from operating activities
6 Finance income
7 Finance expense
8 Earnings per share

Resource assets and related liabilities
9 Property, plant and equipment
10 Provision for environmental rehabilitation
11 Investments in rehabilitation obligation funds

Working capital
12 Cash and cash equivalents
13 Cash generated by operations
14 Trade and other receivables
15 Trade and other payables
16 Inventories

Tax
17 Income Tax

Employee matters
18 Employee benefits

Capital and equity
19 Capital management
20 Equity

Disclosure items
21 Operating segments
22 Interest in subsidiaries
23 Assets and liabilities classified as held for sale
24 Financial assets
25 Contingent asset and liabilities
26 Financial instruments
27 Related parties
28 Subsequent events

COMPANY FINANCIAL STATEMENTS

51 Company statement of profit or loss and other comprehensive income
52 Company statement of financial position
53 Company statement of changes in equity
54 Company statement of cash flows
55 Notes to the company financial statements

1 About these company financial statements
2 Use of assumptions, estimates and judgements
3 New standards, amendments to standards and new standards not yet adopted

Performance
4 Revenue
5 Results from operating activities
6 Finance income
7 Net investments in subsidiaries

Working capital
8 Cash and cash equivalents
9 Cash generated by operations
10 Trade and other receivables
11 Trade and other payables

Tax
12 Income Tax

Employee matters
13 Employee benefits

Capital and equity
14 Capital management
15 Equity

Disclosure items
16 Investments in other entities
17 Contingent liabilities
18 Financial instruments
19 Related parties
20 Subsequent events

OTHER INFORMATION

75 Shareholder information

The preparation of the consolidated and company annual financial statements for the year ended 30 June 2018 were prepared under the supervision of the Group's Chief Financial Officer: Mr AJ Davel CA (SA).

The financial statements have been audited in compliance with the applicable sections of the Companies Act of South Africa.

DIRECTORS' REPORT

The directors have pleasure in submitting this report and the consolidated financial statements of DRDGOLD Limited and its subsidiaries ("DRDGOLD" or the "Company" or the "Group") for the year ended 30 June 2018.

SIGNIFICANT EVENTS

West Rand Tailings Retreatment Project ("FWGR")

The acquisition of the surface gold assets associated with Sibanye Gold Limited trading as Sibanye-Stillwater ("Sibanye-Stillwater") WRTRP was completed on 31 July 2018, to be known going forward as Far West Gold Recoveries ("FWGR").

This acquisition is expected to increase our gold reserves by approximately 82% and we have already embarked on the first phase of its planned two-phase development.

Phase 1 involves the upgrading of the Driefontein 2 plant to process tailings from the Driefontein 5 dump at a rate of between 400 000 and 600 000tpm and depositing the residue on the Driefontein 4 tailings dam. First production is expected in the first quarter of calendar year 2019.

Short term price protection

DRDGOLD wishes to reaffirm its long-term strategy to remain an unhedged gold producer and to keep borrowings to a minimum. However, the development of the first phase of FWGR will necessitate medium term borrowings that will introduce some liquidity risk to the Group. To mitigate this liquidity risk, management traded a zero-cost collar to provide price protection against a possible decrease in the Rand gold price while the borrowings will be in place.

As a result, DRDGOLD is committing 50 000 ounces of gold under a zero-cost collar with a floor of R565 000/kg and a ceiling of just under R609 000/kg, spread equally over the next nine months, which will be settled in cash at the end of each month.

Mineral Resources and Mineral Reserves (excluding WRTRP)

DRDGOLD's Mineral Resources from surface decreased by 38% from 11.8Moz (1 565.0Mt @ 0.23g/t Au) in FY2017 to 7.3Moz (873.1Mt @ 0.26g/t Au) in FY2018 mainly due to the exclusion of the Brakpan/Withok tailings deposition facility from Inferred Mineral Resources. The Brakpan/Withok tailings deposition facility is the current deposition site for retreated tailings and will remain so for the life of the Ergo operation. A decision was taken to exclude the Brakpan/Withok tailings deposition facility from the active drilling programme as reprocessing of this material is unlikely in the foreseeable future.

Mineral Reserves increased by 10% from 3.0Moz (299.2Mt @ 0.31g/t Au) in FY2017 to 3.3Moz (332.2Mt @ 0.31g/t Au) in FY2018 due to additional drilling performed on the Rooikraal tailings deposition facility.

REVIEW OF OPERATIONS

The performance of our operations is reviewed in the financial capital section of the Integrated Report 2018.

DIRECTORS' REPORT *continued*

DIRECTORATE

Rotation of directors

In accordance with the provisions of the company's Memorandum of Incorporation (MOI), Mr J Holtzhausen, and Mr D J Pretorius will retire at the forthcoming annual general meeting. Mr J Holtzhausen and Mr D J Pretorius are eligible and have offered themselves for re-election.

Directors' interest in shares

None of the directors' immediate families and associates held any direct shareholding in the company's issued share capital. No director held or acquired any shares in the Company as at 30 June 2018 other than outlined below.

There were no changes in the directors' interest in shares between reporting date and the date of the approval of the financial statements other than outlined below.

	2018		2017	
	Beneficial direct	**Beneficial indirect**	**Beneficial direct**	**Beneficial indirect**
Executive directors				
D J Pretorius [1]	**659,688**	**-**	5,108	-
A J Davel [2]	**-**	**-**	-	-
Non-executive directors				
G C Campbell	**200,000**	**-**	200,000	-
J Turk	**-**	**243,000**	-	243,000
	859,688	**243,000**	205,108	243,000

(1) The increase was due to shares acquired in the open market. 30 500 shares were acquired in the open market subsequent to reporting date.

(2) Acquired 100 000 shares in the open market subsequent to reporting date.

SHAREHOLDERS

At reporting date the Company does not have a controlling shareholder and its directors provide strategic direction on behalf of its shareholders. DRDGOLD has a primary listing on the JSE Limited (JSE) and a secondary listing on the New York Stock Exchange Limited (NYSE). The Company's shares are also traded on the Regulated Unofficial Market on the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets. The Company's shares were delisted from the Marché Libre Paris effective 30 May 2018.

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented in the shareholders' information section in the annual financial statements.

DIVIDENDS

DRDGOLD's dividend policy is to return excess cash over and above the predetermined cash buffer to its shareholders. Dividends are proposed by the Audit and Risk Committee and approved by the board of directors of DRDGOLD based on the quarterly management accounts presented to the board.

Details of the dividends declared by the company appears in note 20 to the consolidated financial statements.

GOING CONCERN

The directors believe that the Group has adequate resources to continue as a going concern for the foreseeable future.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and company annual financial statements of DRDGOLD Limited, comprising the statements of financial position at 30 June 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

The consolidated and company annual financial statements of DRDGOLD Limited, as identified in the first paragraph, were approved by the board of directors on 24 October 2018 and signed by:

J A Holtzhausen
Chairman: Audit and Risk Committee
Authorised director

A J Davel
Chief Financial Officer
Authorised director

COMPANY SECRETARY'S STATEMENT

I certify, in accordance with Section 88(2)(e) of the Companies Act of South Africa, that to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 June 2018, all such returns as are required of a public company in terms of the Companies Act, and that all such returns appear to be true, correct and up to date.

R Masemene
Company Secretary
24 October 2018

REPORT OF THE AUDIT AND RISK COMMITTEE

The legal responsibilities of the Audit and Risk Committee ("the Committee") of the DRDGOLD Limited Group are set out in the Companies Act. These responsibilities, together with the requirements of the JSE and compliance with appropriate governance and international best practice, are incorporated in the Committee's charter.

The members of the committee responsible for audit related matters were formally appointed by the shareholders at the Annual General Meeting ("AGM") held on 30 November 2017.

The biographical details of the committee's members are set out on page 74 of the 2018 Integrated Report and the members' fees are set out on page 91 of the same report.

DISCHARGE OF DUTIES FOR THE YEAR UNDER REVIEW

FINANCIAL STATEMENTS

The Committee has reviewed the Group's significant accounting matters which include:

- Impairment of Property, Plant and Equipment
- Provision for Environmental Rehabilitation;
- Legal proceedings; and
- Taxation matters

The Committee also considered the key audit matters included in the external audit report on pages 7 to 12.

The Committee has reviewed the Consolidated and Company financial statements, including the accounting policies, of the DRDGOLD Limited Group for the year ended 30 June 2018 and based on the information provided to the Committee, considers that the Group complies, in all material respects, with the requirements of the Companies Act, IFRS and the JSE Listings Requirements.

The Committee has recommended the financial statements to the board for approval. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming AGM.

CHIEF FINANCIAL OFFICER ("CFO") AND FINANCE FUNCTION

As required by the JSE Listings Requirement 3.84(g)(i), the Committee has satisfied itself that the CFO, AJ Davel, has the appropriate expertise and experience to fulfil the role and that he had performed appropriately during the year under review. The Committee is satisfied with the expertise and experience of the finance function and adequacy of its resources.

EXTERNAL AUDITORS

The Committee considered the matters set out in the Companies Act and the JSE Listings Requirements, and:

- is satisfied with the independence and objectivity of the external auditors;
- has considered and recommended the reappointment of the external auditor and the designated external audit partner;
- has approved the external auditor's fees and terms of engagement for the year ended 30 June 2017 and budgeted fees and terms of engagement for the financial year ended 30 June 2018; and
- has approved the non-audit related services performed by the external auditors in accordance with the policy established and approved by the board.

INTERNAL AUDITORS

The internal audit function is performed in-house, with the assistance of Pro-Optima Audit Services Proprietary Limited. Internal audits performed are aimed at reviewing, evaluating and improving the effectiveness of risk management, internal controls and corporate governance processes.

The Committee considered the effectiveness of the internal audit function, confirmed the audit plan for the 2018 financial year and reviewed the results of the internal audits conducted during the 2018 financial year.

Both the internal and external auditors have unrestricted access to the Committee, the Committee Chairman and the Chairman of the Board, ensuring that the auditors are able to maintain their independence.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed 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 assesses the internal controls surrounding the financial reporting process as at the end of each financial year.

Separate meetings are held with management and external and internal audit representatives to discuss any challenges and other matters that they wish to discuss. The head of internal audit and risk and the external auditors have unlimited access to the chairman of the Committee.

To the best of their knowledge, and based on the information and explanations given by management and the Group internal audit function as well as discussions with the independent external auditors on the results of their audits, the Committee is satisfied that the internal financial control environment continued to function effectively.

COMBINED ASSURANCE AND RISK MANAGEMENT

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. KPMG Inc issued an opinion over the Consolidated and Company financial statements as well as the effectiveness of internal control over financial reporting, while KPMG Services Proprietary Limited provided limited assurance on key sustainability information in our Integrated Report. The Group's financial, operating, compliance and risk management controls are assessed by internal audit, overseen by the Committee. An independent review of our Mineral Reserves and Resources was conducted by Red Bush Geoservices Proprietary Limited.

The Committee considered combined assurance in responding to significant risks and material matters through the company's operation, internal auditors, external auditors and other inspections.

The Committee is satisfied that an effective control environment exists for management decision making and external reporting.

SOLVENCY AND LIQUIDITY

The Committee is satisfied that the Board has adequately performed solvency and liquidity tests in terms of Section 46 of the Companies Act, as and when required during the year under review.

For the period under review, the Committee is satisfied that it has regulated its affairs in compliance with its mandate, and has discharged its duties and responsibilities in terms of the JSE Listings Requirements, the Companies Act and the King Code IV of Corporate Governance.

J A Holtzhausen
Chairman: Audit and Risk Committee
24 October 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of DRDGOLD Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of DRDGOLD Limited (the group and company) set out on pages 13 to 74, which comprise the consolidated and company statements of financial position at 30 June 2018, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of DRDGOLD Limited at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matters pertaining to the consolidated financial statements:

1. Provision for environmental rehabilitation

Refer to note 10 of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The group is engaged in the retreatment of surface gold tailings. The group has an obligation to close, restore and rehabilitate these gold tailing deposits and mining sites that are spread out over a large area due to the group's extensive surface mining footprint. Determining the provision for environmental rehabilitation requires management to make significant assumptions and estimates, with the assistance of an independent expert, in respect of: • The group's environmental management plans that are developed in accordance with current regulatory requirements, the planned method of rehabilitation as well as the life-of-mine plan, that in turn are used in estimating future environmental rehabilitation costs; and • Discount rates, inflation rates, discount periods, and the projected timing of cash flows over the expected life-of-mine used in the calculation of the net present value of the estimated rehabilitation costs. Due to the inherent uncertainty in estimating future environmental rehabilitation costs the valuation of the provision for environmental rehabilitation was considered a key audit matter.	Our audit work included the following procedures: • We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure that the provision for environmental rehabilitation was appropriately recognised and valued; • We assessed the independence, competence and capabilities of the group's environmental expert by obtaining an understanding of their professional qualification, experience and affiliations; • With the support of our own internal environmental specialists we challenged management's and the independent expert's assumptions by comparing these assumptions to external data sources and our own expectations based on our knowledge and experience of the industry; • We assessed whether the group's environmental rehabilitation provision is aligned to the group's life-of-mine plan, environmental management plans and the current applicable laws and regulations; • We challenged the timing of cash flows as well as the inflation rates and discount rates used by management in the calculation of the net present value of the estimated rehabilitation costs and compared the discount rates used to externally derived data; • We evaluated whether the accounting treatment applied in determining the provision for environmental rehabilitation and the related disclosures are in accordance with the applicable financial reporting framework.

2. Life of mine plan relating to the recoverable amount of the cash generating unit included in property, plant and equipment, the valuation of the provision for environmental rehabilitation and the valuation of the deferred tax liability

Refer to note 9, note 10 and 17.2 of the consolidated financial statements

Key audit matter	How the matter was addressed in our audit

Management makes use of experts in assisting them to evaluate geological and technical factors in determining the life-of-mine plan that also considers available proven and probable reserves as well as forecast production methods and volumes.
 	
Significant assumptions and estimates were used by management to determine the life-of-mine plan for its reserves, which are inherently uncertain and could materially change over time. These judgements, estimates and assumptions include reserves and resources estimates, production estimates and the related costs, forecast capital expenditure and economic factors such as future dollar gold prices, discount rates and foreign currency exchange rates as well as the impact of taxation specific to the gold mining industry.
 	
The recoverable amount of property, plant and equipment, the determination of the nature, quantum and timing of the provision for the rehabilitation obligation and the determination of the weighted averaged deferred tax rate is determined using estimated future cash flows based on the life-of-mine plan.
 	
The determination of the life-of-mine plan was considered a key audit matter due to the significant assumptions and estimates required to determine the life-of-mine plan as well as the resultant impact on the recoverable amount of the cash generating unit, the valuation of the provision for environmental rehabilitation and the valuation of the deferred tax liability.
	Our procedures relating to the determination of the life-of-mine plan included:
	
	• We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure the life-of-mine assessment was appropriately performed and reviewed;
	
	• We compared the reserves assumptions used in the life-of-mine plan for the group to the reserves assessed by the external geological expert employed by the group to determine the estimates of proven and probable reserves. We further inspected and evaluated the significant changes in the declared reserves compared to what was previously reported and obtained relevant support to substantiate the changes;
	
	• We evaluated the objectivity, competence and capabilities of management's external geological expert. We further obtained an understanding of the work performed by the external geological expert and evaluated the appropriateness and conclusions reached;
	
	• We evaluated the assumptions and estimates used by management in the discounted cash flows by:
	  ▪ inspecting that the life-of-mine used in the discounted cash flows was supported by the reserves assumptions from the external geological expert;
	  ▪ comparing the assumptions used by management to externally derived data as well as our own assessments based on our industry knowledge and experience in relation to key inputs such as the spot and future dollar gold prices, foreign exchange rates, cost inflation, production costs, capital expenditure and discount rates.
	
	• We performed sensitivity analyses to consider the impact of changes in assumptions and estimates used in the life-of-mine assessment;
	
	• We assessed management's evaluation of tax uncertainties and judgements used in the forecasted weighted average tax rate;
	
	• We assessed the adequacy of the group's disclosures of significant accounting assumptions and estimates used to determine the recoverable amount of the cash generating unit, deferred tax liability and environmental rehabilitation provision.

We have identified the following key audit matter pertaining to the separate financial statements:

1. Impairment of investment in subsidiaries

Refer to note 7.2 of the separate financial statements.

Key audit matter	How the matter was addressed in our audit
The impairment of the net investment in subsidiaries resulted from the restructuring of wholly owned subsidiaries within the group. The group restructuring was performed to simplify the legal and inter-group debt structure, leading to all non-dormant entities being directly owned by the company. As part of the group debt restructure the investment in subsidiaries was assessed for impairment and impaired by R1 591 million. Due to the significance of the impairments and the potential resultant tax consequences for the company following the restructuring of the group we considered the impairment of investment in subsidiaries to be a key audit matter.	Our procedures relating to the impairment of investment in subsidiaries included: • We evaluated the design, implementation and operating effectiveness of management's internal controls over the restructuring transaction and resultant impairments; • We inspected the restructure and implementation agreement and through examination and enquiry gained an in-depth understanding of key terms of the restructuring process and the sequence of transactions and evaluated the appropriateness of the business rationale for the group restructuring; • We evaluated the restructuring transactions and considered the suitability of the basis of accounting in accordance with IFRS, including recalculating the amounts that were recorded and considered management's assessment of the required compliance with the Companies Act of South Africa. • We independently evaluated management's assessment and re-performed the calculations to determine if the resulting impairments were complete and accurate; • Together with our internal tax specialists, we evaluated the tax consequences of each of the transactions against management's and their external experts' assessment for appropriateness; • We assessed the adequacy of the company's disclosure of the restructuring and resultant impairments in accordance with the applicable financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Company Secretary's Statement and the Report of the Audit and Risk Committee as required by the Companies Act of South Africa and the Directors' Responsibility Statement and Approval, the Shareholder's information, administration and contact details and the Annual Integrated Report which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc has been the auditor of DRDGOLD Limited for 16 years.

KPMG Inc.
Registered Auditor

Per R Stoltz
Chartered Accountant (SA)
Registered Auditor
Director
31 October 2018

Suite 301,
Medforum Building,
Heunis Street Secunda,
2302

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
Revenue	4	**2,490.4**	2,339.9
Cost of sales	5.1	**(2,347.7)**	(2,307.9)
Gross profit from operating activities		**142.7**	32.0
Other income	5.2	**-**	12.9
Administration expenses and other costs	5.3	**(90.7)**	(69.4)
Results from operating activities		**52.0**	(24.5)
Finance income	6	**38.8**	40.0
Finance expense	7	**(58.4)**	(52.2)
Profit/(loss) before tax		**32.4**	(36.7)
Income tax	17.1	**(25.9)**	50.4
Profit for the year		**6.5**	13.7
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments	24.1	**0.6**	(0.3)
Total other comprehensive income for the year		**0.6**	(0.3)
Total comprehensive income for the year		**7.1**	13.4
Earnings per share			
Basic earnings per share (SA cents per share)	8	**1.5**	3.2
Diluted earnings per share (SA cents per share)	8	**1.5**	3.2

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

Amounts in R million	Note	2018	2017
ASSETS			
Non-current assets		**1,734.1**	1,739.1
Property, plant and equipment	9	**1,452.7**	1,497.6
Investments in rehabilitation obligation funds	11	**244.0**	227.7
Financial assets	24	**28.7**	8.8
Deferred tax asset	17.2	**8.7**	5.0
Current assets		**626.3**	548.3
Inventories	16	**233.0**	180.3
Trade and other receivables	14	**91.2**	114.3
Cash and cash equivalents	12	**302.1**	253.7
TOTAL ASSETS		**2,360.4**	2,287.4
EQUITY AND LIABILITIES			
Equity	20	**1,267.3**	1,302.4
Non-current liabilities		**772.4**	728.0
Provision for environmental rehabilitation	10	**553.4**	531.7
Deferred tax liability	17.2	**163.7**	140.5
Employee benefits	18	**40.6**	39.0
Finance lease obligation	9	**14.7**	16.8
Current liabilities		**320.7**	257.0
Trade and other payables	15	**303.3**	251.8
Employee benefits	18	**13.2**	-
Current tax liability		**4.2**	5.2
TOTAL LIABILITIES		**1,093.1**	985.0
TOTAL EQUITY AND LIABILITIES		**2,360.4**	2,287.4

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Amounts in R million	Note	Share capital	Available for sale and other reserves	Retained earnings	Total equity
Balance at 30 June 2016		**4,177.7**	**140.2**	**(2,978.3)**	**1,339.6**
Total comprehensive income					
Profit for the year				13.7	13.7
Other comprehensive income	24.1			(0.3)	(0.3)
Transactions with the owners of the parent					
Dividend on ordinary share capital	20			(50.6)	(50.6)
Available for sale and other reserves transferred to retained earnings			(140.2)	140.2	-
Balance at 30 June 2017		**4,177.7**	**-**	**(2,875.3)**	**1,302.4**
Total comprehensive income					
Profit for the year				6.5	6.5
Other comprehensive income	24.1			0.6	0.6
Transactions with the owners of the parent					
Dividend on ordinary share capital	20			(42.2)	(42.2)
Balance at 30 June 2018		**4,177.7**	**-**	**(2,910.4)**	**1,267.3**
Note		20			

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	13	**222.9**	21.5
Finance income received		**21.9**	23.8
Finance expenses paid		**(3.5)**	(3.7)
Income tax (paid)/received		**(7.5)**	10.0
Net cash inflow from operating activities		**233.8**	51.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(125.9)**	(110.6)
Proceeds on disposal of property, plant and equipment		**7.0**	20.5
Environmental rehabilitation payments	10	**(21.5)**	(11.6)
Other		**-**	5.0
Net cash outflow from investing activities		**(140.4)**	(96.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease obligation		**(2.8)**	(2.4)
Dividends paid on ordinary share capital	20	**(42.2)**	(50.6)
Net cash outflow from financing activities		**(45.0)**	(53.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**48.4**	(98.1)
Cash and cash equivalents at the beginning of the year		**253.7**	351.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**302.1**	253.7

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

1 ABOUT THESE CONSOLIDATED FINANCIAL STATEMENTS

Reporting entity

The DRDGOLD Group is primarily involved in the retreatment of surface gold. The consolidated financial statements comprise the Company and its subsidiaries who are all wholly owned subsidiaries and solely operates in South Africa (collectively the "Group" and individually "Group Companies"). DRDGOLD Limited is domiciled in South Africa with a registration number of 1895/000926/06. The registered address of the company is 1 Sixty Jan Smuts Building, 2nd Floor - North Tower, 160 Jan Smuts Avenue, Rosebank, 2196.

Basis of accounting

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), SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC) as well as the requirements of the Companies Act of South Africa. The consolidated financial statements were approved by the board of directors on 24 October 2018.

Functional and presentation currency

The Group's functional and reporting currency is South African rand. The amounts in these consolidated financial statements are rounded to the nearest million unless stated otherwise. Significant exchange rates applied during the year are set out in the table below:

South African rand / US dollar	2018	2017
Spot rate at year end	13.72	13.05
Average rate for the financial year	12.85	13.59

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2 USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make accounting assumptions, estimates and judgements that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses.

Accounting assumptions, estimates and judgements are reviewed on an ongoing basis. Revisions to reported amounts are recognised in the period in which the revision is made and in any future periods affected. Actual results may differ from these estimates.

Information about assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the notes:

- Note 9 PROPERTY, PLANT AND EQUIPMENT
- Note 10 PROVISION FOR ENVIRONMENTAL REHABILITATION
- Note 17 INCOME TAX
- Note 24.2 LONG-TERM RECEIVABLE

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the notes:

- Note 23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE
- Note 24.2 LONG-TERM RECEIVABLE
- Note 25 CONTINGENT ASSETS AND LIABILITIES

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the following relevant standards, amendments to standards and interpretations that may be applicable to the business of the Group were in issue but not yet effective and may therefore have an impact on future consolidated financial statements. These new standards, amendments to standards and interpretations will be adopted at their effective dates.

IFRS 2 Share-based payment amendments (Effective date 1 July 2018)
Measurement of cash-settled share-based payments – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability, market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

The Group has assessed that the amendment to IFRS 2 will not have a significant impact on the Group as market and non-vesting conditions are being taken into account in measuring its fair value and the number of awards to receive cash is already adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

IFRS 9 Financial Instruments (Effective date 1 July 2018)
The standard sets out requirements for recognising and measuring financial instruments and supersedes IAS 39 *Financial Instruments*. It contains new criteria for determining the classification of financial instruments which is based on the business model of the entity and the nature of cash flows. In addition, the financial instruments impairment model has been changed from an “incurred loss” model in IAS 39 to an “expected credit loss” model in IFRS 9. The resultant effect being that it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

The Group has assessed that the following changes will occur as a result:
- The new classification if applied at 30 June 2018 would not have a significant impact on the accounting of financial assets and financial liabilities. Investment in other entities (equity instruments) will be designated at fair value through other comprehensive income;
- The method of determining impairment of long-term and other receivables will have to change to reflect the “expected credit loss” model. Management has made an assessment of the magnitude of the changes to the impairment model. This is not expected to have a significant impact.

IFRS 15 Revenue from contracts with customers (Effective date 1 July 2018)
The standard contains a single model that applies to contracts with customers superseding the revenue standard IAS 18 *Revenue* and IAS 11 *Construction contracts*. It contains two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard also introduces new qualitative and quantitative disclosures related to customer contracts and significant judgements applied.

The Group has assessed that there will be no impact on adopting IFRS 15, and revenue recognition will remain unchanged as follows:
- Rand Refinery is assessed as being an agent, selling gold and silver on behalf of the Group;
- Revenue is recognised on the date that control of gold and silver pass to the buyer, which is the date on which Rand Refinery sells the gold on the Group’s behalf.

This is the same date as when significant risks and rewards passes under IAS 18 *Revenue*.

IFRS 16 Leases (Effective date 1 July 2019)
The standard sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer (“lessee”) and the supplier (“lessor”). The standard supersedes the current leases standard IAS 17 *Leases*. The standard has one model for lessees which contains increased focus on the assessment of whether a transaction is a lease. Lessees will now recognise most leases on the statement of financial position. No significant changes have been included for lessors.

The Group has commenced with analysing each contract included in the register of contracts compiled by the procurement department in order to assess whether these contain a lease and the impact that the standard will have on the Group.

4 REVENUE

ACCOUNTING POLICIES

Revenue comprise the sale of gold bullion and silver bullion (produced as a by-product).

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is stated at the fair value of the consideration received or receivable, which is based on the afternoon London Bullion Market fixing price on the date the significant risks and rewards of ownership have been transferred to the buyer.

The significant risks and rewards of ownership transfer to the buyer when Rand Refinery Limited ("Rand Refinery"), acting as an agent for the sale of all gold produced by the Group, delivers the gold to the buyer and the sales price is fixed, as evidenced by the certificate of sale.

Rand Refinery performs the final refinement of all gold produced. In exchange for this service, Rand Refinery receives a variable refining fee plus fixed marketing and administration fees which is included in operating costs.

Amounts in R million	2018	2017
Gold revenue	**2,486.4**	2,336.1
Silver revenue	**4.0**	3.8
Total revenue	**2,490.4**	2,339.9

MARKET RISK

Commodity price sensitivity
Combined impact of both US Dollar price of gold and South African Rand/US Dollar exchange rate

The Group's profitability and the cash flows are primarily affected by changes in the market price of gold which is sold in US Dollar and then converted to Rand. The Group did not enter into forward sales of gold production, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production during the year.

A change of 10% in the average Rand gold price received during the financial year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant and specifically excludes the impact on income tax.

Amounts in R million	2018	2017
10% increase in the Rand gold price	**249.0**	234.0
10% decrease in the Rand gold price	**(249.0)**	(234.0)

Price protection policy

After 30 June 2018 the Board approved Rand gold price protection to manage the short-term liquidity risk that will arise from the anticipated increase in borrowings to finance the development of Phase 1 of FWGR (refer to notes 19 and 28).

5 RESULTS FROM OPERATING ACTIVITIES

5.1 COST OF SALES

Amounts in R million	Note	2018	2017
Cost of sales		**(2,347.7)**	(2,307.9)
Operating costs (a)		**(2,207.1)**	(2,109.3)
Movement in gold in process and finished stock		**24.5**	4.8
Depreciation	9	**(168.0)**	(179.8)
Change in estimate of environmental rehabilitation	10	**2.9**	(0.6)
Retrenchment costs		**-**	(23.0)
(a) Operating costs			
The most significant components of operating costs include:			
Materials		**(784.6)**	(783.9)
Labour including short term incentives, excluding retrenchment costs		**(417.4)**	(351.0)
Electricity		**(369.0)**	(344.2)
Specialist service providers		**(326.9)**	(299.7)
Water		**(49.9)**	(71.1)

5.2 OTHER INCOME

ACCOUNTING POLICIES

Income is recognised where it is probable that the economic benefits associated with a transaction will flow to the Group and they can be reliably measured.

Other income is generally income earned from transactions outside the course of the Group's ordinary activities and may include gains or losses on disposal of property, plant and equipment.

Amounts in R million	2018	2017
Profit on disposal of property, plant and equipment	**-**	12.9
	-	12.9

5.3 ADMINISTRATION EXPENSES AND OTHER COSTS

Amounts in R million	Note	2018	2017
Included in administration expenses and other costs are the following:			
Increase in Long-Term Incentive ("LTI") liability	18.1	**(17.2)**	(10.0)
Transactions costs incurred related to the acquisition of FWGR	28	**(9.0)**	-
Loss on disposal of property, plant and equipment		**(0.6)**	-

6 FINANCE INCOME

ACCOUNTING POLICY

Finance income includes interest received, growth in the environmental rehabilitation obligation funds and the unwinding of the long-term receivable.

Amounts in R million	Note	2018	2017
Interest on loans and receivables	12	**21.8**	23.6
Growth in environmental rehabilitation trust funds	11, 23	**7.5**	7.5
Growth in reimbursive right	11	**8.8**	8.9
Unwinding of long-term receivable	24.2	**0.7**	-
		38.8	40.0

7 FINANCE EXPENSE

ACCOUNTING POLICY

Finance expenses comprise interest payable on financial instruments measured at amortised cost calculated using the effective interest method, unwinding of the provision for environmental rehabilitation, interest on finance leases and the fair value adjustment on the initial recognition of the long-term receivable.

Amounts in R million	Note	2018	2017
Unwinding of provision for environmental rehabilitation	10, 23	**(45.6)**	(46.5)
Fair value adjustment on initial recognition of long-term receivable	24.2	**(8.8)**	-
Other finance expenses		**(4.0)**	(5.7)
		(58.4)	(52.2)

8 EARNINGS PER SHARE

Amounts in R million	2018	2017
Basic earnings		
The calculation of basic earnings per ordinary share is based on the following:		
Profit for the year	**6.5**	13.7
The basic earnings has been adjusted by the following to arrive at headline earnings:		
Net loss/(profit) on disposal of property, plant and equipment (after tax)	**0.5**	(12.9)
- Loss/(profit) on disposal of property, plant and equipment	**0.6**	(12.9)
- Tax thereon	**(0.1)**	-
Headline earnings	**7.0**	**0.8**

Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares

Number of shares	2018	2017
Weighted and diluted weighted average number of ordinary shares in issue	**422,068,696**	422,068,696

SA cents per share	2018	2017
Basic earnings per share	**1.5**	3.2
Diluted earnings per share	**1.5**	3.2
Headline earnings per share	**1.7**	0.2
Diluted headline earnings per share	**1.7**	0.2

9 PROPERTY, PLANT AND EQUIPMENT

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Impairment of property, plant and equipment

The recoverable amount of the cash-generating-unit is determined using discounted future cash flows based on the life-of-mine plan. These calculations require the use of assumptions and estimates and are inherently uncertain and could change materially over time. These assumptions and estimates include the market capitalisation of the Group, mineral reserves and resource estimates, production estimates, spot and future gold prices, foreign currency exchange rates, discount rates, estimates of costs to produce and future capital expenditure in determining the recoverable amount. At year-end, the market capitalisation of the Group was higher than its net asset value. The decline in the rand gold price was however considered as an impairment indicator. The Group has only one cash generating unit ("CGU") and calculated a recoverable amount based on updated life-of-mine plans, an average gold price of R550 411 per kilogram in year one escalating at an average of approximately 5.8% a year over the twelve-year life of mine, and a weighted average cost of capital of 11.2%.

Sensitivity analysis

The Group would begin impairment of the mining assets if the discount rate were to increase from 11.2% to 21.4%, or a 4.1% decrease in budgeted gold production or the rand gold price over the remaining life of the operation. The above sensitivities do not include a positive terminal value, relating to the disposal of any assets at the end of the useful life.

Depreciation

The calculation of the units-of-production rate of depreciation could be affected if actual production in the future varies significantly from current forecast production. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves and resources. These factors could include:

- changes in mineral reserves and resources;
- the grade of mineral reserves and resources may vary from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites including planned extraction efficiencies; and
- changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates.

Mineral reserves and resources estimates

The Group is required to determine and report mineral reserves and resources in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code). In order to calculate mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of mineral reserves and resources requires the size, shape and depth of reclamation sites to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Because the assumptions used to estimate mineral reserves and resources change from period to period and because additional geological data is generated during the course of operations, estimates of mineral reserves and resources may change from period to period. Mineral reserves and resource estimates prepared by management are reviewed by an independent mineral resources expert.

Changes in reported mineral reserves and resources may affect the Group's life-of-mine plan, financial results and financial position in a number of ways including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation charged to profit or loss may change where such charges are determined by the units-of-production method, or where the useful lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated mineral reserves and resources affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets and liabilities may change due to changes in estimates of the likely recovery of the tax benefits and charges.

9 PROPERTY, PLANT AND EQUIPMENT *continued*

ACCOUNTING POLICIES

Recognition and measurement
Property, plant and equipment comprise mine plant facilities and equipment, mine property and development (including mineral rights) and exploration assets. These assets (excluding exploration assets) are initially measured at cost, where after they are measured at cost less accumulated depreciation and accumulated impairment losses. Exploration assets are initially measured at cost, where after they are measured at cost less impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset, as well as the costs of dismantling and removing an asset and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Exploration and evaluation costs are capitalised as exploration assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project.

Depreciation
Depreciation of mine plant facilities and equipment, as well as mining property and development (including mineral rights) are calculated using the units of production method which is based on the life-of-mine of each site. The life-of-mine is primarily based on proved and probable mineral reserves and may include some resources. It reflects the estimated quantities of economically recoverable gold that can be recovered from reclamation sites based on the gold price estimated at the end of the financial year. Changes in the life-of-mine will impact depreciation on a prospective basis. The life-of-mine is prepared using a methodology that takes account of current information to assess the economically recoverable gold from specific reclamation sites and includes the consideration of historical experience. The depreciation method, estimated useful lives and residual values are reassessed annually and adjusted if appropriate. Any changes to useful lives may affect prospective depreciation rates and asset carrying values. The current estimated useful lives for mine property and development, as well as mine plant facilities and equipment are based on the life-of-mine of each site, currently between four (2017: two) and 12 (2017: 12) years.

Impairment
Non-financial assets
The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Each metallurgical plant or combination of plants that, together with its deposition facility, is capable of operating independently is considered to be a CGU.
The recoverable amount of an asset or CGU 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. An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

Exploration assets
Exploration assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When a license is relinquished or a project is abandoned, the related costs are recognised in profit or loss immediately.

Leased assets
Upon initial recognition, the leased asset is measured at an amount 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.

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.

9 PROPERTY, PLANT AND EQUIPMENT *continued*

Amounts in R million	Note	Mine plant facilities and equipment (a)	Mine property and development	Exploration assets	Total
30 June 2018					
Cost		**1,689.5**	**1,264.5**	**77.3**	**3,031.3**
Opening balance		**1,667.6**	**1,230.0**	**77.4**	**2,975.0**
Additions		**82.5**	**40.2**	**3.4**	**126.1**
Disposals		**(56.3)**	**(17.4)**	**-**	**(73.7)**
Change in estimate of decommissioning asset	10	**(4.3)**	**11.7**	**(3.5)**	**3.9**
Accumulated depreciation and impairment		**(815.4)**	**(753.5)**	**(9.7)**	**(1,578.6)**
Opening balance		**(760.8)**	**(706.9)**	**(9.7)**	**(1,477.4)**
Depreciation	5.1	**(104.3)**	**(63.7)**	**-**	**(168.0)**
Disposals		**49.7**	**17.1**	**-**	**66.8**
Carrying value		**874.1**	**511.0**	**67.6**	**1,452.7**
30 June 2017					
Cost		1,667.6	1,230.0	77.4	2,975.0
Opening balance		1,519.5	1,310.4	74.9	2,904.8
Additions		37.6	65.3	13.4	116.3
Disposals		(2.8)	(3.9)	-	(6.7)
Change in estimate of decommissioning asset	10	27.0	(60.9)	(0.5)	(34.4)
Transfers between classes of property, plant and equipment		92.1	(81.7)	(10.4)	-
Transferred from non-current assets held for sale	23	-	0.8	-	0.8
Transferred to inventory		(5.8)	-	-	(5.8)
Accumulated depreciation and impairment		(760.8)	(706.9)	(9.7)	(1,477.4)
Opening balance		(598.7)	(693.2)	(12.4)	(1,304.3)
Depreciation	5.1	(108.7)	(71.1)	-	(179.8)
Disposals		2.8	3.9	-	6.7
Transfers between classes of property, plant and equipment		(56.2)	53.5	2.7	-
Carrying value		906.8	523.1	67.7	1,497.6

(a) Leased plant and equipment

Ergo leases temporary power generation equipment with a carrying value of R13.6 million (2017: R16.8 million) from Aggreko Energy Rental Proprietary Limited under a finance lease with an outstanding balance of R14.0 million (2017: R16.8 million) which is included in the consolidated finance lease obligation of R14.7 million (2017: R16.8 million). The finance lease has an effective interest rate of 17.9% and is repayable R3.2 million in 2019 and R10.8 million in 2020, the latter including R9.9 million for the option to acquire the leased equipment at the end of the lease term. Interest is payable R2.0 million in 2019 and R0.4 million in 2020.

CONTRACTUAL COMMITMENTS

Amounts in R million	2018	2017
Contracted for but not provided for in the consolidated financial statements	**32.7**	11.2

The contractual commitments at 30 June 2018 includes orders placed amounting to R29.2 million related to the development of phase 1 of FWGR.

Capital expenditure is financed from existing cash resources and cash generated from operations, with the exception of specific growth projects for which the capital requirements are considered on a project-by-project basis.

10 PROVISION FOR ENVIRONMENTAL REHABILITATION

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Estimates of future environmental rehabilitation costs are determined with the assistance of an independent expert and are based on the Group's environmental management plans which are developed in accordance with regulatory requirements, the life-of-mine plan and the planned method of rehabilitation which is influenced by developments in trends and technology.
An average discount rate of 8.5% (2017: 8.8%), average inflation rate of 5.7% (2017: 5.9%) and the discount periods as per the expected life-of-mine were used in the calculation of the estimated net present value of the rehabilitation liability.

ACCOUNTING POLICIES

The net present value of the estimated rehabilitation cost as at reporting date is provided for in full. These estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.
Annual changes in the provision consist of financing expenses relating to the change in the present value of the provision and inflationary increases in the provision, as well as changes in estimates.
The present value of dismantling and removing the asset created before production commenced (decommissioning liabilities) are capitalised to property, plant and equipment against an increase in the rehabilitation provision. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of property, plant and equipment. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset. Cash costs incurred to rehabilitate these disturbances are charged to the provision and are presented as investing activities in the statement of cash flows.
The present value of environmental rehabilitation costs relating to activities after production commenced (restoration liabilities) as well as changes therein are expensed as incurred and presented as operating costs. Cash costs incurred to rehabilitate these disturbances are presented as operating activities in the statement of cash flows.The cost of ongoing rehabilitation is recognised in profit or loss as incurred.

Amounts in R million	Note	2018	2017
Opening balance		**531.7**	522.9
Unwinding of provision	7	**45.6**	45.3
Change in estimate of environmental rehabilitation recognised in profit or loss	5.1	**(2.9)**	0.6
Change in estimate of environmental rehabilitation recognised to decommissioning asset	9	**3.9**	(34.4)
Environmental rehabilitation payments		**(24.9)**	(19.5)
To reduce decommissioning liabilities		**(21.5)**	(11.6)
To reduce restoration liabilities	13	**(3.4)**	(7.9)
Transferred from non-current liabilities held for sale	23	**-**	16.8
Closing balance		**553.4**	531.7
Environmental rehabilitation payments to reduce the liability		**(24.9)**	(19.5)
Ongoing rehabilitation expenditure *	21	**(26.7)**	(22.4)
Total cash spent on environmental rehabilitation		**(51.6)**	(41.9)

** The Group also performs ongoing environmental rehabilitation arising from its current activities concurrently with production. These costs do not represent a reduction of the above liability and are expensed as operating costs.*

Gross cost to rehabilitate
The Group estimates that, based on current environmental and regulatory requirements, the total undiscounted rehabilitation cost is approximately R670.4 million (2017: R639.5 million).

11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS

ACCOUNTING POLICIES

Cash and cash equivalents in environmental rehabilitation trust funds
Cash and cash equivalents in environmental rehabilitation trust funds comprise low-risk, interest-bearing cash and cash equivalents and are non-derivative financial assets categorised as loans and receivables.

Reimbursive right for environmental rehabilitation guarantees
Funds held in the cell captive that secure the environmental rehabilitation guarantees issued are recognised as a right to receive a reimbursement and is measured at the lower of the amount of the consolidated environmental rehabilitation liability recognised and the consolidated fair value of the fund assets.
Changes in the carrying value of the fund assets, other than those resulting from contributions and payments, are recognised in finance income.

Funding of environmental rehabilitation activities (refer note 10)
Ongoing rehabilitation expenditure and environmental rehabilitation payments to reduce the environmental rehabilitation obligations are mostly funded by cash generated from operations. In addition, contributions have been made to an environmental rehabilitation trust and a cell captive for the sole use of future environmental rehabilitation payments.
Guardrisk Insurance Company Limited ("Guardrisk") issued guarantees amounting to R427.3 million (2017: R427.3 million) to the Department of Mineral Resources ("DMR") on behalf of DRDGOLD related to the environmental obligations. The funds in the cell captive serves as collateral for these guarantees.

Amounts in R million	Note	2018	2017
Cash and cash equivalents in environmental rehabilitation trust funds		**118.0**	110.5
Opening balance		**110.5**	93.8
Transferred from non-current assets held-for-sale	23	**-**	9.9
Growth	6	**7.5**	6.8
Reimbursive right for environmental rehabilitation guarantees		**126.0**	117.2
Opening balance		**117.2**	108.3
Growth	6	**8.8**	8.9
		244.0	227.7

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of the investments held in the environmental rehabilitation trust funds.

The Group manages its exposure to credit risk by diversifying these investments across a number of major financial institutions, as well as investing funds in low-risk, interest-bearing cash and cash equivalents.

MARKET RISK

Interest rate risk
A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the balance of the funds, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.2**	1.1
100bp (decrease)	**(1.2)**	(1.1)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the cash and cash equivalents in the environmental rehabilitation trust funds approximate their carrying value due to their short-term maturities.

12 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are non-derivative financial assets categorised as loans and receivables and comprise cash on hand, demand deposits, and highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
Cash and cash equivalents are initially measured at fair value. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their fair value.

Amounts in R million	Note	2018	2017
Included in cash and cash equivalents is restricted cash relating to:			
- Cash (including interest) held in escrow relating to the electricity tariff dispute with Ekurhuleni Metropolitan Municipality ("Municipality")	25	**114.2**	92.7
- Environmental and other guarantees issued by the Standard Bank of South Africa Limited		**17.2**	16.1
Interest relating to cash and cash equivalents	6	**21.8**	23.6

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of its cash and cash equivalents. The Group manages its exposure to credit risk by investing cash and cash equivalents across a number of major financial institutions, considering the credit ratings of these financial institutions.

MARKET RISK

Interest rate risk

A change of 100 basis points (bp) in interest rates at the reporting date would had increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**3.0**	2.5
100bp (decrease)	**(3.0)**	(2.5)

Foreign currency risk

US Dollars received on settlement of the trade debtors are exposed to fluctuations in the US Dollar/South African Rand exchange rate until it is converted to South African Rands.

The Group was not exposed to any fluctuations in the US Dollar/South African Rand exchange rate on any US Dollars at the current or previous reporting date as all the US Dollars held were converted to South African Rands.

Foreign denominated cash is held in a foreign currency bank account accruing negligible interest and is usually converted to South African Rand on the day of receipt. Foreign cash is therefore not exposed to interest rate risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents
The fair value of cash and cash equivalents approximate their carrying value due to their short-term maturities.

13 CASH GENERATED BY OPERATIONS

Amounts in R million	Note	2018	2017
Profit/(loss) before tax		**32.4**	(36.7)
Adjusted for			
Depreciation	9	**168.0**	179.8
Movement in gold in process and finished stock	5.1	**(24.5)**	(4.8)
Change in estimate of environmental rehabilitation	10 , 23	**(2.9)**	0.6
Environmental rehabilitation payments	10 , 23	**(3.4)**	(7.9)
Increase in long-term incentive liability	18.1	**17.2**	10.0
Profit on disposal of property, plant and equipment	5.2	**-**	(12.9)
Loss on disposal of property, plant and equipment	5.3	**0.6**	-
Finance income	6	**(38.8)**	(40.0)
Finance expense	7	**58.4**	52.2
Other non-cash items		**1.3**	(1.0)
Operating cash flows before working capital changes		**208.3**	139.3
Working capital changes		**14.6**	(117.8)
Change in trade and other receivables		**22.2**	(57.6)
Change in long-term receivable	24.2	**(27.4)**	-
Change in inventories		**(28.2)**	(14.8)
Change in trade and other payables and employee benefits		**48.0**	(45.4)
Cash generated by operations		**222.9**	21.5

14 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade and other receivables, excluding Value Added Tax and prepayments, are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence (e.g. delinquency of a debtor and indications that a debtor will enter bankruptcy) 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.

Any impairment losses are recognised in the statement of profit or loss.

Trade receivables relate to gold sold on the bullion market by Rand Refinery in its capacity as an agent. Settlement is usually received two working days from gold sold date.

Amounts in R million	2018	2017
Trade receivables	**0.6**	34.5
Value Added Tax	**46.8**	50.8
Other receivables	**40.8**	35.7
Prepayments	**12.2**	3.0
Allowance for impairment	**(9.2)**	(9.7)
	91.2	114.3

14 TRADE AND OTHER RECEIVABLES *continued*

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of its trade receivables and other receivables excluding Value Added Tax and prepayments.

The Group manages its exposure to credit risk on trade receivables by maintaining a short term cycle to settlement of 2 working days. The Group manages its exposure to credit risk on other receivables by dealing with a number of counterparties, ensuring that these counterparties are of good credit standing and transacting on a secured or cash basis where considered necessary. Receivables are regularly monitored and assessed for recoverability.

Ageing of trade receivables and other receivables:

Amounts in R million	2018	2017
Receivables that are past due but not impaired at 30 June	**15.3**	10.4
Receivables that are past due and impaired at 30 June	**9.2**	9.7

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour. Impairments were raised due to the uncertainty around the recoverability and timing of the expected cash flows. Movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Amounts in R million	2018	2017
Balance at 1 July	**(9.7)**	(11.1)
Net of impairments raised and bad debt recovered	**0.5**	1.4
Balance at 30 June	**(9.2)**	(9.7)

MARKET RISK

Interest rate risk
Trade and other receivables do not earn interest and are therefore not subject to interest rate risk.

Foreign currency risk
All gold sales during the year ended 30 June 2018, and thus all trade receivables, are denominated in US Dollars and sold at spot rates were therefore exposed to fluctuations in the US Dollar/South African Rand exchange rate. No hedges were entered into.

Figures in USD million	2018	2017
Foreign denomination of trade receivables at 30 June *	**-**	2.7

* Trade receivables denominated in US Dollar at 30 June 2018 represents less than USD0.1 million

A 10% strengthening of the Rand against the US Dollar at 30 June would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

Amounts in R million	2018	2017
Strengthening of the Rand against the US Dollar *	**-**	(3.5)
Weakening of the Rand against the US Dollar *	**-**	3.5

* The increase/(decrease) in equity and profit/(loss) for the year ended 30 June 2018 would have been less than R0.1 million

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade and other receivables approximate their carrying value due to their short-term maturities.

15 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables, excluding payroll accruals, accrued leave pay and provision for performance based incentives, are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Group derecognises a financial liability when its contractual rights are discharged or cancelled or expire.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Amounts in R million	2018	2017
Trade payables and accruals	**227.0**	200.9
Accrued leave pay	**32.9**	30.8
Provision for short term performance based incentives	**24.7**	2.2
Payroll accruals	**18.7**	17.9
	303.3	251.8
Interest relating to trade payables and accruals included in profit or loss	**(1.5)**	(2.7)

LIQUIDITY RISK

Trade payables and accruals are all expected to be settled within 12 months from reporting date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade payables and accruals approximate their carrying value due to their short-term maturities.

16 INVENTORIES

ACCOUNTING POLICIES

Gold in process is stated at the lower of cost and net realisable value. Costs are assigned to gold in process on a weighted 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. Gold bullion is stated at the lower of cost and net realisable value. Selling and general administration costs are excluded from inventory valuation.

Consumable stores are stated at cost less allowances for obsolescence. 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses

Amounts in R million	2018	2017
Consumable stores	**129.0**	101.9
Gold in process	**66.2**	55.1
Finished stock - Gold Bullion	**37.8**	23.3
Total inventories	**233.0**	180.3
Inventory carried at net realisable value includes:		
Gold in process	**-**	45.3
Finished stock - Gold Bullion	**-**	19.3
Write down to net realisable value included in movement in gold in process and finished stock	**-**	10.2

17 INCOME TAX

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management periodically evaluates positions taken where tax regulations are subject to interpretation. This includes the treatment of Ergo as a single mining operation pursuant to the relevant ring-fencing legislation.

The deferred tax liability is calculated by applying a forecast weighted average tax rate that is based on a prescribed formula. The calculation of the forecast weighted average tax rate requires the use of assumptions and estimates and are inherently uncertain and could change materially over time. These assumptions and estimates include expected future profitability and timing of the reversal of the temporary differences. Due to the forecast weighted average tax rate being based on a prescribed formula that increases the effective tax rate with an increase in forecast future profitability, and *vice versa*, the tax rate can vary significantly year on year and can move contrary to current period financial performance.

A 100 basis points increase in the effective tax rate will result in an increase in the net deferred tax liability at 30 June 2018 of approximately R8.0 million (2017: R7.4 million).

The assessment of the probability that future taxable profits will be available against which the tax losses and unredeemed capital expenditure can be utilised requires the use of assumptions and estimates and are inherently uncertain and could change materially over time.

Capital expenditure is assessed by the South African Receiver of Revenue when it is redeemed against taxable mining income rather than when it is incurred. A different interpretation by the South African Receiver of Revenue regarding the deductibility of these capital allowances may therefore become evident subsequent to the year of assessment when the capital expenditure is incurred.

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax. Each company is taxed as a separate entity and tax is not set-off between the companies.

Current tax
Current tax comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment on tax payable or receivable in respect of the previous year is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax assets relating to unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

Deferred tax related to gold mining income is measured at a forecast weighted average tax rate that is expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

17.1 INCOME TAX EXPENSE

Tax on gold mining income is determined based on a formula: $Y = 34 - 170/X$ where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure that bears to gold mining income derived, expressed as a percentage. Non-mining income, which consists primarily of interest accrued, is taxed at a standard rate of 28%.

All mining capital expenditure is deducted in the year it is incurred to the extent that it does not result in an assessed loss. Capital expenditure not deducted from mining income is carried forward as unutilised capital allowances to be deducted from future mining income.

17 INCOME TAX *continued*

17.1 INCOME TAX EXPENSE *continued*

Amounts in R million	2018	2017
Mining tax	(23.2)	54.2
Non-mining tax	(2.7)	(3.8)
	(25.9)	50.4
Comprising:		
Current tax - current year	(6.4)	(1.9)
Deferred tax - current year	(19.5)	53.4
Deferred tax - prior year	-	(1.1)
	(25.9)	50.4
Tax reconciliation		
Major items causing the Group's income tax expense to differ from the statutory rate were:		
Tax on net (profit)/loss before tax at the South African corporate tax rate of 28%	(9.0)	10.3
Rate adjustment to reflect the actual realised company tax rates	3.5	(7.9)
Deferred tax rate adjustment (a)	(12.8)	37.5
Non-deductible expenditure (b)	(9.8)	(1.8)
Utilisation of tax losses for which deferred tax assets were previously unrecognised (c)	2.6	5.9
Current year tax losses for which no deferred tax was recognised	(0.8)	(0.3)
Exempt income and other non-taxable income	-	5.4
Tax incentives	0.4	0.2
Over provided in prior periods	-	1.1
Income tax	(25.9)	50.4

(a) Deferred tax rate adjustment
The forecast weighted average deferred tax rate increased from 18.6% to 20.3% as a result of a increase in forecast profitability of Ergo (2017: decreased from 23.1% to 18.6% due to the decrease in forecast profitability of Ergo).

(b) Non-deductible expenditure
The most significant non-deductible expenditure incurred by the Group includes:

- R9.0 million transactions costs incurred related to the acquisition of the WRTRP Assets,
- R8.8 million fair value adjustment on initial recognition of the long-term receivable;
- R7.5 million net operating cost related to Ergo Business Development Academy Not for Profit Company that is not deductible as it is exempt from income tax; and
- R6.0 million expenditure that is capital in nature.

(c) Utilisation of tax losses for which deferred tax assets were previously unrecognised
Group entities that are not expected to generate recurring taxable income, and therefore have unrecognised deferred tax assets, generated taxable income during the year ended 30 June 2018 resulting in the utilisation of unrecognised losses.

17 INCOME TAX *continued*

17.2 DEFERRED TAX

Deferred tax assets and liabilities relate to the following:

Amounts in R million	2018	2017
Deferred tax asset		
Provisions	**8.7**	5.0
	8.7	5.0
Deferred tax liability		
Property, plant and equipment	**(261.5)**	(223.8)
Provisions, including rehabilitation provision	**95.0**	80.2
Other temporary differences (1)	**2.8**	3.1
	(163.7)	(140.5)
Net deferred mining and income tax liability	**(155.0)**	(135.5)

Movement in the net deferred tax liability is as follows:

Amounts in R million	2018	2017
Opening balance	**(135.5)**	(187.9)
Recognised in profit or loss	**(19.5)**	52.4
Property, plant and equipment	**(37.7)**	83.1
Provisions, including rehabilitation provision	**18.5**	(29.4)
Other temporary differences (1)	**(0.3)**	(1.3)
Closing balance	**(155.0)**	(135.5)

(1) Includes the temporary differences on the finance lease obligation.

Deferred tax assets have not been recognised in respect of the following:

Amounts in R million	2018	2017
Tax losses	**37.3**	20.5
Unredeemed capital expenditure	**272.9**	272.9
Capital losses	**330.0**	325.2

Deferred tax assets have not been recognised for Group entities that are not expected to generate future taxable profits against which the tax losses, unredeemed capital expenditure and capital losses can be utilised.

18 EMPLOYEE BENEFITS

ACCOUNTING POLICIES

Cash-settled share-based payments (“Long Term Incentive” or “LTI”)
Cash-settled share-based payments are measured at fair value and remeasured at each reporting date to reflect the potential outflow of cash resources to settle the liability, with a corresponding adjustment in profit or loss. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Post-retirement medical benefit
The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Amounts in R million	**Note**	**2018**	**2017**
Non-current employee benefits		**40.6**	39.0
Liability for long term incentive scheme	18.1	**31.9**	30.7
Liability for post-retirement medical benefits*		**8.7**	8.3
Current employee benefits		**13.2**	-
Liability for long term incentive scheme	18.1	**13.2**	-
Total employee benefits		**53.8**	**39.0**

* Unfunded medical aid benefit plan

18.1 LIABILITY FOR LONG TERM INCENTIVE SCHEME

Terms of the November 2015 grant made under the DRDGOLD Group's amended long term incentive scheme are:

- The scheme has a finite term of 5 years and thus no top-up awards are made when the shares vest;
- The phantom shares are issued at an exercise price of nil and will vest in 3 tranches: 20%, 30% and 50% on the 3rd, 4th and 5th anniversaries respectively, subject to individual service and performance conditions being met; and
- The phantom shares will be settled at the 7 day volume weighted average price ("VWAP") of the DRDGOLD share.

Amounts in R million	**Note**	**2018**	**2017**
Movements in the total liability			
Opening balance		**30.7**	30.3
Increase in long term incentive liability	5.3	**17.2**	10.0
Vested and paid		**(2.8)**	(9.6)
Total liability for long term incentive scheme		**45.1**	30.7
The total liability for long term incentive scheme is expected to be settled as follows:		**45.1**	30.7
Within 12 months after reporting date		**13.2**	-
After 12 months after reporting date		**31.9**	30.7

Reconciliation of outstanding phantom shares	**2018**		**2017**	
	Shares Number	**Weighted average price R per share**	**Shares Number**	**Weighted average price R per share**
Opening balance	21,144,534		23,169,191	
Vested and paid	(955,067)	2.93	(1,502,747)	6.39
Forfeited/lapsed	-		(521,910)	
Closing balance	20,189,467		21,144,534	

Ageing of outstanding phantom shares:	**30 June 2019**	**30 June 2020**	**30 June 2021**	**Total**
November 2015	4,037,893	6,056,840	10,094,734	20,189,467

18 EMPLOYEE BENEFITS continued

18.1 LIABILITY FOR LONG TERM INCENTIVE SCHEME continued

Fair value

The fair value of the liability for the long term incentive scheme is mostly influenced by the DRDGOLD Limited share price. Other inputs influencing the fair value are the forward dividend yield and estimates of staff retention and performance conditions. The inputs most significantly influencing the measurement of the fair values are as follows:

	2018	2017	Grant date
7 day VWAP of the DRDGOLD Limited share	3.71	4.23	2.26
Annualised forward dividend yield	1.8%	0.7%	4.3%

18.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Emoluments

Amounts in R 000	2018				2017		
Directors / Prescribed Officers	Remuneration paid during the year (1)	Short Term Incentives related to this cycle	Long Term Incentives paid during this cycle	Total remuneration related to this cycle	Remuneration paid during the year (1)	Long Term Incentives paid during this cycle	Total remuneration related to this cycle
Executive directors							
D J Pretorius	6 104	4 697	-	10 801	5 731	-	5 731
A J Davel	3 429	2 639	250	6 318	3 220	560	3 780
	9 533	7 336	250	17 119	8 951	560	9 511
Non-executive directors							
G C Campbell	1 446	-	-	1 446	1 536	-	1 536
J Turk	655	-	-	655	655	-	655
E A Jeneker	805	-	-	805	767	-	767
J Holtzhausen	718	-	-	718	684	-	684
T B V N Mnyango	651	-	-	651	361	-	361
	4 275	-	-	4 275	4 003	-	4 003
Prescribed officers							
C M Symons (2,3)	-	-	-	-	232	559	791
W J Schoeman	3 308	2 013	250	5 571	3 050	921	3 971
R Masemene	2 402	808	124	3 334	2 371	426	2 797
	5 710	2 821	374	8 905	5 653	1 906	7 559
Total	19 518	10 157	624	30 299	18 607	2 466	21 073

(1) Total remuneration paid during the year includes encashed leave.
(2) Service period concluded on 31 July 2016.
(3) Includes pension scheme contributions of R nil (2017: R28 263).

Non-executive directors are paid board fees made up of a base fee and committee fees. The Company's MOI makes provision for directors' fees to be determined at the Annual General Meeting.

18 EMPLOYEE BENEFITS *continued*

18.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

Participation in long term incentive scheme

Directors / Prescribed Officers	Opening balance Number	Granted Number	Vested Number	Proceeds R	Average exercise price R/share	Forfeited / lapsed Number	Closing balance Number
2018							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,390,536	-	(85,503)	250,077	2.92	-	1,305,033
	3,713,545	**-**	**(85,503)**	**250,077**		**-**	**3,628,042**
Prescribed officers							
W J Schoeman	1,407,636	-	(102,603)	250,077	2.44	-	1,305,033
R Masemene	838,688	-	(42,228)	123,508	2.92	-	796,460
	2,246,324	**-**	**(144,831)**	**373,585**		**-**	**2,101,493**
Total	**5,959,869**	**-**	**(230,334)**	**623,662**		**-**	**5,729,535**
2017							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,476,039	-	(85,503)	560,079	6.55	-	1,390,536
	3,799,048	**-**	**(85,503)**	**560,079**		**-**	**3,713,545**
Prescribed officers							
C M Symons	170,633	-	(85,314)	558,847	6.55	(85,319)	-
W J Schoeman	1,533,441	-	(125,805)	921,053	7.32	-	1,407,636
R Masemene	905,918	-	(67,230)	426,348	6.34	-	838,688
	2,609,992	**-**	**(278,349)**	**1,906,248**		**(85,319)**	**2,246,324**
Total	**6,409,040**	**-**	**(363,852)**	**2,466,327**		**(85,319)**	**5,959,869**

18 EMPLOYEE BENEFITS *continued*

18.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Interests in contracts

None of the directors, officers or major shareholders of DRDGOLD or, to the knowledge of DRDGOLD's management, their families, had any interest, direct or indirect, in any transaction during the year ended 30 June 2018 or the preceding financial years, or in any proposed transaction which has affected or will materially affect DRDGOLD or its subsidiaries. None of the directors or officers of DRDGOLD or any associate of such director or officer is currently or has been at any time during the past financial year materially indebted to DRDGOLD.

Key management personnel remuneration

Amounts in R million	Note	2018	2017
- Board fees paid		**5.6**	5.0
- Salaries paid		**53.6**	52.9
- Short term incentives relating to this cycle		**22.5**	-
- Long term incentives paid during the cycle	18.2	**2.8**	9.6
		84.5	67.5

19 CAPITAL MANAGEMENT

The primary objective of 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 optimises the cost of capital, ensures that the Group remains in a sound financial position and matches the Group's strategy.

At 30 June 2018 the Group had no external debt in line with its aim for the existing operations to remain unleveraged. All funding requirements during the past financial year have been financed by existing cash resources and cash generated from operations.

The Group considers the appropriate capital management strategy for specific growth projects as and when required.

Lease arrangements that are not in the legal form of a finance lease, but is accounted for as such based on its terms and conditions, are not considered to be debt.

Financing the development of Phase 1 of FWGR

Subsequent to the acquisition of FWGR on 31 July 2018 (refer note 28), a Revolving Credit Facility amounting to R300 million was secured with ABSA Bank Limited (acting through its Corporate and Investment Banking division) to finance the development of Phase 1 of FWGR, replacing the R100 million overdraft facility that was in place during the year ended 30 June 2018.

Price protection policy

After 30 June 2018 the Board approved Rand gold price protection to manage the short-term liquidity risk that will arise from the anticipated increase in borrowings to finance the development of Phase 1 of FWGR.

20 EQUITY

ACCOUNTING POLICIES

Ordinary share capital
Ordinary shares and the cumulative preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Repurchase and reissue of ordinary shares (treasury shares)
When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from share capital.

Dividends
Dividends are recognised as a liability on the date on which they are declared which is the date when the shareholders' right to the dividends vest.

Amounts in R million	2018	2017
Authorised share capital		
1 500 000 000 (2017: 600 000 000) ordinary shares of no par value		
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
Issued share capital		
431 429 767 (2017: 431 429 767) ordinary shares of no par value (a,b)	**4,227.9**	4,227.9
9 361 071 (2017: 9 361 071) treasury shares held within the Group (c)	**(50.7)**	(50.7)
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
	4,177.7	4,177.7
Dividends (c)		
Dividends paid during the year net of treasury shares:		
Prior year final dividend: 5 SA cents per share (2017: 12 SA cents per share)	**21.1**	50.6
Interim dividend: 5 SA cents per share (2017: nil)	**21.1**	-
Total	**42.2**	50.6

(a) Unissued shares
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.

(b) Issued shares

No shares were issued during the year ended 30 June 2018 (2017: nil).

On 31 July 2018, the acquisition of FWGR became unconditional. On this date 265 million ordinary shares were issued to Sibanye-Stillwater as settlement of the purchase consideration for these assets.

(c) Treasury shares
Shares in DRDGOLD Limited are held in treasury by Ergo Mining Operations Proprietary Limited ("EMO"). No shares were acquired in the market during the year ended 30 June 2018 (2017: nil). Dividends amounting to R0.9 million (2017: R1.1 million) were received on these shares.

RELATED PARTY RELATIONSHIPS

The issue of 265 million ordinary shares to Sibanye-Stillwater on 31 July 2018 as settlement of the purchase consideration for the FWGR assets, resulted in Sibanye-Stillwater owning 38.05% of the issued ordinary shares of DRDGOLD Limited and hence becoming a related party to DRDGOLD.

21 OPERATING SEGMENTS

ACCOUNTING POLICIES

Operating segments are reported in a manner consistent with internal reports that the Group's chief operating decision maker (CODM) reviews regularly in allocating resources and assessing performance of operating segments. The CODM has been identified as the Group's Executive Committee. The Group has one revenue stream, the sale of gold. To identify operating segments, management reviewed various factors, including operational structure and mining infrastructure. It was determined that an operating segment consists of a single or multiple metallurgical plants that, together with its deposition facility, is capable of operating independently.

When assessing profitability, the CODM considers, *inter alia*, the revenue and production costs of each segment. The net of these amounts is the operating profit or loss. Therefore, operating profit has been disclosed in the segment report as the primary measure of profit or loss. The CODM also considered other costs that, in addition to the operating profit or loss, result in the working profit or loss.

Ergo is a surface retreatment operation and treats old slime and sand dumps to the south of Johannesburg's central business district as well as the East and Central Rand goldfields. The operation comprises three plants. The Ergo and Knights plants continue to operate as metallurgical plants. The City Deep plant continues to operate as a pump/milling station feeding the metallurgical plants. The Crown plant operated as a pump/milling station feeding the metallurgical plants until March 2017 when it ceased all operations.

Corporate office and other reconciling items (collectively referred to as **"Other reconciling items"**) are taken into consideration in the strategic decision-making process of the CODM and are therefore included in the disclosure here, even though they do not earn revenue. They do not represent a separate segment.

2018 Amounts in R million	Ergo	Other reconciling items	Total
Financial performance			
Revenue (External)	2,490.4	-	2,490.4
Cash operating costs	(2,159.7)	-	(2,159.7)
Movement in gold in process	24.5	-	24.5
Operating profit	355.2	-	355.2
Administration expenses and general costs (1)	(11.5)	(78.6)	(90.1)
Interest income (2)	9.5	12.3	21.8
Interest expense (2)	(3.1)	(1.0)	(4.1)
Current tax	(2.9)	(3.5)	(6.4)
Working profit/(loss) before capital expenditure	347.2	(70.8)	276.4
Additions to property, plant and equipment	(125.2)	(0.9)	(126.1)
Working profit/(loss) after capital expenditure	222.0	(71.7)	150.3

(1) Administration expenses and general costs excludes loss on disposal of property, plant and equipment
(2) Interest income excludes the unwinding of the long-term receivable
(3) Interest expense excludes the fair value adjustment on the initial recognition of the long-term receivable

Amounts in R million	Ergo	Other reconciling items	Total
Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	347.2	(70.8)	276.4
- Depreciation	(167.4)	(0.6)	(168.0)
- Movement in provision for environmental rehabilitation	2.5	0.4	2.9
- Growth in investment in environmental obligation funds	10.1	6.2	16.3
- Loss on disposal of property, plant and equipment	(0.6)	-	(0.6)
- Unwinding of provision for environmental rehabilitation	(44.3)	(1.3)	(45.6)
- Fair value adjustment on the initial recognition of long-term receivable including subsequent unwinding	(8.1)	-	(8.1)
- Ongoing rehabilitation expenditure	(26.7)	-	(26.7)
- Net other operating (costs)/income	(36.2)	15.6	(20.6)
- Deferred tax	(23.2)	3.7	(19.5)
Profit/(loss) for the year	53.3	(46.8)	6.5
Statement of cash flows			
Cash flows from operating activities	285.3	(51.5)	233.8
Cash flows from investing activities	(140.2)	(0.2)	(140.4)
Cash flows from financing activities	(2.8)	(42.2)	(45.0)

21 OPERATING SEGMENTS *continued*

2017 Amounts in R million	Ergo	Other reconciling items	Total
Financial performance			
Revenue (external)	2,339.9	-	2,339.9
Cash operating costs	(2,087.9)	-	(2,087.9)
Movement in gold in process	4.8	-	4.8
Operating profit	256.8	-	256.8
Interest income	6.8	16.8	23.6
Interest expense	(3.3)	(2.4)	(5.7)
Retrenchment costs	(23.0)	-	(23.0)
Administration expenses and general costs	(4.5)	(64.9)	(69.4)
Current tax	(1.9)	-	(1.9)
Working profit/(loss) before capital expenditure	230.9	(50.5)	180.4
Additions to property, plant and equipment	(116.2)	(0.1)	(116.3)
Additions to unlisted investments	-	(0.1)	(0.1)
Working profit/(loss) after capital expenditure	114.7	(50.7)	64.0
Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	230.9	(50.5)	180.4
- Depreciation	(179.7)	(0.1)	(179.8)
- Movement in provision for environmental rehabilitation	(0.6)	-	(0.6)
- Growth in environmental rehabilitation trust funds and reimbursive right	10.9	5.5	16.4
- Profit on disposal of property, plant and equipment	0.2	12.7	12.9
- Unwinding of provision for environmental rehabilitation	(45.3)	(1.2)	(46.5)
- Ongoing rehabilitation expenditure	(22.4)	-	(22.4)
- Net other operating (costs)/income	(30.3)	31.3	1.0
- Deferred tax	54.2	(1.9)	52.3
Profit/(loss) for the year	17.9	(4.2)	13.7
Statement of cash flows			
Cash flows from operating activities	32.5	19.1	51.6
Cash flows from investing activities	(116.6)	19.9	(96.7)
Cash flows from financing activities	(2.4)	(50.6)	(53.0)

22 INTEREST IN SUBSIDIARIES

ACCOUNTING POLICIES
Significant subsidiaries of the Group are those subsidiaries with the most significant contribution to the Group's profit or loss or assets.

Ergo Mining Proprietary Limited is the only significant subsidiary of the Group. It is primarily involved in the retreatment of surface gold and all of its operations are based in South Africa. Ergo Mining Proprietary Limited is a wholly owned subsidiary and is incorporated in South Africa.

A complete list of the Group's subsidiaries are included in the Company financial statements of DRDGOLD Limited.

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether the disposal is highly probable requires the exercise of significant judgement and estimates of the outcome of future events that are not wholly within the control of the Group.

ACCOUNTING POLICIES

Non-current assets or disposal groups, comprising non-current assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets or disposal groups are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial application as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Non-current assets and disposal groups cease to be classified as held for sale if it is not highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets that cease to be classified as held for sale are measured at the lower of their carrying amount before such assets were classified as held for sale, adjusted for any depreciation that would have been recognised had such assets not been classified as held for sale, and their recoverable amount at the date of the subsequent decision not to sell.

Amounts in R million	Note	2018	2017
Assets held for sale			
Property, plant and equipment *		-	-
Opening balance		-	5.8
Transferred to property, plant and equipment	9	-	(0.8)
Disposal		-	(5.0)
Non-current investments and other assets		-	-
Opening balance		-	9.2
Growth	6	-	0.7
Transferred to cash and cash equivalents in environmental rehabilitation trust funds	11	-	(9.9)
		-	-

* Consists of land that is carried at cost and is not depreciated.

Amounts in R million	Note	2018	2017
Liabilities held for sale			
Provisions		-	-
Opening balance		-	15.6
Unwinding of provision	7	-	1.2
Transferred to provision for environmental rehabilitation	10	-	(16.8)
		-	-

In line with the Group’s strategy to exit underground mining operations, management committed to a plan to sell certain of the underground mining and prospecting rights held by East Rand Proprietary Mines Limited ("ERPM") including the related liabilities late during the financial year ended 30 June 2014. Since that date up to 31 December 2016, these assets and liabilities had been presented as a disposal Group held for sale due to being “high probable” as defined.

At 30 June 2017, management concluded that the disposal of these underground mining and prospecting rights, including the related liabilities, was no longer “highly probable” and reclassified these assets and liabilities based on their underlying nature.

The last outstanding regulatory approval, being the approval under Section 11 of the Mineral and Petroleum Resource Development Act was not fulfilled by the purchaser. Management decided not to provide any further extension to the purchaser and accordingly the agreement in respect of the disposal of these underground mining and prospecting rights, including the related liabilities, lapsed.

24 FINANCIAL ASSETS

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment to define the relevant accounting policy and subsequent classification of the long-term receivable requires the exercise of significant judgement of the outcome of future events that are not wholly under the control of the Group.

The judicial proceedings that impacts on the long-term receivable are inherently complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

The fair value determination of the long-term receivable is determined using assumptions and estimates that are inherently uncertain and can change materially over time.

These assumptions and estimates include estimating the timing of concluding on the main application, the ultimate settlement terms, the discount rate applied and the credit risk assessment for impairment purposes.

ACCOUNTING POLICIES

Investment in other entities
The Group's listed and unlisted investments in equity securities are classified as available-for-sale financial assets. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI.

Long-term receivable
The long-term receivable is a non-derivative financial asset categorised as loans and receivables.

The asset is initially measured at fair value and any difference between the face value of payments made and the fair value of the long-term receivable on initial recognition are recognised in profit or loss as a finance expense.

Subsequent to initial recognition, the long-term receivable is measured at amortised cost using the effective interest method less any impairment losses. Unwinding of the carrying value is accounted for as a finance income.

Impairment
A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence (e.g. delinquency of a debtor and indications that a debtor will enter bankruptcy) 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.

Any impairment losses are recognised in the statement of profit or loss.

Amounts in R million	Note	2018	2017
Investment in other entities	24.1	**9.4**	8.8
Long-term receivable	24.2	**19.3**	-
Total financial assets		**28.7**	**8.8**

24.1 INVESTMENTS IN OTHER ENTITIES

Amounts in R million	Shares held	% held	2018	2017
Listed investments (Fair value hierarchy Level 1):			**9.2**	8.6
West Wits Mining Limited ("WWM")	47 812 500	6.7%	**9.2**	8.6
Unlisted investments (Fair value hierarchy Level 3):			**0.2**	0.2
Rand Refinery Proprietary Limited ("Rand Refinery") (a)	44 438	11.0%	**-**	-
Guardrisk Insurance Company Limited (Cell Captive A170) ^	20	#	**0.1**	0.1
Chamber of Mines Building Company Proprietary Limited	30 160	3.0%	**0.1**	0.1
Rand Mutual Assurance Company Limited	1	#	**-**	-
			9.4	8.8
Fair value adjustment on available for sale financial assets recognised in OCI			0.6	(0.3)

 # Represents a less than 1% shareholding.
^ Class A 170 shares are held in Guardrisk Insurance Company Limited that entitles the holder to 100% of the residual net equity of the Cell Captive A 170 after settlement of the reimbursive right.

24 FINANCIAL ASSETS *continued*

24.1 INVESTMENTS IN OTHER ENTITIES *continued*

(a) Rand Refinery

The estimated fair value of the investment in Rand Refinery shares remains *de minimis* due to the uncertainty regarding Rand Refinery's future free cash flows and the lack of marketability of the shares held.

MARKET RISK

Other market price risk
Equity price risk arises from changes in quoted market prices of listed investments as well as changes in the fair value of unlisted investments due to changes in the underlying net asset values.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Listed investments
The fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges and constitute level 1 instruments on the fair value hierarchy.

Unlisted investments
The valuations are based on either the net asset values of these companies, or the consideration of unobservable financial information which is compared to information available in the market regarding other market participants' view on the value of the company and constitute level 3 instruments on the fair value hierarchy.

24.2 LONG-TERM RECEIVABLE

Payments were made under protest to the Municipality (refer note 25) amounting to R27.4 million (excluding VAT), consisting of an initial payment of R22,5 million as well as subsequent payments of R4,9 million comprising the difference between the J-tariff and the Eskom tariff. The initial payment was made from cash held in escrow relating to the electricity tariff dispute with Ekurhuleni Metropolitan Municipality (refer note 12).

The long-term receivable resulting from these payments was initially recognised at fair value of R18,6 million, resulting in a fair value adjustment at initial recognition of R8.8 million, accounted for as finance expense (refer note 7).

The long-term receivable constitutes a level 3 instrument on the fair value hierarchy. The fair value was determined using the income approach present value technique. The calculation was based on the following assumptions:

- discount rate: 11.68% representing the Municipality maximum cost of borrowing on bank loans as disclosed in their 30 June 2017 annual report; and
- discount period: 3 years representing management's best estimate of the date of conclusion of the Main Application.

During the year, an unwinding of R 0.7 million was recognised, accounted for as finance income (refer note 6).

CREDIT RISK

The Group is exposed to credit risk on the total carrying value of the long-term receivable. The credit risk was considered in the determination of the fair value at initial recognition by discounting the payments made over the estimated period until the expected conclusion of the Main Application using the Municipality's incremental cost of borrowing.

The Group manages the credit risk by regularly monitoring the events surrounding the outcome of the Main Application and assessing the long-term receivable for recoverability.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the payments made resulting in the other long-term receivable is adjusted to its fair value on an ongoing basis by initially discounting and subsequently unwinding over the estimated period until the expected conclusion of the Main Application using the Municipality's incremental cost of borrowing.

25 CONTINGENT ASSETS AND LIABILITIES

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether an obligating event results in a liability or a contingent liability require the exercise of significant judgement of the outcome of future events that are not wholly within the control of the Group.

Litigation and other judicial proceedings inherently entail complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

ACCOUNTING POLICIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured. When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

Environmental

Mine residue deposits may have a potential pollution impact on ground water through seepage. The Group has taken certain preventative actions as well as remedial actions in an attempt to minimise the Group's exposure and environmental contamination.

The flooding of the western and central basins have the potential to cause pollution due to Acid Mine Drainage ("AMD") contaminating the ground water. The government has appointed Trans-Caledon Tunnel Authority ("TCTA") to construct a partial treatment plant to prevent the ground water being contaminated. TCTA completed the construction of the neutralisation plant for the Central Basin and commenced treatment during July 2014. As part of the heads of agreement signed in December 2012 between EMO, Ergo, ERPM and TCTA, sludge emanating from this plant since August 2014 has been co-disposed onto the Brakpan Tailings Storage facility. Partially treated water has been discharged by TCTA into the Elsburg Spruit.

This agreement includes the granting of access to the underground water basin through one of ERPM's shafts and the rental of a site onto which it constructed its neutralisation plant. In exchange, Ergo and its associate companies including ERPM have a set-off against any future directives to make any contribution toward costs or capital of up to R250 million. Through this agreement, Ergo also secured the right to purchase up to 30 Ml of partially treated AMD from TCTA at cost, in order to reduce Ergo's reliance on potable water for mining and processing purposes.

While the heads of agreement should not be seen as an unqualified endorsement of the state's AMD solution, and do not affect our right to either challenge future directives or to implement our own initiatives should it become necessary, it is an encouraging development.

DRDGOLD, through its participation in the Western Utilities Corporation initiative, provided the government with a solution for a sustainable long-term solution to AMD. This solution would have been at no cost to the mines and government. In view of the limitation of current information for the accurate estimation of a potential liability, no reliable estimate can be made for the possible obligation.

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Ekurhuleni Metropolitan Municipality ("Municipality") Electricity Tariff Dispute

The Main Application

Integral to Ergo's gold extraction operation is its metallurgical plant at Brakpan ("Ergo Plant") located within the municipal boundaries of the Municipality. In order to operate the Ergo Plant and conduct its business operations, Ergo requires a reliable and steady feed of electricity which it draws from Eskom's Ergo Central Substation.

Over the past several years the Municipality has charged Ergo for such electricity, at the Megaflex tariff, which is the rate at which Eskom charges its large power users plus an additional surcharge.

Pursuant to its own investigations, and after having sought legal advice on the matter, Ergo determined that not only is it supplied by Eskom, not the Municipality, but also that the surcharges levied were inconsistent with the provisions of the Local Government: Municipal Systems Act ("Systems Act"), which sets down clear and strict parameters in this regard. Ergo subsequently challenged the Municipality, Eskom and the National Energy Regulator of South Africa ("NERSA") for declaratory relief. Included in the application are the Minister of Energy Affairs, the Minister of Co-operative Governance & Traditional Affairs and the South African Local Government Association, the latter 4 (four) respondents against whom Ergo does not seek any relief and who have not opposed the application.

Ergo seeks the following relief:

1. declaring that it is not supplied electricity by the Municipality and that the Municipality is not authorised to levy a surcharge of 40% ("the D-tariff") to the rate which Eskom ordinarily charges Ergo on its Megaflex rate ("Eskom tariff");

2. declaring that the Municipality is in breach of its temporary Distribution Licence (issued by NERSA) by purporting to supply electricity to Ergo at the Ergo Plant;

3. declaring that neither the Municipality nor Eskom may lawfully insist that only the Municipality may supply electricity to Ergo at the Ergo Plant;

4. declaring that Eskom presently supplies electricity to Ergo at the Ergo Plant; and

5. directing Eskom to conclude a consumer agreement with Ergo for the supply of electricity at the Ergo Plant at Eskom's Megaflex tariff.

Ergo also instituted a counterclaim against the Municipality for the recovery of the surcharges which were erroneously paid to the Municipality in the *bona fide* belief that they were due and payable prior to the Main Application of approximately R43 million (these surcharges were expensed for accounting purposes).

Consequently, and pending the final determination of the Main Application by the High Court, Ergo stopped paying the surcharges to the Municipality, paying (and expensing) only the Eskom tariff and depositing the difference comprising the D-tariff into its attorneys' trust account as security in favour of the Municipality in the event that the court rules against Ergo. These surcharges were not expensed but recognised under cash and cash equivalents as restricted cash (refer note 12).

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Ekurhuleni Metropolitan Municipality ("Municipality") Electricity Tariff Dispute *continued*

The Urgent Application

In May 2015 the Municipality threatened to, through an interruption to the Eskom supply grid, cause the supply of electricity to the Ergo Central Substation to be terminated. Ergo successfully interdicted the Municipality, pending the determination of the Main Application.

The Municipality sought leave to appeal the interdict, which application was rejected by the High Court. The Municipality then successfully petitioned the Supreme Court of Appeal ("SCA") in Bloemfontein for leave to appeal thereto.

Ergo subsequently, and ultimately, petitioned the Constitutional Court in Braamfontein, Johannesburg in December 2017 for leave to appeal thereto against the latter judgment of the full bench of the SCA which found in favour of the Municipality. In January 2018, the Constitutional Court rejected and refused to hear Ergo's petition for a further appeal.

This ruling enabled the Municipality to avail itself of the credit control measures provided for in the Systems Act by terminating the supply of electricity to Ergo, unless it paid the surcharges levied in their entirety and which were retained in Ergo's attorneys' trust account over to the Municipality.

On the date of the Constitutional Court ruling, the money held in Ergo's attorney's trust account amounted to approximately R126 million. In February 2018, Ergo paid R25.2 million (including VAT) from the trust account to the Municipality, under protest and without prejudice and/or admission of liability (refer note 24.2). This amount was the difference between the surcharge of 11% ("the J-tariff") over the Eskom tariff, which was introduced during the course of 2017 *"for bulk supplies at medium and high voltage situated in a position designated by the Municipality as close-coupled to the Eskom grid"*. The J-tariff, which Ergo still deems to be irregular and disproportionate in accordance with the provisions of the Systems Act, is significantly lower than the previously imposed "D-tariff". The balance, following the payments of the R25.2 million, remains in the trust account of Ergo's attorneys of record. Subsequently, Ergo pays monthly to the Municipality, the amount calculated at the lower J-tariff in respect of its electricity consumption, under protest and without prejudice and/or admission of liability (refer note 24.2).

Ergo's legal team is confident about the prospects of success in the Main Application on the basis that the Municipality does not supply electricity to Ergo or in any manner add value to Eskom's supply of electricity to Ergo. Ergo is furthermore, in terms of the Main Application, in addition to its contention that the Municipality does not supply electricity to it and not licensed to supply it, challenging the imposition of both the J-tariff and D-tariff on the grounds that they are, *inter alia*, *ultra vires* and beyond the scope of the Municipality's Electricity By-Laws, the Systems Acts as well as the Credit Control and Debt Collection By-Laws.

The Main Application has been set down for hearing on 5 December 2018. Based on management's assessment of the probability of outflows, no liability for any surcharges claimed by the Municipality has been recognised.

25 CONTINGENT ASSETS AND LIABILITIES *continued*

Occupational Lung Diseases

In January 2013, DRDGOLD, ERPM ("DRDGOLD Respondents") and 23 other mining companies ("Other Respondents") (collectively referred to as "Respondents") were served with a court application issued in the High Court of South Africa ("Court") for a class certification ("Certification Application") on behalf of former mineworkers and dependents of deceased mineworkers ("Applicants"). In the application, the Applicants allege that the Respondents conducted underground mining operations in a negligent and complicit manner causing the former mineworkers to contract occupational lung diseases. The Applicants have as yet not quantified the amounts which they are demanding from the Respondents in damages.

On 13 May 2016, the Court granted an order for, *inter alia,* (1) certification of two industry-wide classes: a silicosis class and a tuberculosis class, both of which cover current and former underground mineworkers who have contracted the respective diseases (or the dependants of mineworkers who died of those diseases); and (2) that the common law be developed to provide that in instances where a claimant claiming general damages passed away, the claim for general damages will be transmitted to the estate of the deceased claimant. This order did not represent a ruling on the merits of the Application brought against the Respondents.

An application for leave to appeal to the Supreme Court of Appeal ("SCA") was brought by each of the respondent mining companies against the judgment of the Court, specifically on the allegations of the certification and transmissibility of damages to the estate of a deceased mineworker.

In June 2016, the Court granted leave to appeal to the SCA against the transmissibility of damages but refused leave to appeal in respect of the certification.

The DRDGOLD Respondents (together with each of the Working Group companies) served a notice of appeal to petition the SCA against the order for certification and the transmissibility of damages. The SCA granted leave to appeal thereto on both issues in September 2016.

The appeal to the SCA was set down for hearing in March 2018 but was subsequently postponed by agreement between the Applicants and the Respondent companies in the light of the progress made by the Working Group as described below. The SCA endorsed and upheld the postponement.

The Respondent companies formed a Working Group consisting of representatives from each company to consider and discuss issues pertaining to the action.

DRDGOLD withdrew from the Working Group in January 2016.

The remaining members of the Working Group have all raised accounting provisions during the calendar year 2017 due to progress made by the Working Group towards a possible settlement with the Applicants. In May 2018, the remaining members of the Working Group announced that a mediated settlement agreement had been reached. The agreement is subject to certain conditions, including the approval by the South African High Court after which an effective date of the agreement will be set.

DRDGOLD is not a party to the Working Group's mediated settlement agreement and maintains the view that it is too early to consider settlement of the matter, mainly for the following reasons:
- the Applicants have as yet not issued and served a summons (claim) in the matter;
- there is no indication of the number of potential claimants that may join the class action against the DRDGOLD respondents;
- many principles upon which legal responsibility may be founded, are required to be substantially developed by the trial court (and possibly subsequent courts of appeal) to establish liability on the bases alleged by the applicants.

In light of the above there is inadequate information to determine if a sufficient legal and factual basis exists to establish liability, and to quantify such potential liability.

26 FINANCIAL INSTRUMENTS

Overview

The Group has exposure to credit risk, liquidity risks, as well as other market risks from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives and policies and processes for measuring and managing risk. The Group's management of capital is disclosed in note 19. This note must be read with the quantitative disclosures included throughout these consolidated financial statements.

Financial risk management framework

The board of directors ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by the internal audit function. The internal audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

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 and investment securities.

The Group's financial instruments do not represent a concentration of credit risk due to the exposure to credit risk being managed as disclosed in the following notes:

NOTE 11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS
NOTE 12 CASH AND CASH EQUIVALENTS
NOTE 14 TRADE AND OTHER RECEIVABLES
NOTE 24 FINANCIAL ASSETS

26 FINANCIAL INSTRUMENTS *continued*

MARKET RISK

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the consolidated profit or loss or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Commodity price risk
Additional disclosures are included in the following note:
NOTE 4 REVENUE

Other market risk
Additional disclosures are included in the following note:
NOTE 24.1 INVESTMENTS IN OTHER ENTITIES

Interest rate risk
Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. 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 minimising risks. Lower interest rates result in lower returns on investments and deposits and also may 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.

Additional disclosures are included in the following notes:
NOTE 11 INVESTMENTS IN REHABILITATION OBLIGATION FUNDS
NOTE 12 CASH AND CASH EQUIVALENTS

Foreign currency risk
The Group enters into transactions denominated in foreign currencies, such as gold sales denominated in US dollar, in the ordinary course of business. This exposes the Group to fluctuations in foreign currency exchange rates.

Additional disclosures are included in the following notes:
NOTE 12 CASH AND CASH EQUIVALENTS
NOTE 14 TRADE AND OTHER RECEIVABLES

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.

Additional disclosures are included in the following note:
NOTE 15 TRADE AND OTHER PAYABLES
NOTE 19 CAPITAL MANAGEMENT

27 RELATED PARTIES

Disclosures are included in the following notes:
NOTE 18.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
NOTE 20 EQUITY
NOTE 22 INTEREST IN SUBSIDIARIES

28 SUBSEQUENT EVENTS

There were no significant subsequent events between the year-end reporting date of 30 June 2018 and the date of issue of these financial statements other than described below and included in the preceding notes to the consolidated financial statements.

Acquisition of FWGR

On 22 November 2017, DRDGOLD Limited signed an agreement for the acquisition of the gold assets associated with Sibanye-Stillwater's West Rand Tailings Retreatment Project ("WRTRP"), to be known going forward as Far West Gold Recoveries Proprietary Limited ("FWGR").

On 31 July 2018 the transaction became effective on the waiver of the last outstanding condition, being the granting of the Section 102 Applications to Sibanye-Stillwater.

As purchase consideration for the acquisition of these assets, DRDGOLD Limited issued 265 million new ordinary shares equal to 38.05% of DRDGOLD Limited's outstanding shares to Sibanye-Stillwater and granted Sibanye-Stillwater an option to subscribe for new ordinary shares up to a total of 50.1% of the total issued ordinary shares of DRDGOLD Limited at a 10% discount to the prevailing market value, to be exercised within a period of 2 years from the effective date of the acquisition.

Additional disclosures are included in the following notes:

NOTE 4 REVENUE

NOTE 19 CAPITAL MANAGEMENT

NOTE 20 EQUITY

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
Revenue	4	**22.6**	26.9
Operating costs		**(22.8)**	(27.1)
Administration expenses and other general costs		**(1,645.9)**	(26.3)
Results from operating activities	5	**(1,646.1)**	(26.5)
Finance income	6	**860.2**	78.7
Finance expense		**(0.9)**	(2.3)
(Loss)/profit before tax		**(786.8)**	49.9
Income tax	12.1	**0.2**	(1.9)
(Loss)/profit for the year		**(786.6)**	48.0
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments	16	**0.6**	(0.3)
Total other comprehensive income for the year		**0.6**	(0.3)
Total comprehensive income for the year		**(786.0)**	47.7

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2018

Amounts in R million	Note	2018	2017
ASSETS			
Non-current assets		**73.2**	931.9
Property, plant and equipment		**0.8**	0.1
Net investments in subsidiaries	7	**54.3**	918.1
Investments in other entities	16	**9.4**	8.8
Deferred tax asset	12.2	**8.7**	4.9
Current assets		**176.7**	132.7
Trade and other receivables	10	**19.2**	8.5
Cash and cash equivalents	8	**157.5**	124.2
TOTAL ASSETS		**249.9**	1,064.6
EQUITY AND LIABILITIES			
Equity	15	**201.6**	1,030.8
Non-current liabilities		**12.2**	11.9
Liability for long term incentive scheme	13.1	**12.2**	11.9
Current liabilities		**36.1**	21.9
Trade and other payables	11	**27.1**	16.7
Current tax Liability		**4.2**	5.2
Liability for long term incentive scheme	13.1	**4.8**	-
TOTAL LIABILITIES		**48.3**	33.8
TOTAL EQUITY AND LIABILITIES		**249.9**	1,064.6

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Amounts in R million	Note	Share capital	Available for sale and other reserves	Retained earnings	Total equity
Balance at 30 June 2016		**4,228.4**	**5.1**	**(3,198.6)**	**1,034.9**
Total comprehensive income					
Profit for the year				48.0	48.0
Other comprehensive income	16			(0.3)	(0.3)
Transactions with the owners of the parent					
Dividend on ordinary share capital	15			(51.8)	(51.8)
Available for sale and other reserves transferred to retained earnings			(5.1)	5.1	-
Balance at 30 June 2017		**4,228.4**	**-**	**(3,197.6)**	**1,030.8**
Total comprehensive income					
Loss for the year				(786.6)	(786.6)
Other comprehensive income	16			0.6	0.6
Transactions with the owners of the parent					
Dividend on ordinary share capital	15			(43.2)	(43.2)
Balance at 30 June 2018		**4,228.4**	**-**	**(4,026.8)**	**201.6**
Note		15			

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CASHFLOWS

for the year ended 30 June 2018

Amounts in R million	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash applied to operations	9	**(51.3)**	(39.1)
Finance income received		**12.3**	17.0
Finance expenses paid		**(0.1)**	(0.1)
Income tax (paid)/received		**(4.6)**	11.8
Net cash outflow from operating activities		**(43.7)**	(10.4)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(0.2)**	(0.1)
Repayments received from/(advances made to) subsidiaries		**120.5**	(97.1)
Other		**-**	5.0
Net cash inflow/(outflow) from investing activities		**120.3**	(92.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease obligation		**(0.1)**	-
Dividends paid on ordinary share capital	15	**(43.2)**	(51.8)
Net cash outflow from financing activities		**(43.3)**	(51.8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33.3**	(154.4)
Cash and cash equivalents at the beginning of the year		**124.2**	278.6
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**157.5**	124.2

The accompanying notes are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 June 2018

1 ABOUT THESE COMPANY FINANCIAL STATEMENTS

Reporting Entity
DRDGOLD Limited ("Company") is primarily a Holding Company holding investments in subsidiaries involved in the retreatment of surface gold in South Africa. DRDGOLD is domiciled in South Africa with a registration number of 1895/000926/06. The registered address of the Company is 1 Sixty Jan Smuts Building, 2nd Floor - North Tower, 160 Jan Smuts Avenue, Rosebank, 2196.

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC) as well as the requirements of the Companies Act of South Africa. The financial statements were approved by the board of directors on 24 October 2018.

Functional and presentation currency
The Company's functional and presentation currency is South African rand. The amounts in these financial statements are rounded to the nearest million unless stated otherwise.

Basis of measurement
The financial statements are prepared on the historical cost basis, unless otherwise stated.

2 USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make accounting assumptions, estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses.
Accounting assumptions, estimates and judgements are reviewed on an ongoing basis. Revisions to reported amounts are recognised in the period in which the revision is made and in any future periods affected. Actual results may differ from these estimates.
Information about assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:
NOTE 12 INCOME TAX
Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the notes:
NOTE 17 CONTINGENT LIABILITIES

Basis of measurement
The financial statements are prepared on the historical cost basis, unless otherwise stated.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2018

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these financial statements, the following relevant standards, amendments to standards and interpretations that may be applicable to the business of the Company were in issue but not yet effective and may therefore have an impact on future financial statements. These new standards, amendments to standards and interpretations will be adopted at their effective dates.

IFRS 2 Share-based payment amendments (Effective date 1 July 2018)
Measurement of cash-settled share-based payments – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability, market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

The Company has assessed that the amendment to IFRS 2 will not have a significant impact on the Company as market and non-vesting conditions are being taken into account in measuring its fair value and the number of awards to receive cash is already adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

IFRS 9 Financial Instruments (Effective date 1 July 2018)
The standard sets out requirements for recognising and measuring financial instruments and supercedes IAS 39 Financial Instruments. It contains new criteria for determining the classification of financial instruments which is based on the business model of the entity and the nature of cash flows. In addition, the financial instruments impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected credit losses" model in IFRS 9. The resultant effect being that it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

The Company has assessed that the following changes will occur as a result:
- The new classification if applied at 30 June 2018 would not have a significant impact on the accounting of financial assets. Investment in other entities (equity instruments) will be designated as fair value through other comprehensive income;
- The method of determining impairment of other receivables will have to change to reflect the "expected credit loss" model. This will not have a material impact on the Company.

IFRS 15 Revenue from contracts with customers (Effective date 1 July 2018)
The standard contains a single model that applies to contracts, with customers superseding the revenue standard IAS 18 and IAS 11 on construction contracts. It contains two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard also introduces new qualitative and quantitative disclosures related to customer contracts and significant judgements applied.

The Company has assessed that there will be no impact on adopting IFRS 15, and revenue recognition will remain unchanged.

4 REVENUE

ACCOUNTING POLICIES

The company recognises revenue from rendering corporate services to subsidiary companies when the services have been rendered and to the stage of completion thereof and it is measured at fair value. The stage of completion is determined on the basis of cost incurred to date in relation to the total expected cost.

Amounts in R million	Note	2018	2017
Corporate service fees	7	**22.6**	26.9
		22.6	26.9

5 RESULTS FROM OPERATING ACTIVITIES

Amounts in R million	Note	2018	2017
Results from operating activities include the following:			
Remuneration (a)		**(41.7)**	(32.1)
Transactions costs incurred on the acquisition of FWGR		**(9.0)**	-
Impairments	7	**(1,591.4)**	-
(a) Remuneration			
Board fees		**4.3**	3.7
Salaries including accruals for short term incentives		**31.6**	26.1
Increase in long term incentive liability	13.1	**5.8**	2.3

6 FINANCE INCOME

ACCOUNTING POLICY

Finance income includes interest and dividends received.

Amounts in R million	Note	2018	2017
Interest on cash and cash equivalents	8	**12.1**	16.3
Interest on amounts receivable from subsidiaries	7	**61.1**	62.4
Dividends received from subsidiaries	7	**787.0**	-
		860.2	78.7

7 NET INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICIES

Investment in subsidiaries
Subsidiaries are entities controlled by DRDGOLD. DRDGOLD controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are carried at cost less any accumulated impairment.

Amounts owing to the Company
Amounts owing to the Company are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Amounts owing by the Company
Amounts owing by the Company are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Company derecognises a financial liability when its contractual rights are discharged, cancelled or expire.

Impairment
A financial asset not classified at fair value through profit or loss 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.

Any impairment losses are recognised in the statement of profit or loss.

7.1 Investments in subsidiaries' shares and amounts owing to/(by) the Company

		2018		2017	
Amounts in R million	**Note**	**Cost**	**Impairment**	**Cost**	**Impairment**
Investment in subsidiaries at cost *					
Ergo Mining Proprietary Limited ("Ergo")	7.2.3	**85.4**	**-**	-	-
East Rand Proprietary Mines Limited ("ERPM")	7.2.3, 7.2.4	**635.4**	**(635.4)**	-	-
Ergo Mining Operations Proprietary Limited ("EMO")	7.2.4	**990.2**	**(956.0)**	210.5	-
		1,711.0	**(1,591.4)**	210.5	-
Amounts owing to the company					
Ergo (a,b)	7.2.2	**203.7**	**-**	599.9	-
EMO (a)	7.2.2	**-**	**-**	419.2	-
West Witwatersrand Gold Mines Limited (b,c)		**143.9**	**(143.9)**	143.9	(143.9)
Crown Consolidated Gold Recoveries Limited (b)		**153.9**	**(153.9)**	153.9	(153.9)
		501.5	**(297.8)**	1,316.9	(297.8)
Amounts owing by the company					
Crown Consolidated Gold Recoveries Limited (b)		**(245.3)**	**-**	(245.3)	-
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	7.2.3	**-**	**-**	(42.1)	-
West Witwatersrand Gold Holdings Limited	7.2.3	**-**	**-**	(23.0)	-
Argonaut Financial Services Proprietary Limited	7.2.3	**-**	**-**	(1.1)	-
EMO (a,d)		**(23.7)**	**-**	-	-
		(269.0)	**-**	(311.5)	-
Total		**1,943.5**	**(1,889.2)**	1,215.9	(297.8)
Net investment			**54.3**		918.1

7 NET INVESTMENTS IN SUBSIDIARIES *continued*

7.1 Investments in subsidiaries' shares and amounts owing to/(by) the Company continued

* Effective 29 June 2018, a Group restructure was implemented to simplify the legal and inter-group debt structure. All non-dormant entities are now directly owned by the Company.

All loans are unsecured, interest free and have no fixed terms of repayment, except the following loans that vary as follows:
(a) The loan bears interest at the prime interest rate minus four percentage points.
(b) The Lender in each instance has agreed that the loan will not be payable within 367 days from the date of the financial statements of the Borrower.
(c) The loan was waived during July 2018.
(d) The loan was settled in full during July 2018.

The Company will continue to provide EMO and ERPM with financial support to assist them to meet the obligations they incur in the ordinary course of business.

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of the amount owing to it.

Impairments were raised on the amounts owing to the Company due to the uncertainty around the recoverability and timing of the expected cash flows. The expectation of future cash flows are based on the nature of the underlying company's activities and considers the net asset values of these companies to the extent that it can be converted to cash, or the expected future cash flows from the companies' future activities, whichever is most relevant.

LIQUIDITY RISK

Unless stated otherwise, amounts owing to the Company do not have any fixed payment terms and may be called for at any time.

7.2 Transactions with subsidiaries

	Amounts in R million	Note	2018	2017
7.2.1	**Corporate services fees to subsidiaries**			
	Ergo Mining Proprietary Limited	4	**22.6**	26.9
			22.6	26.9
7.2.2	**Interest earned on amounts owing by subsidiaries**			
	Ergo Mining Proprietary Limited		**36.9**	38.8
	Ergo Mining Operations Proprietary Limited		**24.2**	23.6
		6	**61.1**	62.4
7.2.3	**Dividends in specie received from subsidiaries**			
	Ergo Mining Operations Proprietary Limited	7.1	**635.4**	-
	Crown Gold Recoveries Proprietary Limited	7.1	**85.4**	-
	West Witwatersrand Gold Holdings Limited	7.1	**42.1**	-
	Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	7.1	**23.0**	-
	Argonaut Financial Services Proprietary Limited	7.1	**1.1**	-
		6	**787.0**	-
7.2.4	**Impairment of investments in subsidiaries**			
	East Rand Proprietary Mines Limited ("ERPM") (a)	7.1	**(635.4)**	-
	Ergo Mining Operations Proprietary Limited (b)	7.1	**(956.0)**	-
		5	**(1,591.4)**	-

(a) As part of the Group debt restructure, the Company subscribed for 1 ordinary share in ERPM for R635,4 million which was impaired to zero based on the uncertainty regarding ERPM's ability to generate future cash flows as it is under care and maintenance.

(b) As part of the Group debt restructure, the Company subscribed for 2 ordinary share in EMO for R779.7 million which was impaired to R34.2 million based on the uncertainty regarding EMO's ability to generate future cash flows in excess of the potential disposal of the treasury shares held in the Company.

7 NET INVESTMENT IN SUBSIDIARIES *continued*

7.2 Transactions with subsidiaries *continued*

MARKET

Interest rate risk

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.8**	10.2
100bp (decrease)	**(1.8)**	(10.2)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of amounts owing to and by subsidiaries approximate their carrying values due to the terms of repayment not being readily determinable.

7.3 Related party relationships

A complete list of subsidiaries is provided below:

Name of entity	Activity
Subsidiaries directly held	
Ergo Mining Operations Proprietary Limited	Holding company
Ergo Mining Proprietary Limited *	Surface gold mining
East Rand Proprietary Mines Limited *	Care and maintenance
Crown Gold Recoveries Proprietary Limited *	Non - operational
Crown Consolidated Gold Recoveries Limited	Dormant
West Witwatersrand Gold Holdings Limited	Dormant
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	Dormant
Argonaut Financial Services Proprietary Limited	Dormant
Roodepoort Gold Mine Proprietary Limited	Dormant
Subsidiaries indirectly held	
West Witwatersrand Gold Mines Limited	Dormant
Crown Mines Limited	Dormant
City Deep Limited	Dormant
Consolidated Main Reef and Estate Limited	Dormant
Hartebeestfontein Gold Mining Company Limited	Dormant

* These subsidiaries were previously held indirectly. A Group restructure was implemented effective on 29 June 2018 during which, *inter alia*, these entities were unbundled to be 100% directly owned by the Company.

All subsidiaries are 100% owned by DRDGOLD and are incorporated in South Africa.

Far West Gold Recoveries Proprietary Limited ("FWGR")

On 31 July 2018 DRDGOLD acquired a 100% shareholding in FWGR, the holder of the surface gold assets associated with Sibanye-Stillwater's WRTRP for a consideration of 265 million DRDGOLD ordinary shares.

8 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are non-derivative financial assets categorised as loans and receivables and comprise cash on hand, demand deposits, and highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
Cash and cash equivalents are initially measured at fair value. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their fair value.

Amounts in R million	Note	2018	2017
Included in cash and cash equivalents is restricted cash relating to:			
- Environmental and other guarantees issued by Standard Bank of South Africa Limited		**6.3**	5.9
Interest relating to cash and cash equivalents	6	**12.1**	16.3

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of its cash and cash equivalents. The Company manages its exposure to credit risk by investing cash and cash equivalents across a number of major financial institutions, considering the credit ratings of these financial institutions.

MARKET RISK

Interest rate risk
A change of 100 basis points (bp) in interest rates at the reporting date would had increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular the cash balance and foreign currency rates, remain constant. The analysis excludes income tax.

Amounts in R million	2018	2017
100bp increase	**1.6**	1.2
100bp (decrease)	**(1.6)**	(1.2)

Foreign currency risk
US Dollars are exposed to fluctuations in the US Dollar/South African Rand exchange rate until it is converted to South African Rands.

The Company was not exposed to any fluctuations in the US Dollar/South African Rand exchange rate on any US Dollars at the current or previous reporting date as all the US Dollars held were converted to South African Rands.

Foreign denominated cash is held in a foreign currency bank account accruing negligible interest and is usually converted to South African Rand on the day of receipt. Foreign cash is therefore not exposed to interest rate risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents
The fair value of cash and cash equivalents approximate their carrying value due to their short-term maturities.

for the year ended 30 June 2018

9 CASH APPLIED TO OPERATIONS

Amounts in R million	Note	2018	2017
(Loss)/profit before tax		**(786.8)**	49.9
Adjusted for			
Depreciation		**0.2**	0.1
Impairments	7	**1,591.4**	-
Increase in long term incentive liability	13.1	**5.8**	2.3
Finance income	6	**(860.2)**	(78.7)
Finance expenses		**0.9**	2.3
Operating cash flows before working capital changes		**(48.7)**	(24.1)
Working capital changes		**(2.6)**	(15.0)
Change in trade and other receivables		**(13.6)**	(1.0)
Change in trade and other payables		**11.0**	(14.0)
		(51.3)	(39.1)

10 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade and other receivables, excluding Value Added Tax and prepayments, are non-derivative financial assets categorised as loans and receivables.

These assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Amounts in R million	2018	2017
Trade receivable due from Group Company (Ergo)	**2.3**	-
Other receivables	**4.7**	6.5
Prepayments	**11.0**	0.6
Value Added Tax	**1.2**	1.4
	19.2	8.5

CREDIT RISK

The Company is exposed to credit risk on the total carrying value of its trade and other receivables excluding Value Added Tax and prepayments. None of the Company's other receivables are past due.

The Company manages its exposure to credit risk on trade receivables by providing corporate services on a retainer basis. The Company manages its exposure to credit risk on other receivables by dealing with a number of counterparties, ensuring that these counterparties are of good credit standing and transacting on a secured or cash basis where considered necessary. Receivables are regularly monitored and assessed for recoverability.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade and other receivables approximate their carrying value due to their short-term maturities.

11 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables, excluding payroll accruals, accrued leave pay and provision for performance based incentives, are non-derivative financial liabilities categorised as financial liabilities measured at amortised cost.

These liabilities are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Company derecognises a financial liability when its contractual rights are discharged or cancelled or expire.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Amounts in R million	2018	2017
Trade creditors and accruals	**11.5**	8.3
Accrued leave pay	**1.7**	1.7
Provision for short term performance based incentives	**9.6**	-
Payroll accruals	**4.3**	6.7
	27.1	16.7

LIQUIDITY RISK

Trade payables and other creditors and accruals are all expected to be settled within 12 months from reporting date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of trade payables and other creditor and accruals approximate their carrying value due to their short-term maturities.

12 INCOME TAX

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management periodically evaluates positions taken where tax regulations are subject to interpretation.

The assessment of the probability that future taxable profits will be available against which the tax losses and unredeemed capital expenditure can be utilised requires the use of assumptions and estimates and are inherently uncertain and could change materially over time.

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax.

Current tax
Current tax comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment on tax payable or receivable in respect of previous years is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
Deferred tax assets relating to unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

12.1 INCOME TAX EXPENSE

Amounts in R million	2018	2017
Non-mining tax	**0.2**	(1.9)
	0.2	(1.9)
Comprising:		
Current tax - current year	**(3.6)**	-
Deferred tax - current year	**3.8**	(1.9)
	0.2	(1.9)
Tax reconciliation		
Major items causing the difference between the Company's income tax expense and the statutory rate were:		
Tax on net loss/(profit) before tax at the South African corporate tax rate of 28%	**220.3**	(14.0)
Exempt income (a)	**227.2**	6.6
Non deductible expenditure (b)	**(450.0)**	(0.8)
Utilisation of tax losses for which deferred tax assets were previously unrecognised (c)	**2.7**	5.9
Other differences	**-**	0.4
Income tax	**0.2**	(1.9)

(a) Exempt income
Exempt income consists of:
- R24.2 million interest received from EMO that is not taxable (2017: R23.6 million) (refer note 7.2.2);
- R787.0 million dividends received from subsidiaries (2017: nil) (refer note 7.2.3).

(b) Non-deductible expenses
Non-deductible expenses consist of:
- R1 591.4 million related to the impairment of investments in subsidiaries (refer note 7.2.4);
- R9.0 million transactions costs incurred on the acquisition of FWGR; and
- R6.0 million expenditure that is capital in nature.

(c) Utilisation of tax losses for which deferred tax assets were previously unrecognised
Despite the Company not normally generating recurring taxable income, and therefore having unrecognised deferred tax assets, it generated taxable income during the year ended 30 June 2018.

12 INCOME TAX *continued*

12.2 DEFERRED TAX

Deferred tax assets relate to the following:

Amounts in R million	2018	2017
Provisions	**8.7**	4.9

Movement in the deferred tax asset is as follows:

Amounts in R million	2018	2017
Opening balance	**4.9**	6.8
Recognised in profit or loss	**3.8**	(1.9)
Provisions	**3.8**	(1.9)
Closing balance	**8.7**	4.9

Deferred tax assets have not been recognised in respect to the following:

Amounts in R million	2018	2017
Tax losses	**-**	2.7
Unredeemed capital expenditure	**36.8**	36.8
Capital losses	**325.2**	325.2

Deferred tax assets have not been recognised as the Company is not expected to generate future taxable profits against which the unredeemed capital expenditure and capital losses can be utilised.

13. EMPLOYEE BENEFITS

13.1 LIABILITY FOR LONG-TERM INCENTIVE SCHEME

ACCOUNTING POLICIES

Cash-settled share-based payments ("Long Term Incentive" or "LTI")
Cash-settled share-based payments are measured at fair value and remeasured at each reporting date to reflect the potential outflow of cash resources to settle the liability, with a corresponding adjustment in profit or loss. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Terms of the November 2015 grant made under the DRDGOLD Group's amended long-term incentive scheme are:

- The scheme has a finite term of 5 years and thus no top-up awards are made when the shares vest;
- The phantom shares are issued at an exercise price of nil and will vest in 3 tranches: 20%, 30% and 50% on the 3rd, 4th and 5th anniversaries respectively, subject to individual service and performance conditions being met; and
- The phantom shares will be settled at the 7 day volume weighted average price ("VWAP") of the DRDGOLD share.

Amounts in R million	Note	2018	2017
Opening balance		**11.9**	9.8
Increase in long term incentive liability	5	**5.8**	2.3
Transferred between group companies		**-**	1.3
Benefits paid		**(0.7)**	(1.5)
Total liability for long term incentive scheme		**17.0**	11.9
The total liability for long term incentive scheme is expected to be settled as follows:		**17.0**	11.9
within 12 months after reporting date		**4.8**	-
after 12 months after reporting date		**12.2**	11.9

Reconciliation of outstanding phantom shares	2018		2017	
	Shares Number	Weighted average price R per share	Shares Number	Weighted average price R per share
Opening balance	7,593,605		7,944,894	
Granted	-		-	-
Vested and paid	(267,962)	2.61	(265,786)	5.64
Forfeited/lapsed	-		(85,503)	
Closing balance	7,325,643		7,593,605	

Ageing of outstanding phantom shares:	30 June 2019	30 June 2020	30 June 2021	Total
Granted November 2015	1,465,129	2,197,693	3,662,821	7,325,643

Fair value

The fair value of the liability for the long term incentive scheme is mostly influenced by the DRDGOLD Limited share price. Other inputs influencing the fair value are the forward dividend yield and estimates of staff retention and performance conditions. The inputs most significantly influencing the measurement of the fair values are as follows:

	2018	2017	Grant date
7 day VWAP of the DRDGOLD Limited share	**3.71**	**4.23**	**2.26**
Annualised forward dividend	**1.8%**	**0.7%**	**4.3%**

13 EMPLOYEE BENEFITS *continued*

13.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Emoluments

Amounts in R 000				2018			2017
Directors / Prescribed Officers	**Remuneration paid during the year (1)**	**Short term incentives related to this cycle**	**Long term incentives paid during this cycle**	**Total remuneration related to this cycle**	**Remuneration paid during the year (1)**	**Long term incentives paid during this cycle**	**Total remuneration related to this cycle**
Executive directors							
D J Pretorius	**6 104**	**4 697**	**-**	**10 801**	5 731	-	5 731
A J Davel	**3 429**	**2 639**	**250**	**6 318**	3 220	560	3 780
	9 533	**7 336**	**250**	**17 119**	8 951	560	9 511
Non-executive directors							
G C Campbell	**1 446**	**-**	**-**	**1 446**	1 536	-	1 536
J Turk	**655**	**-**	**-**	**655**	655	-	655
E A Jeneker	**805**	**-**	**-**	**805**	767	-	767
J Holtzhausen	**718**	**-**	**-**	**718**	684	-	684
T B V N Mnyango	**651**	**-**	**-**	**651**	361	-	361
	4 275	**-**	**-**	**4 275**	4 003	-	4 003
Prescribed officers							
C M Symons (2,3)	**-**	**-**	**-**	**-**	232	559	791
W J Schoeman	**3 308**	**2 013**	**250**	**5 571**	3 050	921	3 971
R Masemene	**2 402**	**808**	**124**	**3 334**	2 371	426	2 797
	5 710	**2 821**	**374**	**8 905**	5 653	1 906	7 559
Total	**19 518**	**10 157**	**624**	**30 299**	**18 607**	**2 466**	**21 073**

(1) Total remuneration paid during the year includes encashed leave.

(2) Service period concluded on 31 July 2016.

(3) Includes pension scheme contributions of R nil (2017: R28 263).

Non-executive directors are paid board fees made up of a base fee and committee fees. The Company's MOI makes provision for directors' fees to be determined at the Annual General Meeting.

13 EMPLOYEE BENEFITS *continued*

13.2 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

Participation in long term incentive scheme

Directors / Prescribed Officers	Opening balance	Granted	Vested	Proceeds	Average exercise price	Forfeited / lapsed	Closing balance
	Number	Number	Number	R	R/share	Number	Number
2018							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,390,536	-	(85,503)	250,077	2.92	-	1,305,033
	3,713,545	**-**	**(85,503)**	**250,077**		**-**	**3,628,042**
Prescribed officers							
W J Schoeman	1,407,636	-	(102,603)	250,077	2.44	-	1,305,033
R Masemene	838,688	-	(42,228)	123,508	2.92	-	796,460
	2,246,324	**-**	**(144,831)**	**373,585**		**-**	**2,101,493**
Total	**5,959,869**	**-**	**(230,334)**	**623,662**	**-**	**-**	**5,729,535**
2017							
Executive directors							
D J Pretorius	2,323,009	-	-	-	-	-	2,323,009
A J Davel	1,476,039	-	(85,503)	560,079	6.55	-	1,390,536
	3,799,048	**-**	**(85,503)**	**560,079**		**-**	**3,713,545**
Prescribed officers							
C M Symons	170,633	-	(85,314)	558,847	6.55	(85,319)	-
W J Schoeman	1,533,441	-	(125,805)	921,053	7.32	-	1,407,636
R Masemene	905,918	-	(67,230)	426,348	6.34	-	838,688
	2,609,992	**-**	**(278,349)**	**1,906,248**		**(85,319)**	**2,246,324**
Total	**6,409,040**	**-**	**(363,852)**	**2,466,327**	**-**	**(85,319)**	**5,959,869**

13 EMPLOYEE BENEFITS *continued*

13.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Interests in contracts

None of the directors or officers of Ergo or, major shareholders of DRDGOLD or, to the knowledge of Ergo's management, their families, had any interest, direct or indirect, in any transaction during the year ended 30 June 2018 or the preceding financial years, or in any proposed transaction which has affected or will materially affect Ergo or its subsidiaries. None of the directors or officers of Ergo or any associate of such director or officer is currently or has been at any time during the past financial year materially indebted to Ergo**.**

Key management personnel remuneration

Amounts in R million	2018	2017
- Board fees paid	**4.3**	3.7
- Salaries paid	**20.2**	19.4
- Short term incentives relating to this cycle	**9.2**	-
- Long-term incentives paid during this cycle	**0.7**	1.5
	34.4	24.6

14 CAPITAL MANAGEMENT

The primary objective of managing the Company'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 optimises the cost of capital, ensures that the Group remains in a sound financial position and matches the Group's strategy.

The Group has no external debt in line with its aim for the existing operations to remain unleveraged. All funding requirements during the past financial year have been financed by existing cash resources and cash generated from operations.

The Group considers the appropriate capital management strategy for specific growth projects as and when required.

Lease arrangements that are not in the legal form of a finance lease, but is accounted for as such based on its terms and conditions, are not considered to be debt.

Financing the development of Phase 1 of FWGR

Subsequent to the acquisition of FWGR on 31 July 2018 (refer note 20), a Revolving Credit Facility amounting to R300 million was secured with ABSA Bank Limited (acting through its Corporate and Investment Banking division) to finance the development of Phase 1 of FWGR, replacing the R100 million overdraft facility that was in place during the year ended 30 June 2018.

15 EQUITY

ACCOUNTING POLICIES

Ordinary share capital
Ordinary shares and the cumulative preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Dividends
Dividends are recognised as a liability on the date on which they are declared which is the date when the shareholders' right to the dividends vest.

Amounts in R million	2018	2017
Authorised share capital		
1 500 000 000 (2017: 600 000 000) ordinary shares of no par value		
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
Issued share capital		
431 429 767 (2017: 431 429 767) ordinary shares of no par value (a)	**4,227.9**	4,227.9
5 000 000 (2017: 5 000 000) cumulative preference shares of 10 cents each	**0.5**	0.5
	4,228.4	4,228.4
Dividends (b)		
Dividends paid during the year net of treasury shares:		
Prior year final dividend: 5 SA cents per share (2017: 12 SA cents per share)	**21.6**	51.8
Interim dividends: 5 SA cents per share (2017: nil)	**21.6**	-
Total	**43.2**	51.8

(a) Unissued shares
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.

(b) Issued shares
No shares were issued during the year ended 30 June 2018 (2017:nil).

On 31 July 2018, the acquisition of FWGR became unconditional. On this date 265 million ordinary shares were issued to Sibanye-Stillwater as settlement of the purchase consideration for these assets.

RELATED PARTY TRANSACTIONS

Treasury shares

Shares in DRDGOLD Limited are held in treasury by Ergo Mining Operations Proprietary Limited ("EMO").

Dividends amounting to R0.9 million (2017: R1.1 million) were paid by the Company on these shares.

Other related party relationships

The issue of 265 million ordinary shares to Sibanye-Stillwater on 31 July 2018 as settlement of the purchase consideration for the FWGR assets, resulted in Sibanye-Stillwater owning 38.05% of the issued ordinary shares of DRDGOLD Limited and hence becoming a related party to DRDGOLD.

16 INVESTMENTS IN OTHER ENTITIES

ACCOUNTING POLICIES

The Company's listed and unlisted investments in equity securities are classified as available-for-sale financial assets. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI.

Amounts in R million	Shares held	% held	2018	2017
Listed investments (Fair value hierarchy Level 1):			**9.2**	8.6
West Wits Mining Limited ("WWM")	47 812 500	6.7%	**9.2**	8.6
Unlisted investments (Fair value hierarchy Level 3):			**0.2**	0.2
Rand Refinery Proprietary Limited ("Rand Refinery") (a)	40 078	10.0%	**-**	-
Guardrisk Insurance Company Limited (Cell Captive A170) ^	20	#	**0.1**	0.1
Chamber of Mines Building Company Proprietary Limited	30 160	3.0%	**0.1**	0.1
Rand Mutual Assurance Company Limited	1	#	**-**	-
			9.4	8.8
Fair value adjustment on available for sale financial assets recognised in OCI			0.6	(0.3)

 # Represents a less than 1% shareholding.
^ Class A170 shares are held in Guardrisk Insurance Company Limited that entitles the holder to 100% of the residual net equity of the Cell Captive A170 after settlement of the reimbursive right.

(a) Rand Refinery

The estimated fair value of the investment in Rand Refinery shares remains *de minimis* due to the uncertainty regarding Rand Refinery's future free cash flows and the lack of marketability of the shares held.

MARKET RISK

Other market price risk
Equity price risk arises from changes in quoted market prices of listed investments as well as changes in the fair value of unlisted investments due to changes in the underlying net asset values.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Listed investments
The fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges and constitute level 1 instruments on the fair value hierarchy.

Unlisted investments
The valuations are based on either the net asset values of these companies, or the consideration of unobservable financial information which is compared to information available in the market regarding other market participants' view on the value of the company and constitute level 3 instruments on the fair value hierarchy.

17 CONTINGENT LIABILITIES

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether an obligating event results in a liability or a contingent liability require the exercise of significant judgement of the outcome of future events that are not wholly within the control of the Company.

Litigation and other judicial proceedings inherently entail complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

ACCOUNTING POLICIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured.

When the Company has a present obligation, an outflow of economic resources is assessed as probable and the Company can reliably measure the obligation, a provision is recognised.

Occupational Ling Diseases

In January 2013, DRDGOLD, ERPM (“DRDGOLD Respondents”) and 23 other mining companies (“Other Respondents”) (collectively referred to as "Respondents") were served with a court application issued in the High Court of South Africa (“Court") for a class certification (“Certification Application”) on behalf of former mineworkers and dependents of deceased mineworkers (“Applicants”). In the application the Applicants allege that the Respondents conducted underground mining operations in a negligent and complicit manner causing the former mineworkers to contract occupational lung diseases. The Applicants have as yet not quantified the amounts which they are demanding from the Respondents in damages.

On 13 May 2016, the Court granted an order for, *inter alia* (1) certification of two industry-wide classes: a silicosis class and a tuberculosis class, both of which cover current and former underground mineworkers who have contracted the respective diseases (or the dependants of mineworkers who died of those diseases); and (2) that the common law be developed to provide that in instances where a claimant claiming general damages passed away, the claim for general damages will be transmitted to the estate of the deceased claimant. This order did not represent a ruling on the merits of the Application brought against the Respondents.

An application for leave to appeal to the Supreme Court of Appeal (“SCA”) was brought by each of the respondent mining companies against the judgment of the Court, specifically on the allegations of the certification and transmissibility of damages to the estate of a deceased mineworker.

In June 2016, the Court granted leave to appeal to the SCA against the transmissibility of damages but refused leave to appeal in respect of the certification.

The DRDGOLD Respondents (together with each of the Working Group companies) served a notice of appeal to petition the SCA against the order for certification and the transmissibility of damages. The SCA granted leave to appeal thereto on both issues in September 2016.

The appeal to the SCA was set down for hearing in March 2018 but was subsequently postponed indefinitely by agreement between the Applicants and the Respondent companies in the light of progress made by the Working Group as described below. The SCA endorsed and upheld the postponement.

The Respondent companies formed a Working Group consisting of representatives from each company to consider and discuss issues pertaining to the action. DRDGOLD withdrew from the Working Group in January 2016.

The remaining members of the Working Group have all raised accounting provisions during the calendar year 2017 due to progress made by the Working Group towards a possible settlement with the Applicants. In May 2018, the remaining members of the Working Group announced that a mediated settlement agreement had been reached. The agreement is subject to certain suspensive conditions, including the approval by the South African High Court after which an effective date of the agreement will be set.

DRDGOLD is not a party to the Working Group’s mediated settlement agreement and maintains the view that it is too early to consider settlement of the matter, mainly for the following reasons:

- the Applicants have as yet not issued and served a summons (claim) in the matter;
- there is no indication of the number of potential claimants that may join the class action against the DRDGOLD respondents;
- many principles upon which legal responsibility is founded, are required to be substantially developed by the trial court (and possibly subsequent courts of appeal) to establish liability on the bases alleged by the applicants.

In light of the above there is inadequate information to determine if a sufficient legal and factual basis exists to establish liability, and to quantify such potential liability.

18 FINANCIAL INSTRUMENTS

Overview

The Company has exposure to credit risk, liquidity risks, as well as other market risks from its use of financial instruments. This note presents information about the Company's exposure to each of the above risks, the Company's objectives and policies and processes for measuring and managing risk. The Company's management of capital is disclosed in note 14. This note must be read with the quantitative disclosures included throughout these financial statements.

Financial risk management framework

The board of directors of the ultimate holding company, DRDGOLD Limited, ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework including that of the Company, hereafter referred to as the Company's risk management framework, policies and procedures and activities, as the case may be. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit and Risk Committee is assisted in its oversight role by the internal audit function. The internal audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The Company's financial instruments do not represent a concentration of credit risk due to the exposure to credit risk being managed as disclosed in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 8 CASH AND CASH EQUIVALENTS
NOTE 10 TRADE AND OTHER RECEIVABLES

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company 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.
Additional disclosures are included in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES
NOTE 11 TRADE AND OTHER PAYABLES

18 FINANCIAL INSTRUMENTS *continued*

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect profit or loss or the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Other market risk

Additional disclosures are included in the following note:

NOTE 16 INVESTMENTS IN OTHER ENTITIES

Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Company 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 minimising risks. Lower interest rates result in lower returns on investments and deposits and also may 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.

Additional disclosures are included in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES

NOTE 8 CASH AND CASH EQUIVALENTS

Foreign currency risk

The Company enters into transactions denominated in foreign currencies, such as gold sales denominated in US dollar, in the ordinary course of business. This exposes the Company to fluctuations in foreign currency exchange rates.

Additional disclosures are included in the following notes:

NOTE 8 CASH AND CASH EQUIVALENTS

19 RELATED PARTIES

Disclosures are included in the following notes:

NOTE 7 NET INVESTMENTS IN SUBSIDIARIES

NOTE 10 TRADE AND OTHER RECEIVABLES

NOTE 13.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

NOTE 15 EQUITY

20 SUBSEQUENT EVENTS

There were no significant subsequent events between the year-end reporting date of 30 June 2018 and the date of issue of these financial statements other than described below and included in the preceding notes to the financial statements.

Acquisition of FWGR

On 22 November 2017, DRDGOLD Limited signed an agreement for the acquisition of the gold assets associated with Sibanye-Stillwater's West Rand Tailings Retreatment Project ("WRTRP"), to be known going forward as Far West Gold Recoveries Proprietary Limited ("FWGR").

On 31 July 2018 the transaction became effective on the waiver of the last outstanding condition, being the granting of the Section 102 Applications to Sibanye-Stillwater.

As purchase consideration for the acquisition of these assets, DRDGOLD Limited issued 265 million new ordinary shares equal to 38.05% of DRDGOLD Limited's outstanding shares to Sibanye-Stillwater and granted Sibanye-Stillwater an option to subscribe for new ordinary shares up to a total of 50.1% of the total issued ordinary shares of DRDGOLD Limited at a 10% discount to the prevailing market value, to be exercised within a period of 2 years from the effective date of the acquisition.

Additional disclosures are included in the following notes:

NOTE 14 CAPITAL MANAGEMENT

NOTE 15 EQUITY

NOTE 19 RELATED PARTIES

SHAREHOLDER INFORMATION
at 30 June 2018

	Number of Holders	% of total shareholders	Number of shares	% of total issued share capital
1) Analysis of shareholders				
1 - 5 000	4,676	79.71%	3,532,743	0.82%
5 001 - 10 000	390	6.65%	2,997,113	0.69%
10 001 - 50 000	543	9.26%	12,654,924	2.93%
50 001 - 100 000	115	1.96%	8,534,528	1.98%
100 001 - 1 000 000	109	1.86%	30,286,715	7.02%
1 000 001 - AND MORE	33	0.56%	373,423,744	86.56%
	5,866	100.00%	431,429,767	100.0%

2) Major shareholders *
(1% and more of shares in issue)

	Number of shares	% of total issued share capital
Van Eck Associates Corporation #	31,295,640	7.25%
Ruffer, LLP #	24,716,320	5.73%
Khumo Gold SPV (Pty) Limited ("Khumo")	17,814,493	4.13%
Clearstream Banking S.A. Luxembourg	15,170,790	3.52%
Citiclient Nominees No 8 NY GW	15,021,564	3.48%
Renaissance Technologies, LLC #	14,274,650	3.31%
DRDSA Empowerment Trust	10,500,000	2.43%
Ergo Mining Operations Proprietary Limited	9,361,071	2.17%
JPMC-Vanguard BBH lending account	8,983,382	2.08%
KBC Securities N.V Clients	7,784,231	1.80%
Investec Value Fund	6,206,615	1.44%

* 224 777 160 ordinary shares (equivalent to 22 477 716 American Depository Receipts ("ADRs")) or approximately 52.1% of our issued ordinary shares were held by 727 registered holders of our ADRs in the United States of America.

Held in ADRs in the United States of America

3) Shareholder spread

	Number of Holders	% of total shareholders	Number of shares	% of total issued share capital
Non-public	4	0.07%	10,463,759	2.43%
Directors	3	0.05%	1,102,688	0.26%
Subsidiary	1	0.02%	9,361,071	2.17%
Public	5,862	99.93%	420,966,008	97.57%
	5,866	100.00%	431,429,767	100.00%

4) Distribution of shareholders

	Number of Holders	% of total shareholders	Number of shares	% of total issued share capital
Individuals	5,315	90.61%	37,128,015	8.61%
Institutions and bodies corporate	551	9.39%	394,301,752	91.39%
	5,866	100.00%	431,429,767	100.00%

FORWARD-LOOKING STATEMENTS

Some of the information in this report may contain projections or other forward-looking statements regarding future events or other financial performance, including information relating to our Group, that are based on the beliefs of our management, as well as assumptions made by and information currently available to our management. When used in this report, the words "estimate", "project", "believe", "anticipate", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Many factors could cause the 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, a drop in the gold price, a prolonged strengthening of the rand against the dollar, regulatory developments adverse to DRDGOLD or difficulties in maintaining necessary licences or other governmental approvals, changes in DRDGOLD's competitive position, changes in business strategy, any major disruption in production at key facilities or adverse changes in foreign exchange rates and various other factors.

These risks include, without limitation, those described in the section entitled "Risk Factors" included in our Form 20-F for the fiscal year ended 30 June 2018, which we filed with the United States Securities and Exchange Commission (SEC) on 31 October 2018. You should not place undue reliance on these forward-looking statements, which speak only as of the date thereof. We do not undertake any obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report or the occurrence of unanticipated events. Any forward-looking statement included in this report has not been reviewed or reported on by DRDGOLD's auditors.

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