DRDGOLD
LIMITED

ANNUAL FINANCIAL STATEMENTS 2016

CONTENTS

Annual Financial Statements

(Supervised by CFO: Mr AJ Davel CA (SA))

(Authorised for issue on 21 September 2016)

* Audited

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 company, 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 2015, which we filed with the United States Securities and Exchange Commission (SEC) on 30 October 2015. 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.

DIRECTORS' REPORT

NATURE OF BUSINESS

DRDGOLD Limited (DRDGOLD or the "company"), which was incorporated on 16 February 1895, owns assets that are primarily involved in the retreatment of surface gold. Based in South Africa, the company does not have a major or controlling shareholder and its directors provide strategic direction on behalf of its shareholders.

DRDGOLD is a public company with its primary listing on the JSE Limited (JSE), and its secondary listing on the New York Stock Exchange Limited (NYSE). The company's shares are also traded on the Marché Libre Paris, the Regulated Unofficial Market on the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets.

SHARE CAPITAL

Details of the 546 000 new shares that were issued and listed during the financial year (2015: 45 500 000) as well as the authorised, issued and unissued share capital of the company as at 30 June 2016 are set out in note 16.1 to the financial statements.

The control over the unissued shares of the company is vested in the directors, in specific terms with regard to allotments in terms of the DRDGOLD (1996) share option scheme (as amended) and the allotment of shares for cash, and in general terms with respect to all other allotments.

The authorities granted to directors in respect of control over unissued shares expire on the date of the annual general meeting (AGM) of members to be held on 25 November 2016. Members will, therefore, be requested to consider resolutions at the forthcoming AGM, placing under the control of the directors the then remaining unissued ordinary shares.

DIRECTORATE

As at 30 June 2016, the board of directors comprised of two executive directors and four non-executive directors.

The directorate remained unchanged during the year under review and up to the date of this report.

The following changes to the company secretary were implemented during the year under review and up to the date of this report:

TJ Gwebu	Resigned 31 December 2015
R Masemene	Appointed 9 March 2016

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

DIRECTORS' INTERESTS IN SHARES

The interests of the directors during the year ended, up to the date of this report, in the ordinary share capital of the company were as follows:

	30 JUNE 2016		30 JUNE 2015	
	Beneficial direct	Beneficial indirect	Beneficial direct	Beneficial indirect
Executive directors				
DJ Pretorius [1,2,3]	**376 167**	**–**	401 167	–
F van der Westhuizen	**–**	**–**	–	–
AT Meyer	**–**	**–**	–	–
AJ Davel	**–**	**–**	–	–
	376 167	**–**	401 167	–
Non-executive directors				
GC Campbell	**200 000**	**–**	200 000	–
J Turk	**–**	**243 000**	–	243 000
EA Jeneker	**–**	**–**	–	–
JA Holtzhausen	**–**	**–**	–	–
	200 000	**243 000**	200 000	243 000
Total	**576 167**	**243 000**	601 167	243 000

(1) 100 000 shares were acquired in the market during the year ended 30 June 2016.

(2) 125 000 shares were disposed in the market during the year ended 30 June 2016.

(3) 370 734 shares were disposed in the market subsequent to 30 June 2016 up to the date of this report.

The full details of the total executive and non-executive directors' remuneration for the year ended 30 June 2016 are provided in note 5 to the financial statements.

REVIEW OF OPERATIONS

The performance of our operations is reviewed in the financial capital section of the Integrated Report 2016.

SIGNIFICANT EVENTS

Brakpan/Withok Tailings Deposition Facility

A legal review of the existing authorisations was undertaken for increasing the deposition capacity of the Brakpan/Withok Tailings Deposition Facility. The results indicated that most of the current authorisations are sufficient, however certain documentation will need to be amended. Refer to the discussion of the life of mine potential in the strategy section of the Integrated Report 2016.

DIVIDENDS

Dividends are proposed and approved by the board of directors of DRDGOLD based on the quarterly management accounts presented to the board. Dividends are recognised when declared by the board of directors of DRDGOLD. The payment of future dividends will depend upon the board's ongoing assessment of DRDGOLD's earnings, after providing for long-term growth, cash and funding resources and the amount of reserves available for a dividend based on the going-concern assessment.

Dividends declared since 1 July 2014

	Final dividend number 8	Final dividend number 9	Interim dividend number 10	Interim dividend number 11	Final dividend number 12
Declaration date	28 August 2014	27 August 2015	12 February 2016	26 April 2016	26 August 2016
Last date to trade ordinary shares cum dividend	7 November 2014	2 October 2015	11 March 2016	20 May 2016	11 October 2016
Record date	14 November 2014	9 October 2015	18 March 2016	27 May 2016	14 October 2016
Amount per ordinary share					
SA cents per share	2.0	10.0	12.0	38.0	12.0
Payment date	17 November 2014	12 October 2015	22 March 2016	30 May 2016	17 October 2016
Amount per ADS					
US cents per share [(1)]	1.6	6.5	6.4	22.3	7.3
Payment date	24 November 2014	19 October 2015	29 March 2016	6 June 2016	24 October 2016

[(1)] Each American Depositary Share (ADS) represents 10 ordinary shares. The actual amount will depend on the exchange rate on the date of the currency conversion.

SUBSIDIARIES

A list of the company's financial interest in its subsidiaries appears in note 12 to the financial statements.

FINANCIAL STATEMENTS AND GOING CONCERN

The group financial statements include the financial position, results and cash flows of the company and its subsidiaries from the effective dates of acquisition.

The financial position, results of operations and cash flow information of the group and company are presented in the attached financial statements. The financial statements have been prepared by management under the supervision of Mr AJ Davel, the Chief Financial Officer, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. The financial statements have been prepared on a going-concern basis and the directors are of the opinion that the group's and company's assets will realise at least the values at which they are stated in the statement of financial position.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of DRDGOLD Limited, comprising the statements of financial position at 30 June 2016, 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 group and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

The group and company annual financial statements of DRDGOLD Limited, as identified in the first paragraph, were approved by the board of directors on 21 September 2016 and signed by:

JA Holtzhausen
Chairman: Audit and Risk Committee
Authorised director

AJ 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 2016 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

21 September 2016

REPORT OF THE AUDIT AND RISK COMMITTEE

The legal responsibilities of the Audit and Risk 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 Audit and Risk Committee's charter. The Audit and Risk Committee has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The members of the committee responsible for audit related matters were formally appointed by the shareholders at the AGM held on 4 November 2015.

The biographical details of the committee's members are set out on pages 55 and 56 of the 2016 Integrated Report and the members' fees are set out on page 61 of the same report.

CHIEF FINANCIAL OFFICER

As required by the JSE Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that the Chief Financial Officer, Riaan Davel, has the appropriate expertise and experience.

EXTERNAL AUDITORS

The Audit and Risk Committee considered the matters set out in the Companies Act, and:

- is satisfied with the independence and objectivity of the external auditors;
- has approved the external auditor's fees and terms of engagement for the year ended 30 June 2015 and budgeted fees and terms of engagement for the financial year ended 30 June 2016; 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 Audit and Risk Committee considered and confirmed the audit plan for the 2016 financial year and reviewed the results of the internal audits conducted during the 2016 financial year.

GENERAL

Separate meetings are held with management and external and internal audit representatives to discuss any problems 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 Audit and Risk Committee. The chairman of the Audit and Risk Committee attends AGMs and is available to answer any questions.

To the best of their knowledge, and on the basis of 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 Audit and Risk Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

The Audit and Risk Committee has evaluated the financial statements of DRDGOLD Limited for the year ended 30 June 2016 and based on the information provided to the Audit and Risk Committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, IFRS and the JSE Listings Requirements.

The Audit and Risk 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.

J A Holtzhausen
Chairman: Audit and Risk Committee

21 September 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DRDGOLD LIMITED

REPORT ON THE GROUP AND COMPANY FINANCIAL STATEMENTS

We have audited the group and company financial statements of DRDGOLD Limited, which comprise the group and company statements of financial position at 30 June 2016, and the group and company 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 group and company financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 62.

DIRECTORS' RESPONSIBILITY FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of DRDGOLD Limited at 30 June 2016, 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.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Directors' report, the Company Secretary's statement and the Report of the Audit and Risk Committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 14 years.

KPMG Inc.
Registered Auditor

Per OC Potgieter
Chartered Accountant (SA)
Registered Auditor
Director

26 September 2016

Suite 301
Secunda Medforum Building
Heunis Street
Secunda
2302

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R'000	2015 R'000
Revenue	3	**2 433 064**	2 105 298
Cost of sales		**(2 236 790)**	(1 946 331)
Operating costs		**(2 030 289)**	(1 786 880)
Depreciation	10	**(180 167)**	(193 301)
Retrenchment costs	4	**–**	(7 150)
Movement in provision for environmental rehabilitation	15, 17	**(19 259)**	20 443
Movement in gold in process		**(7 075)**	20 557
Gross profit from operating activities		**196 274**	158 967
Impairments	4	**–**	(7 904)
Administration expenses and general costs		**(76 695)**	(56 162)
Results from operating activities	4	**119 579**	94 901
Finance income	6	**36 849**	51 497
Finance expenses	7	**(47 576)**	(49 603)
Profit before tax		**108 852**	96 795
Income tax	8	**(46 923)**	(28 599)
Profit for the year		**61 929**	68 196
Attributable to:			
Equity owners of the parent		**61 929**	67 807
Non-controlling interest	16.2	**–**	389
Profit for the year		**61 929**	68 196
Other comprehensive income			
Items that are or may be reclassified to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments		**4 342**	(757)
Fair value adjustment on available-for-sale investments	11	**4 342**	19 118
Fair value adjustment on available-for-sale investment reclassified to profit or loss		**–**	(19 875)
Foreign exchange translation reserve reclassified to profit or loss	6	**–**	(5 882)
Items that will never be reclassified to profit or loss, net of tax			
Actuarial loss	18	**–**	(539)
Total comprehensive income for the year		**66 271**	61 018
Attributable to:			
Equity owners of the parent		**66 271**	60 629
Non-controlling interest		**–**	389
Total comprehensive income for the year		**66 271**	61 018
Earnings per share attributable to equity owners of the parent			
Basic earnings per share (cents)	9	**15**	17
Diluted earnings per share (cents)	9	**15**	17

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

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R'000	2015 R'000
Revenue	3	**20 088**	10 560
Operating costs		**(20 177)**	(10 649)
Depreciation	10	**(58)**	(144)
Retrenchment costs	4	**–**	(2 974)
Impairments	4	**–**	(4 829)
Administration expenses and general costs		**(57 659)**	(36 236)
Results from operating activities	4	**(57 806)**	(44 272)
Finance income	6	**81 385**	95 145
Finance expenses	7	**(358)**	(7 468)
Profit before tax		**23 221**	43 405
Income tax	8	**487**	4 185
Profit for the year		**23 708**	47 590
Other comprehensive income			
Items that are or may be reclassified to profit or loss, net of tax			
Net fair value adjustment on available-for-sale investments		**4 342**	(757)
Fair value adjustment on available-for-sale investments	11	**4 342**	19 118
Fair value adjustment on available-for-sale investment reclassified to profit or loss		**–**	(19 875)
Total comprehensive income for the year		**28 050**	46 833

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

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2016

GROUP 2015 R'000	GROUP 2016 R'000		Note	COMPANY 2016 R'000	COMPANY 2015 R'000
		ASSETS			
1 894 054	**1 818 383**	**Non-current assets**		**773 391**	1 049 806
1 698 774	**1 600 476**	Property, plant and equipment	10	**118**	84
194 082	**211 088**	Non-current investments and other assets	11	**9 033**	5 881
–	**–**	Investments in subsidiaries	12	**757 421**	1 042 643
1 198	**6 819**	Deferred tax asset	19	**6 819**	1 198
608 984	**600 692**	**Current assets**		**298 194**	249 859
168 729	**160 669**	Inventories	13	**–**	–
93 273	**66 515**	Trade and other receivables	14	**13 005**	8 051
13 241	**6 749**	Current tax asset		**6 584**	13 241
324 375	**351 796**	Cash and cash equivalents	23	**278 605**	228 567
9 366	**14 963**	Assets held for sale	15	**–**	–
2 503 038	**2 419 075**	**TOTAL ASSETS**		**1 071 585**	1 299 665
		EQUITY AND LIABILITIES			
1 529 925	**1 339 556**	**Equity of the owners of the parent**	16.1	**1 034 910**	1 262 594
669 495	**765 971**	**Non-current liabilities**		**8 550**	454
493 291	**522 905**	Provision for environmental rehabilitation	17	**–**	–
9 242	**31 583**	Post-retirement and other employee benefits	18	**8 550**	454
147 801	**194 677**	Deferred tax liability	19	**–**	–
19 161	**16 806**	Finance lease obligation	21	**–**	–
303 618	**313 548**	**Current liabilities**		**28 125**	36 617
258 353	**289 023**	Trade and other payables		**26 948**	12 790
2 000	**2 355**	Finance lease obligation	21	**–**	–
23 096	**–**	Loans and borrowings	20	**–**	23 096
2 557	**6 568**	Post-retirement and other employee benefits	18	**1 177**	731
17 612	**15 602**	Liabilities held for sale	15	**–**	–
973 113	**1 079 519**	**TOTAL LIABILITIES**		**36 675**	37 071
2 503 038	**2 419 075**	**TOTAL EQUITY AND LIABILITIES**		**1 071 585**	1 299 665

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

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Ordinary shares Number	Cumulative preference shares Number	Share capital R'000	Cumulative preference share capital R'000	Revaluation and other reserves [1] R'000	Retained earnings R'000	Equity of the owners of the parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 30 June 2014		**385 383 767**	**5 000 000**	**4 088 474**	**500**	**172 856**	**(3 012 759)**	**1 249 071**	**232 140**	**1 481 211**
Total comprehensive income										
Profit for the year							67 807	67 807	389	68 196
Other comprehensive income						(6 639)	(539)	(7 178)		(7 178)
Fair value adjustment on available-for-sale investments	11					19 118		19 118		19 118
Fair value adjustment on available-for-sale investments reclassified to profit or loss	11					(19 875)		(19 875)		(19 875)
Foreign exchange translation reserve reclassified to profit or loss	6					(5 882)		(5 882)		(5 882)
Actuarial loss	18						(539)	(539)		(539)
Transactions with the owners of the parent										
Acquisition of non-controlling interest without a change in control										
Share issue		45 500 000		96 460			135 189	231 649	(232 529)	(880)
Transaction costs				(4 015)				(4 015)		(4 015)
Dividend on ordinary share capital	16 .1						(7 585)	(7 585)		(7 585)
Share-based payments						176		176		176
Share option reserve transferred to retained earnings [2]						(30 563)	30 563	–		–
Balance at 30 June 2015		**430 883 767**	**5 000 000**	**4 180 919**	**500**	**135 830**	**(2 787 324)**	**1 529 925**	**–**	**1 529 925**
Total comprehensive income										
Profit for the year							61 929	61 929		61 929
Other comprehensive income						4 342		4 342		4 342
Fair value adjustment on available-for-sale investments	11					4 342		4 342		4 342
Transactions with the owners of the parent										
Issued shares for cash	18	546 000		2 796				2 796		2 796
Treasury shares acquired through subsidiary	16 .1			(6 521)				(6 521)		(6 521)
Dividend on ordinary share capital	16 .1						(252 915)	(252 915)		(252 915)
Balance at 30 June 2016		**431 429 767**	**5 000 000**	**4 177 194**	**500**	**140 172**	**(2 978 310)**	**1 339 556**	**–**	**1 339 556**

[1] Revaluation and other reserves at 30 June 2016 comprise asset revaluation reserves (refer note 16.1).

[2] The share option reserve was transferred to retained earnings upon the last of the outstanding options vesting during the year ended 30 June 2015.

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Ordinary shares Number	Cumulative preference shares Number	Share capital R'000	Cumulative preference share capital R'000	Revaluation and other reserves [1] R'000	Retained earnings R'000	Total equity R'000
Balance at 30 June 2014		**385 383 767**	**5 000 000**	**4 132 627**	**500**	**14 350**	**(3 016 629)**	**1 130 848**
Total comprehensive income								
Profit for the year							47 590	47 590
Other comprehensive income						(757)	–	(757)
Fair value adjustment on available-for-sale investments	11					19 118		19 118
Fair value adjustment on available-for-sale investments reclassified to profit or loss	11					(19 875)		(19 875)
Transactions with the owners of the parent								
Share issue		45 500 000		96 460				96 460
Transaction costs		–		(4 015)				(4 015)
Dividend on ordinary share capital	16.1						(7 708)	(7 708)
Share-based payments						176		176
Share option reserve transferred to retained earnings [2]						(13 012)	13 012	–
Balance at 30 June 2015		**430 883 767**	**5 000 000**	**4 225 072**	**500**	**757**	**(2 963 735)**	**1 262 594**
Total comprehensive income								
Profit for the year							23 708	23 708
Other comprehensive income						4 342		4 342
Fair value adjustment on available-for-sale investments	11					4 342		4 342
Transactions with the owners of the parent								
Issued shares for cash	18	546 000		2 796				2 796
Dividend on ordinary share capital	16.1						(258 530)	(258 530)
Balance at 30 June 2016		**431 429 767**	**5 000 000**	**4 227 868**	**500**	**5 099**	**(3 198 557)**	**1 034 910**

[1] Revaluation and other reserves at 30 June 2016 comprise asset revaluation reserves (refer note 16.1).

[2] The share option reserve was transferred to retained earnings upon the last of the outstanding options vesting during the year ended 30 June 2015.

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2015 R'000	GROUP 2016 R'000		Note	COMPANY 2016 R'000	COMPANY 2015 R'000
		CASH FLOWS FROM OPERATING ACTIVITIES			
2 087 926	**2 476 066**	Cash received from sales of precious metals/corporate services fees		**20 088**	10 560
(1 802 729)	**(2 077 851)**	Cash paid to suppliers and employees		**(55 163)**	(50 906)
285 197	**398 215**	Cash generated by/(applied to) operations	22	**(35 075)**	(40 346)
13 883	**22 331**	Finance income		**19 387**	12 779
(11 944)	**(4 965)**	Finance expenses		**(596)**	(10 568)
(3 523)	**362**	Income tax received/(paid)		**1 522**	(7 348)
283 613	**415 943**	Net cash inflow/(outflow) from operating activities		**(14 762)**	(45 483)
		CASH FLOWS FROM INVESTING ACTIVITIES			
46 387	**12**	Proceeds on disposal of non-current investments and other assets		**12**	46 387
17 392	**7 021**	Proceeds on disposal of property, plant and equipment		**2**	–
(90 856)	**(99 780)**	Additions to property, plant and equipment		**(92)**	(102)
(9 034)	**(10 591)**	Environmental rehabilitation payments	17	**–**	–
(803)	**–**	Contribution to environmental obligation funds		**–**	–
(851)	**–**	Acquisition of non-controlling interest		**–**	(851)
–	**–**	Repayments of amounts owing by subsidiaries		**347 156**	167 069
96	**(3 854)**	Other		**(3 854)**	96
(37 669)	**(107 192)**	Net cash (outflow)/inflow from investing activities		**343 224**	212 599
		CASH FLOWS FROM FINANCING ACTIVITIES			
–	**2 796**	Proceeds from the issue of shares		**2 796**	–
–	**(6 521)**	Acquisition of treasury shares		**–**	–
(416)	**(2 000)**	Repayment of finance lease obligation		**–**	–
(122 500)	**(22 500)**	Repayments of loans and borrowings		**(22 500)**	(122 500)
(7 585)	**(252 915)**	Dividends paid on ordinary share capital		**(258 530)**	(7 708)
(130 501)	**(281 140)**	Net cash outflow from financing activities		**(278 234)**	(130 208)
115 443	**27 611**	**Net increase in cash and cash equivalents**		**50 228**	36 908
208 932	**324 375**	Cash and cash equivalents at the beginning of the year		**228 567**	191 659
–	**(190)**	Foreign exchange movements		**(190)**	–
324 375	**351 796**	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	23	**278 605**	228 567

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 ACCOUNTING POLICIES

Reporting entity

DRDGOLD Limited is domiciled in South Africa with a registration number of 1895/000926/06. The address of the company is Off Crownwood Road, Crown Mines, Johannesburg 2092. The group is primarily involved in the retreatment of surface gold.

The group financial statements comprise the company and its subsidiaries (collectively the "group" and individually "group companies").

Basis of accounting

The group and company 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 group and company financial statements were approved by the board of directors on 21 September 2016. Details of the group's accounting policies are outlined in this note.

Functional and presentation currency

The group and company financial statements are presented in South African rands, which is the group's functional currency. All financial information presented in South African rands has been rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgements

The preparation of the group and company financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the group and company financial statements is outlined below:

(a) Depreciation

The calculation of the units-of-production rate of depreciation could be affected if actual production in the future is different 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.

Factors could include:

- changes in mineral reserves and resources (which could similarly affect the useful lives of assets depreciated on the straight-line basis, where those lives are limited to the life of the mine);
- the grade of mineral reserves and resources may vary significantly 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.

Property, plant and equipment would have amounted to R1 539.6 million at 30 June 2016 if the life of mine had not been increased to 10 years effective as at 1 July 2015.

(b) Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated provisions for environmental rehabilitation, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

An average discount rate of 8.8% (2015: 8.4%), average inflation rate of 6.3% (2015: 6.0%) 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 (refer to note 17).

(c) Estimate of tax

The effective gold mining tax rate applied to calculate the deferred tax liability is based on expected future profitability. A 100 basis points increase in the effective tax rate will result in an increase in the deferred tax liability at 30 June 2016 of approximately R8.1 million (2015: R7.3 million).

Basis of measurement

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

Changes in accounting policies

The group has consistently applied the accounting policies set out below to all periods presented in these group and company financial statements.

New standards, amendments to standards and interpretations adopted

The group adopted all the new standards, amendments to standards and interpretations, which are applicable to the group, with a date of initial application of 1 July 2015. The adoption of these standards did not have a significant impact on these financial statements.

Basis of consolidation

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's subsequent share of changes in equity.

Changes in the group's interest in a subsidiary which do not lead to loss of control are accounted for as equity transactions with equity owners in their capacity as equity owners and no profit or loss is recognised.

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 group financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at cost less any accumulated impairment in the company financial statements of the company.

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 group financial statements.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies undertaken by group entities are translated to the functional currency at the exchange rates ruling at the dates of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies, measured at fair value, are translated at foreign exchange rates ruling at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment in which case the foreign currency differences that have been recognised in other comprehensive income ("OCI") are reclassified to profit or loss) are recognised in OCI.

1 ACCOUNTING POLICIES *continued*

Financial instruments

The entity classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The entity classifies non-derivative financial liabilities into the financial liabilities measured at amortised cost category.

(i) Non derivative financial assets and financial liabilities – recognition and derecognition

The entity initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or to the extent that the group or company transfers substantially all the risks and rewards of ownership of the financial asset. Any interest in such derecognised financial assets that is created or retained by the entity is recognised as a separate asset or liability.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or has expired. Any gain or loss on derecognition is taken to profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents 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. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents include restricted cash and are short-term in nature. Restricted cash which is long-term in nature is classified as non-current and is similar in nature to rehabilitation trust funds. Restricted cash would typically be long-term in nature when it is expected not to be able to be utilised for at least 12 months after the reporting date.

Available-for-sale financial assets

The group's 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 and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. The group applies settlement date accounting to the regular way purchase or sale of financial assets.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Property, plant and equipment

Recognition and measurement

The group's property, plant and equipment consist mainly of mining assets which comprise mining property and development (including mineral rights), mine plant facilities, exploration assets and equipment and vehicles.

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Development costs, which are capitalised, consist primarily of expenditure that gives access to mineral reserves and resources. Where funds have been borrowed specifically to finance a project, the amount of interest capitalised represents the actual borrowing costs incurred. Mine development costs capitalised, include acquired, proved and probable mineral reserves at the acquisition date.

Exploration and evaluation costs, including the costs of acquiring licenses, property and qualifying borrowing costs, are capitalised as exploration assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as tangible assets according to the nature of the assets acquired. When a license is relinquished or a project is abandoned, the related costs are recognised in profit or loss immediately.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing an asset to a working condition for its intended use, as well as the costs of dismantling and removing an asset and restoring the site on which it is located.

Where parts of an item of property, plant and equipment, with costs that are significant in relation to the total cost of the item, have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gains or losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss. When assets are sold which have been revalued on acquisition for consolidation purposes, the amounts included in the asset revaluation reserve are transferred to retained earnings (refer to note 16.1).

Subsequent expenditure

The group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the part will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense incurred.

Depreciation

Depreciation of mining property and development (including mineral rights) and mine plant facilities is calculated using the units of production method which is based on the life of mine.

The group's 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 prevailing 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.

Other assets are depreciated using the straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

The current estimated useful lives for the current and comparative periods are:

- mine properties – life-of-mine, currently between seven (2015: six) and 10 (2015: 10) years;
- mine development – life-of-mine, currently between seven (2015: six) and 10 (2015: 10) years;
- mine plant facilities – life-of-mine, currently between seven (2015: six) and 10 (2015: 10) years; and
- equipment and vehicles – two to five years.

The residual values, estimated useful lives and depreciation method are reassessed annually and adjusted if appropriate.

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset and liability are measured at amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in the same manner as owned property, plant and equipment.

1 ACCOUNTING POLICIES *continued*

Impairment

Financial assets

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.

Financial assets measured at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate, that is, the effective interest rate computed at initial recognition of these financial assets.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in OCI, and there is objective evidence (e.g. significant or prolonged decline in the fair value below the cost of the investment) that the asset is impaired, the cumulative loss that had been recognised in OCI is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Financial assets that are individually significant are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in OCI.

Non-financial assets

The carrying amounts of the group's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For purposes of impairment testing, assets are grouped together into the smallest group of assets which generates cash flows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (cash-generating units).

An impairment loss is recognised directly against the carrying amount of the asset whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amounts of the assets in the unit (group of units) on a *pro rata* basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Exploration assets

Exploration assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration assets are allocated to cash-generating units consistent with the determination of reportable segments.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and probable reserves are determined to exist. Upon determination of proven and probable reserves, exploration assets attributable to those reserves are first tested for impairment and then reclassified from exploration assets to a separate category within tangible assets.

Inventories

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 the lower of cost and net realisable value. Cost of consumables is based on the weighted average cost principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

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

Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity or OCI.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognised for tax purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the expected manner of realisations or settlement of the carrying amounts of assets and liabilities, and based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, if these relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, if the company intends to settle current tax liabilities and assets on a net basis, or if their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend withholding tax

Dividend withholding tax is a tax on certain shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividends tax on behalf of certain of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company’s tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case, it is recognised as an asset.

Share capital

Ordinary share capital

Ordinary 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.

1 ACCOUNTING POLICIES *continued*

Share capital *continued*

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specified date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

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 in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

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 accrue.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Pension plans, which are multi-employer plans in the nature of defined contribution plans, are funded through monthly contributions to these defined contribution plans. Obligations for contributions are recognised as an employee benefit expense in profit or loss as the service is rendered.

Long-service benefits

The group makes long-service bonus payments (long-service awards) for certain eligible employees under the Chamber of Mines of South Africa long Service Award Scheme. The amount of the award is based on both the employee's skill level and years of service with gold mining companies that qualify for the scheme. The obligation is accrued over the service life of the employees and is calculated using a projected unit credit method. Any actuarial gains or losses are recognised in OCI in the period in which they arise.

Post-retirement medical benefits

Post-retirement medical benefits in respect of qualifying employees are recognised over the expected remaining service lives of relevant employees and the remaining life expectancies of retirees. The group has an obligation to provide medical benefits to certain of its pensioners and dependents of ex-employees. These liabilities are provided in full, calculated on an actuarial basis and discounted using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Periodic valuation of these obligations is carried out by independent actuaries using appropriate mortality tables, long-term estimates of increases in medical costs and appropriate discount rates. The fair value of any plan assets is deducted. Actuarial gains and losses are recognised immediately in OCI. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are changed, the portion of the changed benefit relating to past service by employees is recognised in profit or loss immediately.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Share-based payment transactions

Equity settled share based payment awards

The group granted share options to certain employees under an employee share plan to acquire shares of the company. The fair value of options granted was recognised as an employee expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted was measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense was adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to market conditions such as share prices not achieving the threshold for vesting.

Cash settled share based payment awards

The group operates a cash-settled long term incentive scheme in which certain employees of the group participate.

The fair value of the awards made in terms of this cash-settled long term scheme is based on the quoted DRDGOLD Limited share price, taking into account the terms and conditions upon which the awards were granted. The fair value of the award is estimated using appropriate valuation models and appropriate assumptions at the grant date.

The grant date fair value of the awards is recognised as an employee benefit expense over the vesting period based on the group's estimate of the number of instruments that will eventually vest, with a corresponding increase in the share-based payment obligation. At each reporting date the obligation is remeasured to the fair value of the instrument, to reflect the potential outflow of cash resources to settle the liability, with a corresponding adjustment to profit or loss. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Provisions

A provision is recognised in the statement of financial position when the group has present legal or constructive obligations resulting from past events that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for environmental rehabilitation

Provision for environmental rehabilitation includes decommissioning and restoration liabilities.

Decommissioning and restoration liabilities are measured at the present value of the expenditures expected to be incurred to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning and restoration obligation is included in profit or loss. Estimated future costs of decommissioning and restoration liabilities are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology.

Decommissioning liabilities

The provision for decommissioning represents the cost that will arise from rectifying damage caused before production commenced. Accordingly, an asset is recognised and included within mining properties. Changes in estimates are capitalised or reversed against the relevant asset. Expenditures actually incurred to settle such liabilities are recognised as cash outflows from investing activities.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

Restoration liabilities

The provision for restoration represents the cost of restoring site damage after the start of production. Increases in the provision are recognised in profit or loss as a cost of production. Expenditures actually incurred to settle such liabilities are recognised as cash outflows from operating activities.

Rehabilitation obligation funds

Rehabilitation obligation funds are used to cover the estimated cost of rehabilitation at the end of the life of the relevant mine. These contributions are recognised as a right to receive a reimbursement from the fund and measured at the lower of the amount of the environmental rehabilitation liability recognised and the fair value of the fund assets. Changes in the carrying value of the fund assets, other than contributions to and payments from the fund, are recognised in profit or loss.

1 ACCOUNTING POLICIES *continued*

Revenue recognition

Gold bullion and by-products

The group recognises revenue from the sale of gold bullion and by-products at the fair value of the consideration received or receivable. Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. These criteria are usually met when Rand Refinery sells the refined gold.

Company revenue

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 is measured at fair value. Revenue from the receipt of dividends is recognised when the company's right to receive payment has been established.

Government grants

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grant will be received. Grants that compensate the group for expenses incurred are recognised in profit or loss as a deduction against the related expense.

Finance income

Finance income includes dividends received (except in the company's separate financial statements where this is recognised as revenue), interest received, growth in the environmental rehabilitation obligation funds, net gains on financial instruments measured at amortised cost, net foreign exchange gains, and other profits and losses arising on disposal of investments.

Dividends are recognised when the group's right to receive payment is established. Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate to maturity on the accrual basis.

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance expenses

Finance expenses comprise interest payable on borrowings calculated using the effective interest method, unwinding of the provision for environmental rehabilitation, net foreign exchange losses, net losses on financial instruments measured at amortised cost, and interest on finance leases.

Segment reporting

Operating segments are identified on the basis of internal reports that the group's chief operating decision maker (CODM) reviews regularly in allocating resources to segments and in assessing their performance. The CODM for the group has been identified as the group's Executive Committee. Reportable segments are identified based on quantitative thresholds of revenue, profit or loss, and assets. The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements. Aggregation of operating segments is implemented where disclosure of information enables users of the group's financial statements to evaluate the nature and effects of the business activities in which it engages and the economic environment in which it operates, where the operating segments have characteristics so similar that they can be expected to have essentially the same future prospects and where they are similar in the following respects:

- the nature of products;
- the nature of the production process;
- the type or class of customer for the products;
- the methods used to distribute the products; and
- if applicable, the nature of the regulatory environment.

Assets held for sale

Non-current assets, or disposal groups comprising asset 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 generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial application as held for sale and subsequent gains and losses on premeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment, are no longer amortised or depreciated.

Earnings or loss per share

The group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings or loss per share is calculated based on the net profit or loss after tax for the year attributable to ordinary shareholders of the company, divided by the weighted average number of ordinary shares in issue during the year. Diluted earnings or loss per share is presented when the inclusion of ordinary shares that may be issued in the future, which comprise share options granted to employees, has a dilutive effect on earnings or loss per share.

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 entity 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 have not been early adopted by the group and an estimate of the impact of the adoption thereof for the group is in the process of being finalised. These Standards and Interpretations will be adopted at their effective date.

Standard/interpretation		Effective date
IAS 1	Disclosure Initiative	1 January 2016
IAS 12	Income tax amendments	1 January 2017
IFRS 2	Share-based payment amendments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

Management is of the opinion that the impact of the application of the Standards and Interpretations will be as follows:

IAS 1 Disclosure Initiative

Key clarifications included in this amendment includes the following:

- There is an emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard.
- The order of notes to the financial statements is not prescribed. Instead, companies can choose their own order, and can also combine, for example, accounting policies with notes on related subjects.
- It has been made explicit that companies:
  - should disaggregate line items on the statement of financial position and in the statement of profit or loss and OCI if this provides helpful information to users; and
  - can aggregate line items on the statement of financial position if the line items specified by IAS 1 are immaterial.
- Specific criteria are provided for presenting sub-totals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

IAS 12 Income taxes amendments (Recognition of deferred tax assets for unrealised losses)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

1 ACCOUNTING POLICIES *continued*

New standards, amendments to standards and interpretations not yet adopted *continued*

IAS 12 Income taxes amendments (Recognition of deferred tax assets for unrealised losses) *continued*

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for the recognition of deductible temporary differences related to unrealised losses. These are to be assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

IFRS 2 Share-based payment amendments

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.

Classification of share-based payments settled net of tax withholdings – The company may be obligated to collect or withhold tax related to a share-based payment, even though the tax obligation is often a liability of the employee and not the company. Currently, it is unclear whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

IFRS 15 Revenue from contracts with customers

The standard contains a single model that applies to contracts with customers and 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.

IFRS 9 Financial Instruments

This standard will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

IFRS 16 Leases

It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

2 OPERATING SEGMENTS

The following summary describes the operations in the group's reportable operating segment:

- 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 four plants. Ergo and Knights continue to operate as metallurgical plants and Crown and City Deep continue as pump/milling stations feeding the metallurgical plants.

Corporate office and 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.

The group's revenue stream consists mainly of the sale of gold bullion.

2016	Ergo R'000	Corporate office and other reconciling items R'000	Total R'000
Financial performance			
Revenue	2 433 064	–	2 433 064
Cash operating costs	(1 991 180)	–	(1 991 180)
Movement in gold in process	(7 075)	–	(7 075)
Operating profit	434 809	–	434 809
Interest income	2 772	19 648	22 420
Interest expense	(4 122)	(438)	(4 560)
Administration expenses and general costs	(4 450)	(82 759)	(87 209)
Income tax [(1)]	(535)	(5 134)	(5 669)
Working profit/(loss) before capital expenditure	428 474	(68 683)	359 791
Additions to property, plant and equipment	(99 922)	(92)	(100 014)
Additions to listed investments	–	(1 318)	(1 318)
Working profit/(loss) after capital expenditure	328 552	(70 093)	258 459

[(1)] Income tax excludes deferred tax.

Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	428 474	(68 683)	359 791
– Depreciation	(180 095)	(72)	(180 167)
– Movement in provision for environmental rehabilitation	(21 371)	2 112	(19 259)
– Growth in environmental rehabilitation trust funds and reimbursive right	9 756	4 673	14 429
– Profit on disposal of property, plant and equipment	9 265	1 249	10 514
– Unwinding of provision for environmental rehabilitation	(41 491)	(1 525)	(43 016)
– Ongoing rehabilitation expenditure	(27 833)	–	(27 833)
– Other operating (costs)/income	(29 608)	18 332	(11 276)
– Deferred tax	(46 876)	5 622	(41 254)
Profit/(loss) for the year	100 221	(38 292)	61 929
Statement of cash flows			
Cash flows from operating activities	414 825	1 118	415 943
Cash flows from investing activities	(105 584)	(1 608)	(107 192)
Cash flows from financing activities	(2 000)	(279 140)	(281 140)

Geographical information and information about major customers

Due to regulatory requirements, the group has only one major gold customer in South Africa, being the only geographical area in which it operates.

2 OPERATING SEGMENTS *continued*

2015	Ergo R'000	Corporate office and other reconciling items R'000	Total R'000
Financial performance			
Revenue	2 105 298	–	2 105 298
Cash operating costs	(1 741 512)	–	(1 741 512)
Movement in gold in process	20 557	–	20 557
Operating profit	384 343	–	384 343
Interest income	808	13 599	14 407
Interest expense	(3 095)	(7 517)	(10 612)
Retrenchment costs	(2 794)	(4 356)	(7 150)
Administration expenses and general costs	(3 466)	(66 106)	(69 572)
Income tax [1]	(1 067)	4 412	3 345
Working profit/(loss) before capital expenditure	374 729	(59 968)	314 761
Additions to property, plant and equipment	(113 233)	(102)	(113 335)
Additions to reimbursive right	(803)	–	(803)
Working profit/(loss) after capital expenditure	260 693	(60 070)	200 623

[1] Income tax excludes deferred tax.

Reconciliation of profit/(loss) for the year			
Working profit/(loss) before capital expenditure	374 729	(59 968)	314 761
– Depreciation	(193 144)	(157)	(193 301)
– Movement in provision for environmental rehabilitation	15 840	4 603	20 443
– Impairments	(3 075)	(4 829)	(7 904)
– Fair value adjustment on available-for-sale investment reclassified to profit or loss	–	19 875	19 875
– Profit on disposal of equity accounted investment	–	5 882	5 882
– Growth in environmental rehabilitation trust funds and reimbursive right	7 586	3 748	11 334
– Profit on disposal of property, plant and equipment	2 344	10 823	13 167
– Unwinding of provision for environmental rehabilitation	(37 306)	(1 685)	(38 991)
– Ongoing rehabilitation expenditure	(30 630)	(1 098)	(31 728)
– Net other operating costs	(961)	(12 437)	(13 398)
– Deferred tax	(31 717)	(227)	(31 944)
Profit/(loss) for the year	103 666	(35 470)	68 196
Statement of cash flows			
Cash flows from operating activities	284 961	(1 348)	283 613
Cash flows from investing activities	(98 030)	60 361	(37 669)
Cash flows from financing activities	(416)	(130 085)	(130 501)

Geographical information and information about major customers

Due to regulatory requirements, the group has only one major gold customer in South Africa, being the only geographical area in which it operates.

GROUP 2015 R'000	GROUP 2016 R'000			COMPANY 2016 R'000	COMPANY 2015 R'000
		3	**REVENUE**		
			Revenue consists of the following principal categories:		
2 103 046	**2 429 682**		Gold revenue	**–**	–
2 252	**3 382**		By-product revenue	**–**	–
–	**–**		Corporate services fees	**20 088**	10 560
2 105 298	**2 433 064**		Total revenue	**20 088**	10 560
		4	**RESULTS FROM OPERATING ACTIVITIES**		
			Include the following:		
(7 580)	**(8 055)**		**Auditors' remuneration**	**(6 093)**	(5 844)
(6 539)	**(7 230)**		Audit fees – current year	**(5 188)**	(4 878)
(966)	**(825)**		Under provision – prior year	**(905)**	(966)
(75)	**–**		Fees for other services	**–**	–
(7 061)	**(8 062)**		**Management, technical, administrative and secretarial service fees**	**(4 501)**	(3 465)
			Staff costs		
(366 761)	**(405 612)**		Included in staff costs are:	**(29 063)**	(20 273)
(337 235)	**(354 386)**		Salaries and wages	**(19 615)**	(17 052)
(1 753)	**(29 874)**		Share-based payments (a)	**(9 448)**	(247)
(7 150)	**–**		Retrenchment costs	**–**	(2 974)
(20 623)	**(21 352)**		Post-retirement and other employee benefits	**–**	–
13 166	**10 514**		**Profit on disposal of property, plant and equipment**	**2**	–
(2 768)	**(1 794)**		**Operating leases**	**(12)**	(1 179)
–	**22 659**		**Reversal of accrual** (b)	**–**	–
(7 904)	**–**		**Impairments**	**–**	(4 829)
(3 075)	**–**		Property, plant and equipment (c)	**–**	–
(3 614)	**–**		Non-current investments and other assets (d)	**–**	(3 614)
(1 215)	**–**		Cash and cash equivalents	**–**	(1 215)
21 428	**23 760**		**Learnership grant**	**–**	–
			Grants received from the Mining Qualifications Authority ("MQA") offset against cost incurred by Ergo Business Development Academy NPC ("EBDA")		

GROUP

(a) Share-based payments (refer note 18)

The Share-based payments expense relates mainly to the grant made during November 2015 under the amended cash-settled long term incentive scheme ("LTI") and has been driven by the increase in the DRDGOLD share price to R8.53 at reporting date.

(b) Reversal of accrual

In 2010 the Ekurhuleni Metropolitan Municipality ("Municipality") brought an action against East Rand Proprietary Mines Limited ("ERPM") claiming an amount of R43 million in respect of outstanding rates and taxes which were allegedly owing. ERPM employed experts to investigate the allegations and concluded that this claim was without merit and therefore that an outflow of resources was remote. ERPM deferred payment of rates and taxes for which it recognised an accrual of R22.7 million.

The February and March 2016 statements issued by the Municipality reflected that all rates and taxes and interest thereon had been written off and the balance owing by ERPM was reduced to zero. As a result the accrual was reversed.

4 RESULTS FROM OPERATING ACTIVITIES *continued*

GROUP AND COMPANY

During the year ended 30 June 2015, the following impairments were recognised:

(c) Property, plant and equipment (refer note 10):

R3.1 million in the Ergo operating segment related to the Soweto cluster included under mine development costs which was assessed to be uneconomical to mine.

(d) Non-current investments and other assets (refer note 11):

R3.6 million due to the fair value of listed shares having remained significantly lower than its original cost price for a pro-longed period. These include:

– Village Main Reef Limited ("VMR"): R2.3 million; and
– West Wits Mining Limited ("WWM"): R1.3 million.

5 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	2016				2015		
	Remuneration paid during the year R'000	Pre-tax gain on share options exercised R'000	Incentives related to this cycle R'000	Total remuneration related to this cycle R'000	Remuneration paid during the year R'000	Incentives related to this cycle R'000	Total remuneration related to this cycle R'000
COMPANY							
Executive directors							
DJ Pretorius	**5 478**	–	**4 988**	**10 466**	5 544	3 588	9 132
FD van der Westhuizen	–	–	–	–	2 079	–	2 079
AT Meyer	–	–	–	–	893	–	893
AJ Davel	**3 077**	–	**2 949**	**6 026**	1 427	1 096	2 523
	8 555	–	**7 937**	**16 492**	9 943	4 684	14 627
Non-executive directors							
GC Campbell	**1 499**	–	–	**1 499**	1 453	–	1 453
RP Hume	–	–	–	–	262	–	262
J Turk	**672**	–	–	**672**	676	–	676
EA Jeneker	**869**	–	–	**869**	763	–	763
JA Holtzhausen	**703**	–	–	**703**	690	–	690
	3 743	–	–	**3 743**	3 844	–	3 844
GROUP							
Prescribed officers							
CM Symons [(1)]	**3 059** [(2)]	–	**2 668**	**5 727**	3 256 [(2)]	1 144	4 400
TJ Gwebu	–	–	–	–	3 446	–	3 446
WJ Schoeman	**2 929**	**304**	**2 949**	**6 182**	3 072	2 187	5 259
R Masemene	**1 968**	**55**	**1 360**	**3 383**	1 768	492	2 260
	7 956	**359**	**6 977**	**15 292**	11 542	3 823	15 365
Total	**20 254**	**359**	**14 914**	**35 527**	25 329	8 507	33 836

(1) Fixed-term contract concluded on 31 July 2016.

(2) Includes pension scheme contributions of R 329 552 (2015: R309 139).

The remuneration of executive directors and prescribed officers comprises an all inclusive salary, short-term incentives and long-term incentive rewards. Non-executive directors receive board fees which are approved at each annual general meeting of the company.

DRDGOLD Phantom Share Scheme

2016	Opening balance Number	Granted Number	Vested Number	Exercise price R	Proceeds R	Forfeited/ lapsed Number	Closing balance Number
COMPANY							
Executive directors							
DJ Pretorius	–	2 323 009	–	–	–	–	2 323 009
AJ Davel	205 207	1 305 033	(34 201)	1.90	64 845	–	1 476 039
	205 207	3 628 042	(34 201)		64 845	–	3 799 048
GROUP							
Prescribed officers							
CM Symons	204 757	–	(34 124)	1.90	64 703	–	170 633
WJ Schoeman	451 038	1 305 033	(222 630)	2.09	464 460	–	1 533 441
R Masemene	175 632	796 460	(66 174)	2.09	138 174	–	905 918
Subtotal	831 427	2 101 493	(322 928)		667 337	–	2 609 922
Total	1 036 634	5 729 535	(357 129)		732 182	–	6 409 040
2015							
COMPANY							
Executive directors							
FD van der Westhuizen [(1)]	172 294	–	–	–	–	(172 294)	–
AJ Davel	–	205 207	–	–	–	–	205 207
	172 294	205 207	–		–	(172 294)	205 207
GROUP							
Prescribed officers							
CM Symons	106 425	204 757	(106 425)	1.51	160 420	–	204 757
TJ Gwebu [(2)]	251 749	–	(85 395)	1.47	125 879	(50 600)	115 754
WJ Schoeman	372 457	205 207	(126 626)	1.48	187 066	–	451 038
R Masemene	108 564[(3)]	101 351	(34 283)	1.37	46 915	–	175 632
Subtotal	839 135	511 315	(352 729)		520 280	(50 600)	947 181
Total	1 011 489	716 522	(352 729)		520 280	(222 894)	1 152 388

[(1)] Granted prior to appointment as a director on 1 January 2014.

[(2)] Retrenched 31 August 2014. Continued in office as prescribed officer on a fixed term contract basis until 31 December 2014. Closing balance phantom shares as at 31 December 2014.

[(3)] Granted prior to appointment as a prescribed officer during August 2014.

5 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

DRDGOLD (1996) Share Scheme

2016	Opening balance Number	Average strike price R	Exercised Number	Forfeited/ lapsed Number	Average strike price R	Closing balance Number	Average strike price R
GROUP							
Prescribed officers							
W J Schoeman	**99 175**	**5.12**	**(99 175)**	**–**	**5.12**	**–**	**–**
R Masemene [(1)]	**17 300**	**5.12**	**(17 300)**	**–**	**5.12**	**–**	**–**
	116 475		**(116 475)**	**–**		**–**	
2015							
COMPANY							
Executive directors							
F D van der Westhuizen [(2)]	18 550	5.12	–	(18 550)	5.12	–	–
	18 550		–	(18 550)		–	
GROUP							
Prescribed officers							
C M Symons [(3)]	85 050	5.12	–	(85 050)	5.12	–	–
T J Gwebu [(4)]	66 750	5.12	–	–	–	66 750	5.12
W J Schoeman	99 175	5.12	–	–	–	99 175	5.12
R Masemene [(1)]	17 300	5.12	–	–	–	17 300	5.12
	268 275		–	(85 050)		183 225	
	286 825		–	(103 600)		183 225	

[(1)] Granted prior to appointment as a prescribed officer during August 2014.

[(2)] Granted prior to appointment as a director on 1 January 2014.

[(3)] Retrenched during FY2014. Subsequently appointed on a fixed-term contract basis.

[(4)] Retrenched 31 August 2014. Continued in office as prescribed officer on a fixed term contract basis until 31 December 2014. Closing balance share options as at 31 December 2014.

GROUP 2015 R'000	GROUP 2016 R'000			COMPANY 2016 R'000	COMPANY 2015 R'000
		6	**FINANCE INCOME**		
14 406	**22 420**		Interest on loans and receivables	**19 453**	13 297
–	**–**		Interest on loans and receivables from subsidiaries	**61 932**	61 973
5 562	**6 456**		Growth in environmental rehabilitation trust funds (refer note 11 and 15)	**–**	–
5 772	**7 973**		Growth in reimbursive right (refer note 11)	**–**	–
19 875	**–**		Fair value adjustment on available-for-sale investments reclassified to profit or loss (refer note 11)	**–**	19 875
5 882	**–**		Profit on disposal of equity accounted investment (a)	**–**	–
51 497	**36 849**			**81 385**	95 145

(a) During the year ended 30 June 2015, DRDGOLD disposed of its Chizim Gold (Pvt) Limited shares and loan account for US$1. The foreign exchange translation reserve amounting to R5.9 million was reclassified to profit or loss on the disposal.

GROUP 2015 R'000	GROUP 2016 R'000			COMPANY 2016 R'000	COMPANY 2015 R'000
		7	**FINANCE EXPENSES**		
(10 612)	**(4 370)**		Interest accrued	**(168)**	(7 468)
(38 991)	**(43 016)**		Unwinding of provision for environmental rehabilitation (refer note 15 and 17)	**–**	–
–	**(190)**		Unrealised foreign exchange loss	**(190)**	–
(49 603)	**(47 576)**			**(358)**	(7 468)
		8	**INCOME TAX**		
(31 805)	**(46 876)**		Mining tax	**–**	–
3 206	**(47)**		Non-mining tax	**487**	4 185
(28 599)	**(46 923)**			**487**	4 185
			Comprising:		
(1 067)	**(534)**		Current tax – current year	**–**	–
4 412	**(5 134)**		– prior year	**(5 134)**	4 412
(28 857)	**(42 088)**		Deferred tax – current year	**5 621**	(227)
(3 087)	**833**		– prior year	**–**	–
(28 599)	**(46 923)**			**487**	4 185

In South Africa, mining tax on mining income is determined based on a formula which takes into account the profit and revenue from a gold mining company during the year. The formula for determining the South African gold mining tax rate for the years ended 30 June 2016 and 30 June 2015 is: 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 mining income derived, expressed as a percentage. Non-mining income, which consists primarily of interest, is taxed at a standard rate of 28% (2015: 28%).

For deferred tax purposes the group applies the expected average effective tax rate. The expected average effective tax rates for the respective companies are based on the current estimate when temporary differences will reverse. Depending on the profitability of the companies, the tax rate can consequently be significantly different from year to year.

Each company is taxed as a separate entity and no tax set-off is allowed between the companies.

All mining capital expenditure is deducted to the extent that it does not result in an assessed loss and depreciation is ignored when calculating the mining income. Capital expenditure not deducted from mining income is carried forward as unredeemed capital expenditure to be deducted from future mining income. The Ergo operation is treated as one tax paying operation pursuant to the relevant ring-fencing legislation.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		8 INCOME TAX *continued*		
		Tax reconciliation		
		Major items causing the group's income tax expense to differ from the statutory rate were:		
(27 103)	**(30 478)**	Tax on net profit before tax at South African corporate tax rate of 28%	**(6 503)**	(12 153)
8 580	**4 425**	Rate adjustment to reflect the actual realised company tax rates	**–**	–
(10 028)	**(21 696)**	Deferred tax rate adjustment (a)	**–**	–
(3 726)	**(1 818)**	Non-deductable expenditure (b)	**(115)**	(1 646)
8 423	**–**	Exempt income and other non-taxable income (c, e)	**11 262**	22 917
1 326	**(4 301)**	(Under)/over provided in prior periods	**(5 134)**	4 412
3 126	**685**	Tax incentives	**–**	–
1 789	**(1 272)**	Other differences	**39**	(49)
–	**7 543**	Utilisation of tax losses for which deferred tax assets were previously unrecognised (d)	**938**	–
(10 986)	**(11)**	Current year tax losses for which no deferred tax asset was recognised	**–**	(9 296)
(28 599)	**(46 923)**	**Income tax**	**487**	4 185
1 469 638	**1 208 650**	Estimated unredeemed capital expenditure at year-end (available for deduction against future mining income)	**131 504**	131 504
1 452 383	**1 452 383**	Estimated gross capital losses at year-end (available to reduce future capital gains)	**1 452 383**	1 452 383
165 357	**146 911**	Estimated assessed tax losses at year-end (available to reduce future taxable income)	**29 849**	33 199
3 087 378	**2 807 944**	Estimated tax losses and unredeemed capital expenditure carried forward [1]	**1 613 736**	1 617 086

GROUP

(a) Deferred tax rate adjustment

The effective gold mining tax rate increased from 20.07% to 23.07% (2015: 18.46% to 20.07%) due to the impact of the higher forecasted gold price.

(b) Non-deductable expenditure

The group's non-deductable expenditure for the year ended 30 June 2016 includes R4.6 million related to depreciation on non-redeemable assets (2015: R6.6 million related to depreciation on non-redeemable assets and R4.8 million relating to impairments of available-for-sale investments and other assets).

(c) Exempt income and other non-taxable income

Included in the group's exempt income for the year ended 30 June 2015 are:

- R19.8 million relating to the fair value adjustment on available-for-sale investments reclassified to profit or loss; and
- R5.9 million relating to the foreign exchange translation reserve reclassified to profit or loss.

(d) Tax losses and unredeemed CAPEX for which deferred tax assets were previously unrecognised

Group entities that do not generate recurring taxable income, and therefore have unrecognised deferred tax assets, generated taxable income during the year ended 30 June 2016 resulting from the following non-recurring, taxable items:

- R22.6 million relating to a reversal of an accrual (refer note 4); and
- R9.8 million recoupment of capital allowances.

COMPANY

(e) Exempt income and other non-taxable income

The company's exempt income for the year ended 30 June 2016 includes R40.2 million interest received from subsidiaries that is not taxable.

Included in the company's exempt income for the year ended 30 June 2015 are:

- R19.8 million relating to the fair value adjustment on available-for-sale investments reclassified to profit or loss; and
- R62.0 million relating to interest received from subsidiaries that is no longer taxable due to changes in income tax legislation.

[1] The extent to which it is probable that future taxable profits will be available against which the tax losses and unredeemed capital expenditure can be utilised is reflected in note 19.

	GROUP 2016 R'000	2015 R'000
9 EARNINGS PER SHARE		
Basic		
The calculation of earnings per ordinary share is based on the following:		
Basic earnings attributable to equity owners of the parent	**61 929**	67 807
Headline		
Basic earnings attributable to equity owners of the parent		
The basic earnings has been adjusted by the following to arrive at headline earnings:	**61 929**	67 807
Net impairments	**–**	6 488
– Gross impairment	**–**	7 904
– Non-controlling interest	**–**	(799)
– Tax thereon	**–**	(617)
Net profit on disposal of property, plant and equipment	**(8 153)**	(9 869)
– Gross profit on disposal of property, plant and equipment	**(10 514)**	(13 166)
– Non-controlling interest	**–**	2 838
– Tax thereon	**2 361**	459
Profit on disposal of equity accounted investment	**–**	(5 882)
Fair value adjustment on available-for-sale investments reclassified to profit or loss	**–**	(19 875)
Headline earnings attributable to ordinary shareholders	**53 776**	38 669
Diluted		
Basic earnings attributable to equity owners of the parent	**61 929**	67 807
Diluted basic earnings	**61 929**	67 807
Headline earnings adjustments	**(8 153)**	(29 138)
Diluted headline earnings	**53 776**	38 669

	Number of shares	Number of shares
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue	**422 157 987**	389 699 441
Number of staff options allocated [(1)]	**34 075**	–
Diluted weighted average number of ordinary shares	**422 192 062**	389 699 441

	Cents per share	Cents per share
Basic earnings per share	**15**	17
Diluted earnings per share	**15**	17
Headline earnings per share	**13**	10
Diluted headline earnings per share	**13**	10

[(1)] At 30 June 2015, 0.8 million options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		10 PROPERTY, PLANT AND EQUIPMENT		
		Total		
2 840 335	**2 904 706**	Cost	**3 512**	3 432
2 702 984	**2 840 335**	Opening balance	**3 432**	3 330
113 335	**100 014**	Additions	**92**	102
(5 640)	**(17 728)**	Disposals	**(12)**	–
29 656	**(12 893)**	Change in estimate of decommissioning asset (refer note 17)	**–**	–
–	**(5 022)**	Transferred to assets held for sale (refer note 15)	**–**	–
(1 141 561)	**(1 304 230)**	Accumulated depreciation and impairment	**(3 394)**	(3 348)
(947 481)	**(1 141 561)**	Opening balance	**(3 348)**	(3 204)
(193 301)	**(180 167)**	Depreciation	**(58)**	(144)
(3 075)	**–**	Impairment (refer note 4)	**–**	–
2 296	**17 498**	Disposals	**12**	–
1 698 774	**1 600 476**	Carrying value	**118**	84
		Mine property and development		
1 321 607	**1 310 291**	Cost	**–**	–
1 325 761	**1 321 607**	Opening balance	**–**	–
6 628	**3 489**	Additions	**–**	–
(3 326)	**(225)**	Disposals	**–**	–
(7 456)	**(9 558)**	Change in estimate of decommissioning asset	**–**	–
–	**(5 022)**	Transferred to assets held for sale	**–**	–
(624 645)	**(693 171)**	Accumulated depreciation and impairment	**–**	–
(525 451)	**(624 645)**	Opening balance	**–**	–
(99 194)	**(68 526)**	Depreciation (a)	**–**	–
696 962	**617 120**	Carrying value	**–**	–
		Mine plant facilities (b)		
1 420 816	**1 488 757**	Cost	**–**	–
1 276 207	**1 420 816**	Opening balance	**–**	–
103 734	**91 925**	Additions	**–**	–
(2 250)	**(17 440)**	Disposals	**–**	–
43 125	**(6 544)**	Change in estimate of decommissioning asset	**–**	–
(481 711)	**(571 534)**	Accumulated depreciation and impairment	**–**	–
(390 515)	**(481 711)**	Opening balance	**–**	–
(90 371)	**(107 263)**	Depreciation (a)	**–**	–
(3 075)	**–**	Impairment	**–**	–
2 250	**17 440**	Disposals	**–**	–
939 105	**917 223**	Carrying value	**–**	–

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		10 PROPERTY, PLANT AND EQUIPMENT *continued*		
		Equipment and vehicles		
26 988	**30 770**	Cost	**3 512**	3 432
24 079	**26 988**	Opening balance	**3 432**	3 330
2 973	**3 845**	Additions	**92**	102
(64)	**(63)**	Disposals	**(12)**	–
(22 828)	**(27 148)**	Accumulated depreciation and impairment	**(3 394)**	(3 348)
(19 138)	**(22 828)**	Opening balance	**(3 348)**	(3 204)
(3 736)	**(4 378)**	Depreciation	**(58)**	(144)
46	**58**	Disposals	**12**	–
4 160	**3 622**	Carrying value	**118**	84
		Exploration assets		
70 924	**74 888**	Cost	**–**	–
76 937	**70 924**	Opening balance	**–**	–
–	**755**	Additions	**–**	–
(6 013)	**3 209**	Change in estimate of decommissioning asset	**–**	–
(12 377)	**(12 377)**	Accumulated depreciation and impairment losses	**–**	–
(12 377)	**(12 377)**	Opening balance	**–**	–
58 547	**62 511**	Carrying value	**–**	–

GROUP

(a) Depreciation

The increase in the expected units-of-production in Ergo's life of mine that became effective on 1 July 2015 resulted in a net decrease in the depreciation charge recognised (refer note 1 use of estimates and judgements).

(b) Plant facilities acquired under finance lease

Mine plant facilities includes power generation equipment with a carrying value of R19.6 million (2015: R22.6 million) that was acquired during the year ended 30 June 2015 by way of a finance lease (refer note 21).

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		11 NON-CURRENT INVESTMENTS AND OTHER ASSETS		
3 226	**8 886**	**Listed investments** (a)	**8 886**	3 226
34 097	**3 226**	Opening balance	**3 226**	34 097
–	**1 318**	Additions	**1 318**	–
(46 375)	**–**	Disposals (i)	**–**	(46 375)
(3 614)	**–**	Impairment (refer note 4)	**–**	(3 614)
19 118	**4 342**	Fair value adjustment (i)	**4 342**	19 118
159	**147**	**Unlisted investments** (b)	**147**	159
171	**159**	Opening balance	**159**	171
(12)	**(12)**	Disposals	**(12)**	(12)
2 496	**–**	**Loan to DRDSA Empowerment Trust** (iii)	**–**	2 496
100 284	**108 257**	**Reimbursive right for environmental rehabilitation guarantees** (iv)	**–**	–
93 709	**100 284**	Opening balance	**–**	–
803	**–**	Contributions	**–**	–
5 772	**7 973**	Growth (refer note 6)	**–**	–
87 917	**93 798**	**Investments in environmental rehabilitation trust funds** (v)	**–**	–
82 848	**87 917**	Opening balance	**–**	–
5 069	**5 881**	Growth (refer note 6)	**–**	–
194 082	**211 088**	**Total non-current investments and other assets**	**9 033**	5 881

	% held	Number of shares	Fair value 2016 R'000	Carrying value 2016 R'000	Carrying value 2015 R'000
(a) Listed investments consist of:					
West Wits Mining Limited ("WWM")	10.5%	47 812 500	**8 886**	**8 886**	3 226
			8 886	**8 886**	3 226
(b) Unlisted investments consist of:					
Rand Mutual Assurance Company Limited	#	1	**–**	**–**	–
Rand Refinery Proprietary Limited ("Rand Refinery") (ii)	11	44 438	**–**	**–**	–
Guardrisk Insurance Company Limited (Cell Captive A170)*	#	20	**100**	**100**	100
Chamber of Mines Building Company Proprietary Limited	3	30 160	**47**	**47**	59
			147	**147**	159

Represents a less than 1% shareholding.

* Class A 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.

(i) During the year ended 30 June 2015, all the Village Main Reef Limited ("VMR") shares held were sold to Heaven-Sent Capital Management Group Company Limited as part of their offer to acquire the entire issued share capital of VMR for a cash consideration of R12.25 per VMR share. Fair value adjustments amounting to R19.9 million were reclassified to profit or loss on the disposal.

(ii) Following the adoption of a new Enterprise Resource Planning (ERP) system in 2013, Rand Refinery Proprietary Limited ("Rand Refinery") identified an imbalance between physical gold and silver on hand and what Rand Refinery owed its depositors and bullion bankers per the metallurgical trial balance. Rand Refinery's investigations have to date not determined the root cause of the imbalance. Various corrective measures have subsequently been implemented to improve Rand Refinery's operational performance.

As a precautionary measure following the challenges experienced by the implementation of the software system, Rand Refinery's major shareholders have extended Rand Refinery an irrevocable, subordinated loan facility of up to R1.2 billion. The facility is convertible to equity after a period of two years. DRDGOLD declined the option to provide funding on a pro-rate basis with other major shareholders which may result in its shareholding being diluted, if the funding provided by the other shareholders are converted into equity. During late calendar year 2015, Rand Refinery drew down R1.02 billion on the shareholders' loan.

Management therefore maintains its conclusion reached during the year ended 30 June 2015 that the estimated fair value of the investment in Rand Refinery shares is zero as at 30 June 2016.

(iii) The terms and conditions of the loans to the DRDSA Empowerment Trust were linked to the payments of dividends from Ergo Mining Operations Proprietary Limited to the trust up to the completion of the flip-up (refer note 16.2) and thereafter the payment of dividends from DRDGOLD to the trust. The loan was settled in full during the year ended 30 June 2016.

(iv) Cell Captive cell A170, to which DRDGOLD is a shareholder (refer to unlisted investments), holds funds that may only be applied towards the settlement of DRDGOLD group's environmental rehabilitation obligations under financial guarantees issued by Guardrisk Insurance Company Limited to the DMR (refer note 17).

(v) The monies in the environmental rehabilitation trust funds are held in the Crown Rehabilitation Trust (refer note 12) and are invested primarily in low-risk interest-bearing debt securities and may only be used for environmental rehabilitation purposes (refer note 17).

	COMPANY	
	2016 R'000	**2015 R'000**
12 INVESTMENTS IN SUBSIDIARIES		
Shares at cost, less impairment loss [1]	**210 488**	210 488
Net indebtedness, less impairment loss	**546 933**	832 155
Interest bearing loans owing by subsidiaries directly held	**258 443**	544 279
Interest bearing loans owing by subsidiaries not directly held	**599 949**	599 335
Non-interest bearing loans owing by subsidiaries	**143 920**	143 920
Impairments	**(143 920)**	(143 920)
Non-interest bearing loans owing to subsidiaries	**(311 459)**	(311 459)
Interest bearing loans bear interest at the prime interest rate minus four percentage points. The loans are unsecured and without any fixed repayment arrangements unless stated otherwise.		
Net investment in subsidiaries	**757 421**	1 042 643

12 INVESTMENTS IN SUBSIDIARIES *continued*

The following information relates to the company's financial interest in its subsidiaries at 30 June 2016:

	Shares in issue	Held[2]	Shares at cost less impairment	Indebtedness	Impairment	Indebtedness	Impairment
				2016	2016	2015	2015
	Number	%	R'000	R'000	R'000	R'000	R'000
Subsidiaries directly held							
Ergo Mining Operations Proprietary Limited [1,3,5]	1 000 000	100	210 488	**258 443**	**–**	544 279	–
Argonaut Financial Services Proprietary Limited	100	100	–	**(1 055)**	**–**	(1 055)	–
Crown Consolidated Gold Recoveries Limited	51 300 000	100	–	**(245 316)**	**–**	(245 316)	–
Hartebeestfontein Gold Mining Company Limited	1	100	–	**–**	**–**	–	–
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	118 505 000	100	–	**(42 092)**	**–**	(42 092)	–
Roodepoort Gold Mine Proprietary Limited	1	100	–	**–**	**–**	–	–
West Witwatersrand Gold Holdings Limited	99 000 000	100	–	**(22 996)**	**–**	(22 996)	–
Total			**210 488**	**(53 016)**	**–**	**232 820**	**–**
Subsidiaries not directly held							
Ergo Mining Proprietary Limited [4,5]				**599 949**	**–**	599 335	–
West Witwatersrand Gold Mines Limited				**143 920**	**(143 920)**	143 920	(143 920)
Total				**743 869**	**(143 920)**	743 255	(143 920)
Total			**210 488**	**690 853**	**(143 920)**	**976 075**	**(143 920)**

[1] During the year ended 30 June 2015 DRDGOLD acquired the 26% shareholding in Ergo Mining Operations Proprietary Limited ("EMO") that was not held at 30 June 2014 for 45.5 million shares in DRDGOLD at a fair value of R96.5 million plus R0.9 million cash.

[2] % held as at 30 June 2015 and 30 June 2016 respectively unless stated otherwise.

[3] EMO holds the following interests in other entities:
Direct: 100% of East Rand Proprietary Mines Limited ("ERPM") and 100% of Crown Gold Recoveries Proprietary Limited ("Crown");
Indirect: 100% of Ergo Mining Proprietary Limited ("Ergo").
EMO and its subsidiaries ("the EMO group") does not hold any ownership interest in the Crown Rehabilitation Trust or the Ergo Business Development Academy NPC ("EBDA"), but controls these entities by way of the terms of the constituting documents that grants the EMO group the ability to direct its relevant activities, as well as the group receiving substantially all of the benefits that are generated through their operation.

[4] During November 2015 the loan agreement between DRDGOLD and Ergo was amended to:
- remove the terms allowing for repayments to be based on free cash flows on a quarterly basis, however DRDGOLD continued to reserved the right to call for payment of the loan at any time; and
- the subordination of the loan by DRDGOLD was cancelled. Prior to the amendment, the loan was subordinated on terms as described in (5) below.

[5] The company considers the provision of financial support to, and the subordination of the amounts owing to it by its subsidiaries annually based on the liquidity requirements of the company and the respective subsidiaries.

(a) During November 2015 these loan agreements were amended resulting in DRDGOLD subordinating its claim against these subsidiaries in favour of all other creditors and in terms of this subordination agreements, DRDGOLD will not call for repayment of the loans until:
- the total assets of the lender, fairly valued, exceeds its total liabilities; or
- all other liabilities are paid.

(b) Prior to the amendment described in (a), the company subordinated its claim against these subsidiaries in favour of all other creditors and in terms of those subordination agreements, DRDGOLD would not call for repayment of the loans:
- within 367 days from 1 October 2014; or
- until all other liabilities are paid; or
- the total assets of the lender, fairly valued, exceeds its total liabilities.

The company will continue to provide these entities with the financial support required to meet their obligations incurred in the ordinary course of business and has undertaken not to call for payment of such loans within 367 days commencing on the date of signature of the borrower's most recently issued financial statements.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		13 INVENTORIES		
60 555	**48 758**	Gold in process	**–**	–
90 689	**87 074**	Consumable stores	**–**	–
17 485	**24 837**	Finished stock – Bullion	**–**	–
168 729	**160 669**		**–**	–

GROUP

Inventory carried at net realisable value includes gold in process amounting to nil (2015: R5.3 million) and finished stock – bullion amounting to nil (2015: R15 million) after a nil (2015: R1.8 million) write down to net realisable value.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		14 TRADE AND OTHER RECEIVABLES		
43 002	**–**	Trade receivables (gold sales)	**–**	–
22 892	**23 573**	Value added tax	**22**	–
3 589	**7 976**	Prepayments	**5 032**	208
2 804	**2 947**	Receivables from related parties	**2 749**	2 703
1 545	**1 633**	Interest receivable	**1 611**	1 545
25 906	**41 493**	Other receivables	**3 591**	3 595
(6 465)	**(11 107)**	Allowance for impairment	**–**	–
93 273	**66 515**		**13 005**	8 051

GROUP

Included in other receivables are receivables relating to property sales amounting to R6.5 million (2015: nil) and MQA grants receivable of R10.9 million (2015: R0.9 million).

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		15 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE		
		Assets held for sale		
747	**5 769**	Property, plant and equipment	**–**	–
747	**747**	Opening balance	**–**	–
–	**5 022**	Transferred from property, plant and equipment (refer note 10)	**–**	–
8 619	**9 194**	Non-current investments and other assets	**–**	–
8 126	**8 619**	Opening balance	**–**	–
493	**575**	Growth (refer note 6)	**–**	–
9 366	**14 963**		**–**	–
		Liabilities held for sale		
17 612	**15 602**	Provisions	**–**	–
20 530	**17 612**	Opening balance	**–**	–
1 685	**1 525**	Unwinding of provision (refer note 7)	**–**	–
(4 603)	**(2 112)**	Benefit to profit or loss	**–**	–
–	**(1 423)**	Environmental rehabilitation payments	**–**	–
17 612	**15 602**		**–**	–

15 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *continued*

GROUP

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 ERPM including the related liabilities during the last quarter of the financial year ended 30 June 2014. These assets and liabilities have been presented as a disposal group held for sale from that date due to a sale being expected within 12 months.

On 25 July 2014, DRDGOLD announced that its subsidiaries Ergo Mining Operations Proprietary Limited (EMO) and East Rand Proprietary Mines Limited (ERPM) collectively had entered into an agreement to dispose of certain underground mining and prospecting rights held by ERPM, and certain other assets on the related mining areas, for an agreed consideration of approximately R220 million.

All regulatory approvals required for this disposal have now been obtained, with the exception of the approval required under Section 11 of the Mineral and Petroleum Resource Development Act as a result of circumstances beyond the entity's control. Management has taken timely action and remains confident that this last outstanding regulatory approval will be obtained in due course.

DRDGOLD received a request from the purchaser to restructure the payment terms following the lapse in time awaiting Section 11 approval.

ERPM entered into an unrelated agreement to dispose of a property with a carrying value of R5.0 million for R18.0 million during June 2016. The property has been classified as held for sale due to the disposal being expected to be completed within the next 12 months.

GROUP			COMPANY	
2015 R'000	2016 R'000		2016 R'000	2015 R'000
		16 EQUITY		
		16.1 Equity of the owners of the parent		
		Details of equity of the owners of the parent are provided in the Statements of Changes in Equity		
		Authorised share capital		
		600 000 000 (2015: 600 000 000) ordinary shares of no par value		
		5 000 000 (2015: 5 000 000) cumulative preference shares of		
500	**500**	10 cents each	**500**	500
		Issued share capital		
4 225 071	**4 227 867**	431 429 767 (2015: 430 883 767) ordinary shares of no par value (a)	**4 227 868**	4 225 072
(44 152)	**(50 673)**	9 361 071 (2015: 6 155 559) treasury shares held within the group (b)		
–		5 000 000 (2015: 5 000 000) cumulative preference shares of		
500	**500**	10 cents each (c)	**500**	500
4 181 419	**4 177 694**		**4 228 368**	4 225 572
		Revaluation and other reserves		
135 830	**140 172**	Asset revaluation reserve (d)	**5 099**	757
135 830	**140 172**		**5 099**	757
		Dividends (e)		
		The following dividends were declared and paid:		
(7 585)	**(252 915)**	60 cents per qualifying ordinary share (2015: 2 cents)	**(258 530)**	(7 708)

GROUP AND COMPANY unless stated otherwise

Share capital

(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 annual general meeting.

546 000 shares were issued during the year ended 30 June 2016 relating to share options exercised under the DRDGOLD (1996) share scheme (2015: nil).

(b) Treasury shares

3 205 512 shares were acquired in the market during the year ended 30 June 2016 and are held in treasury (2015: nil).

(c) Cumulative preference shares

The terms of issue of the cumulative preference shares were that they carried the right, in priority to the company's ordinary shares, to receive a dividend equal to 3% of the gross future revenue generated by the exploitation or the disposal of Argonaut's mineral rights acquired from Randgold and Exploration Company Limited in September 1997. The Department of Mineral Resources (DMR) granted DRDGOLD a prospecting right over an area which was going to be too small to mine. When an application for a greater area was lodged, the DMR stated that the additional area is in an urban location and an application for a prospecting right cannot be granted. The development of the resource is not expected to materialise and therefore no dividend is expected to be paid.

(d) Asset revaluation reserve

Group: Included in the asset revaluation reserve is an amount of R133.3 million that was taken to the asset revaluation reserve on the acquisition of ErgoGold in the year ended 30 June 2009. This amount represented the increase in the fair value of ErgoGold's net assets after the acquisition of the group's initial interest, which was attributable to that initial interest.

(e) Dividends

After 30 June 2016, a dividend of 12 cents per qualifying share (R51.8 million) was approved by the directors as a final dividend for 2016. The dividend has not been provided for and does not have any tax impact on the company. Dividend withholding tax is levied at 15% (2015: 15%) (certain exemptions apply) and will be withheld from the dividend depending on the classification of the beneficial owner of the relevant share.

16.2 Non-controlling interest ("NCI")

DRDGOLD acquired the 26% shareholding in EMO that it did not already hold at the end of the third quarter of the year ended 30 June 2015, making it a wholly-owned subsidiary of DRDGOLD with no remaining NCI in the group subsequent to this date (refer to note 12).

The following table summarises the information relating to the group's NCI up to the date of EMO becoming a wholly owned subsidiary.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
1 495	–	Profit for the period	–	–
1 495	–	Total comprehensive income	–	–
389	–	Profit allocated to NCI	–	–
–	–	OCI allocated to NCI	–	–
389	–	Total comprehensive income allocated to NCI	–	–
65 726	–	Net cash flows from operating activities	–	–
(48 805)	–	Net cash flows from investing activities	–	–
–	–	Net cash flows from financing activities	–	–
16 921	–	Net increase in cash and cash equivalents	–	–

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		17 PROVISION FOR ENVIRONMENTAL REHABILITATION		
451 203	**493 291**	Opening balance	**–**	–
29 656	**(12 893)**	(Decrease)/increase in provision (a)	**–**	–
37 306	**41 491**	Unwinding of provision (refer note 7)	**–**	–
(9 034)	**(20 355)**	Environmental rehabilitation payments	**–**	–
(9 034)	**(10 591)**	– Incurred on decommissioning liabilities	**–**	–
–	**(9 764)**	– Incurred on restoration liabilities	**–**	–
(15 840)	**21 371**	Charge/(benefit) to profit or loss (b)	**–**	–
493 291	**522 905**	Closing balance	**–**	–

GROUP

(a) (Decrease)/increase in provision

– The R12.9 million decrease in the decommissioning liability recognised to property, plant and equipment is mostly attributable to the decrease in the expected costs to rehabilitate the Ergo plant and the Elsburg tailings complex (2015: The R29.7 million increase in the decommissioning liability was mostly due to the costs expected to be incurred to rehabilitate the additional capacity of the Brakpan deposition site that was constructed during the year (refer note 10)).

(b) Charge/(benefit) to profit or loss

– The R21.4 million increase in the restoration liability charged to profit or loss is mostly attributable to the increase in the estimated costs to rehabilitate historical spills and dumps that are not considered to be economically viable to mine (2015: The R15.8 million benefit recognised to profit or loss was mostly attributable to a decrease in the oversized material that management expects to rehabilitate).

The group intends to fund the ultimate rehabilitation costs from the money invested in environmental rehabilitation trust funds, the Guardrisk Cell Captive and, at the time of mine closure, the proceeds on sale of remaining assets and gold from plant clean-up.

At 30 June 2016 the group held funds in rehabilitation trust funds amounting to R93.8 million (2015: R87.9 million) and in the Guardrisk Cell Captive amounting to R108.3 million (2015: R100.3 million). In addition, Guardrisk Insurance Company Limited issued environmental guarantees to the DMR amounting to R427.2 million (2015: R404 million). These guarantees are funded by the funds held in the Guardrisk Cell Captive.

The rehabilitation is expected to occur progressively towards the end-of-life of the respective dumps mined.

GROUP 2015 R'000	GROUP 2016 R'000			COMPANY 2016 R'000	COMPANY 2015 R'000
		18	**POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS**		
			Non-current post-retirement and other employee benefits		
7 563	**7 918**		Liability for post-retirement medical benefits (a)	**–**	–
1 679	**23 665**		Liability for long term employee incentive scheme (b)	**8 550**	454
9 242	**31 583**			**8 550**	454
			Current post-retirement and other employee benefits		
2 557	**6 568**		Liability for long term employee incentive scheme (b)	**1 177**	731
2 557	**6 568**			**1 177**	731
			Contribution funds		
			The group participates in a number of multi-employer, industry-based retirement plans. All plans are governed by the Pension Funds Act, 1956.		
			The group pays fixed contributions to external institutions and will have no legal or constructive obligation to pay further amounts.		
			Amount recognised in profit or loss is as follows:		
(19 952)	**(20 648)**		Contribution payments	**–**	–
			(a) Post-retirement medical benefits		
			A provision for post-retirement medical benefits has been raised, based on the latest calculations using a projected unit credit method, of independent actuaries performed as at 30 June 2015. Post-retirement medical benefits are actuarially valued every three years. The obligation is unfunded.		
			Amounts recognised in the statement of financial position are as follows:		
6 657	**7 563**		Opening balance	**–**	–
101	**101**		Current service cost (recognised in profit or loss)	**–**	–
570	**603**		Interest costs (recognised in profit or loss)	**–**	–
539	**–**		Actuarial loss (recognised in other comprehensive income)	**–**	–
(304)	**(349)**		Benefits paid	**–**	–
7 563	**7 918**		Closing balance	**–**	–
			Principal actuarial assumptions at the statement of financial position date:		
7.37%	**7.37%**		Health care cost inflation		
8.16%	**8.16%**		Discount rate		
0.74%	**0.74%**		Real discount rate		
60.0	**60.0**		Normal retirement age		
63.3	**63.3**		Expected average retirement age		
3 years	**3 years**		Spouse age gap		
100%	**100%**		Continuation at retirement		
100%	**100%**		Proportion married at retirement		

There are currently no long-term assets set aside in respect of post-retirement medical benefit liabilities.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS *continued*		
		(b) Liability for long term employee incentive scheme		
4 576	**4 236**	Opening balance	**1 185**	1 982
1 577	**29 874**	Increase in liability	**9 448**	71
(1 917)	**(3 877)**	Benefits paid	**(906)**	(868)
4 236	**30 233**	Total liability of employee incentive scheme	**9 727**	1 185
(2 557)	**(6 568)**	Short term portion of employee incentive scheme	**(1 177)**	(731)
1 679	**23 665**	Long term portion of employee incentive scheme	**8 550**	454

DRDGOLD Phantom Share Scheme (the Phantom Share Scheme)

(i) Details of the scheme

The Phantom Share Scheme is an incentive tool for the group's executive directors and senior employees whose skills and experience are recognised as being essential to the group's performance. The Phantom Share Scheme was introduced during the year ended 30 June 2013 and is classified as cash settled. In terms of the Phantom Share Scheme rules, 50% of the phantom shares granted will be valued based on the group meeting certain pre-determined performance criteria and the remaining 50% to defined retention periods of which the maximum incentive pay-out per annum to any single employee may not exceed 75% of that employee's gross remuneration package. The participants in the scheme are fully taxed at their marginal tax rate on any gains realised on the exercise of their options.

The Phantom Share Scheme was amended during November 2015 as follows:

– Shares granted during November 2015 will vest after 3 years (20%), 4 years (30%) and 5 years (50%);

– The scheme has a finite term of 5 years and thus no top-up awards are made when the shares vest;

– The vesting of the shares in years 3, 4 and 5 is subject to:
  - Individual performance conditions being met; and
  - Individual "service" conditions being met.

– The phantom shares will be settled at the 7 day volume weighted average price of the DRDGOLD share on vesting date.

Shares granted before the amendment are not affected by this amendment.

(ii) Reconciliation of outstanding phantom shares

	Shares Number	Weighted average price per share R
Balance at 30 June 2014	**3 706 102**	
Granted	2 615 207	1.31
Vested	(1 292 833)	1.48
Forfeited/lapsed	(502 826)	2.70
Balance at 30 June 2015	**4 525 650**	
Granted	20 527 978	2.26
Vested	(1 858 491)	2.09
Forfeited/lapsed	(25 946)	2.09
Balance at 30 June 2016	**23 169 191**	

(iii) Aging of outstanding phantom shares

Financial year granted	Years to expiry	NUMBER OF UNVESTED SHARES 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	Total
2014	1	535 292					**535 292**
2015	1 – 2	1 052 967	1 052 954				**2 105 921**
2016	3 – 5			4 105 596	6 158 393	10 263 989	**20 527 978**
		1 588 259	1 052 954	4 105 596	6 158 393	10 263 989	**23 169 191**

(iv) Fair value

The fair value of the cash-settled share based payment provision has been measured using the Black Scholes option pricing model. Service and non-market performance conditions attached to the arrangements have not been taken into account in measuring the fair value.

The inputs used in the measurement of the fair values at grant date and measurement date of the phantom shares are as follows:

	GRANTED DURING FINANCIAL YEAR 2016	2015	2014
Grant date			
Expected term (years)	**3 – 5**	1 – 3	1 – 3
Expected volatility*	**51.1%**	22.1%	17.7%
Expected dividend yield	**4.3%**	0.7%	5.3%
Weighted average risk free interest rate (based on South African interest rates)	**8.7%**	6.4%	6.1%
Valuation date			
Expected term (months)	**31 – 52**	4 – 16	4
Expected volatility*	**52.7%**	57.3%	54.5%
Expected dividend yield	**2.6%**	2.6%	2.6%
Weighted average risk free interest rate (based on South African interest rates)	**7.7%**	7.7%	6.7%
The minimum performance criteria of the phantom share options granted before the November 2015 amendments to the scheme determined against the group performance are as follows:			
Headline earnings per share	**–**	0.08	0.08
Return on equity	**–**	15%	15%
Free cash flow	**–**	10%	10%
Cash flows from operating activities less cash flow from investing activities expressed as a percentage of revenue			
Share price performance:			
Outperform the annual movement in the JSE Gold index	**–**	✓	✓

* Expected volatility has been based on an evaluation of the historical volatility of the company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Share Option Scheme

(i) Details of the DRDGOLD (1996) share scheme

During FY2013, the company introduced a new incentive tool called the DRDGOLD Phantom Share Scheme which replaced the DRDGOLD (1996) Share Scheme and no new share options will be granted under the replaced scheme.

The rules of the DRDGOLD (1996) share scheme do not grant employees the choice of settlement of their vested share options in cash or equity instruments.

Any options not exercised within a period of five years from grant date will expire.

All options outstanding at 30 June 2016 have vested, have a strike price of R5.12 and will expire on 31 October 2016.

18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS *continued*

Share Option Scheme *continued*

(ii) Reconciliation of outstanding share options

	Shares Number	Average strike price per share R
Balance at 30 June 2014	**1 238 028**	**5.96**
Forfeited/lapsed	(470 678)	7.81
Balance at 30 June 2015	**767 350**	**5.12**
Exercised [1]	(546 000)	5.12
Forfeited/lapsed	(187 275)	5.12
Balance at 30 June 2016	**34 075**	**5.12**

[1] The weighted average share price during the period in which the options were exercised was R7.83.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		19 DEFERRED TAX		
		Balances arose from the following temporary differences:		
		Deferred tax asset		
19	**7**	Property, plant and equipment	**7**	19
1 179	**6 812**	Provisions	**6 812**	1 179
1 198	**6 819**		**6 819**	1 198
		Deferred tax liability		
(234 709)	**(306 928)**	Property, plant and equipment	**–**	–
82 661	**107 831**	Provisions, including rehabilitation provision	**–**	–
4 247	**4 420**	Other temporary differences [a]	**–**	–
(147 801)	**(194 677)**		**–**	–
(146 603)	**(187 858)**	Net deferred mining and income tax (liability)/asset	**6 819**	1 198
		Reconciliation between deferred tax opening and closing balances		
(114 660)	**(146 603)**	Opening balance	**1 198**	1 424
(31 943)	**(41 255)**	Recognised in profit or loss	**5 621**	(226)
(47 916)	**(72 231)**	Property, plant and equipment	**(12)**	23
13 023	**30 803**	Provisions, including rehabilitation provision	**5 633**	(249)
2 950	**173**	Other temporary differences [a]	**–**	–
(146 603)	**(187 858)**	Closing balance	**6 819**	1 198

[a] Includes the temporary differences on the finance lease obligation.

GROUP

The group provides for deferred tax at the rates which are expected to apply for temporary differences. The group uses the expected average effective tax rates, resulting from the mining tax formula for mining income based on forecasts per individual entity.

Deferred tax assets have not been recognised in respect of tax losses of R28.5 million (2015: R46.3 million), unredeemed capital expenditure of R272.9 million (2015: R275.6 million) and capital losses of R271.1 million (2015: R271.1 million).

COMPANY

Deferred tax assets have not been recognised in respect of tax losses of R8.4 million (2015: R9.3 million), unredeemed capital expenditure of R36.8 million (2015: R36.8 million) and capital losses of R271.1 million (2015: R271.1 million).

The deferred tax relating to the investment in subsidiaries is nil (2015: nil). These investments are expected to be realised through dividend distributions which are exempt under current tax legislation. As a result there are also no temporary differences.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		20 LOANS AND BORROWINGS		
23 096	–	Domestic Medium Term Note Programme	–	23 096
23 096	–		–	23 096
(23 096)	–	Less: payable within one year included under current liabilities	–	(23 096)
–	–		–	–
		Loans and borrowings repayment schedule for capital amounts payable in the 12 months to:		
23 096	–	30 June 2016	–	23 096
23 096	–		–	23 096

GROUP AND COMPANY

During June 2012, the group entered into a Domestic Medium Term Note Programme ("DMTN Programme") with ABSA Capital, a division of ABSA Bank Limited, under which DRDGOLD may from time to time issue notes and R165 million was raised in total during July 2012 and September 2012. The different notes issued matured 12 (R20.0 million), 24 (R69.5 million) and 36 (R75.5 million) months from the date of issue and bear interest at the three-month Johannesburg Inter-bank Acceptance Rate (JIBAR) plus a margin ranging from 4% to 5% a year. The effective interest rates were 10.8% – 11.1%.

The DMTN Programme was unsecured but did have certain covenants attached to it regarding acquiring additional indebtedness, significant disposal of assets and in the form of a guarantor coverage threshold. On 3 July 2015, DRDGOLD repaid R23.1 million including capital and interest.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		21 FINANCE LEASE OBLIGATION		
21 161	**19 161**	Aggreko Energy Rental Proprietary Limited	–	–
21 161	**19 161**		–	–
(2 000)	**(2 355)**	Less: payable within one year included under current liabilities	–	–
19 161	**16 806**		–	–

GROUP

During the year ended 30 June 2015 Ergo entered into an agreement with Aggreko Energy Rental Proprietary Limited for the supply of temporary power generation through the provision of specified temporary power generation equipment and services.

The finance lease is secured by power generation equipment with a carrying value of R19.6 million at 30 June 2016 (2015: R22.6 million). The finance lease has an effective interest rate of 17.9% and Ergo has the option to acquire the temporary power generation equipment at the end of the 5 year lease for approximately R9.9 million. Contingent rentals are payable for usage of the equipment in excess of the usage inclusive in the minimum lease payments.

Finance lease liabilities are payable as follows:

	FUTURE MINIMUM LEASE PAYMENTS 2016 R'000	FUTURE MINIMUM LEASE PAYMENTS 2015 R'000	INTEREST 2016 R'000	INTEREST 2015 R'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2016 R'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2015 R'000
Within one year	**5 304**	5 304	**2 949**	3 304	**2 355**	2 000
Between one and five years	**21 801**	27 105	**4 995**	7 944	**16 806**	19 161
	27 105	32 409	**7 944**	11 248	**19 161**	21 161

GROUP			COMPANY	
2015 R'000	2016 R'000		2016 R'000	2015 R'000
		22 CASH GENERATED BY/(APPLIED TO) OPERATIONS		
96 795	**108 852**	Profit before tax	**23 221**	43 405
		Adjusted for:		
193 301	**180 167**	Depreciation	**58**	144
(20 443)	**19 259**	Movement in provision for environmental rehabilitation	**–**	–
(20 557)	**7 075**	Movement in gold in process	**–**	–
6 689	**–**	Impairments	**–**	3 614
(13 166)	**(10 514)**	Profit on disposal of property, plant and equipment	**(2)**	–
1 753	**29 874**	Share-based payment expense	**9 448**	247
(74)	**4 642**	Impairment/(reversal of impairment) of other receivables	**–**	–
367	**–**	Post-retirement employee benefits	**–**	–
–	**(22 659)**	Reversal of accrual (refer note 4)	**–**	–
–	**(11 187)**	Environmental rehabilitation payments (refer note 17)	**–**	–
(51 497)	**(36 849)**	Finance income	**(81 385)**	(95 145)
49 603	**47 576**	Finance expenses	**358**	7 468
242 771	**316 236**	Operating cash flows before working capital changes	**(48 302)**	(40 267)
42 426	**81 979**	**Working capital changes**	**13 227**	(79)
1 926	**33 725**	Change in trade and other receivables	**145**	1 895
(984)	**986**	Change in inventories	**–**	–
41 484	**47 268**	Change in trade and other payables	**13 082**	(1 974)
285 197	**398 215**	Cash generated by/(applied to) operations	**(35 075)**	(40 346)
		23 CASH AND CASH EQUIVALENTS		
103 888	**99 688**	Bank Balances	**36 029**	11 872
220 487	**252 108**	Call deposits	**242 576**	216 695
324 375	**351 796**		**278 605**	228 567

GROUP

Included in cash and cash equivalents is restricted cash of:

- R15.2 million (30 June 2015: R14.3 million) set aside for guarantees;
- R47.7 million (30 June 2015: R11.4 million) relating to cash held in escrow relating to the electricity dispute with Ekurhuleni Metropolitan Municipality discussed under Note 25 including interest thereon; and
- R4.8 million (30 June 2015: R1.9 million) held on behalf of the DRDSA Empowerment Trust.

An overdraft facility of R100 million is available to the group.

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		24 COMMITMENTS		
		Capital commitments		
10 119	**8 582**	Contracted for but not provided for in the financial statements	**–**	–
67 555	**37 228**	Authorised by the directors but not contracted for	**–**	–
77 674	**45 810**		**–**	–
		Operating lease commitments		
		The future minimum lease payments under non-cancellable operating leases are as follows:		
1 068	**1 572**	Within one year	**–**	–
1 313	**1 450**	Between one and five years	**–**	–

Ergo leases its vehicles under various operating leases. There is an average escalation of 2.5% per annum imposed by these lease agreements.

25 CONTINGENT LIABILITIES

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.

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. 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.

DRDGOLD, through its participation in the Western Utilities Corporation initiative, provided the government with a solution for a sustainable longterm 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.

Occupational health – Silicosis

In January 2013, DRDGOLD, ERPM ("the DRDGOLD Respondents") and 23 other mining companies ("the Mining Companies") were served with a court application for a class action by alleged former mineworkers and dependants of deceased mineworkers. In the pending application the applicants allege that the Mining Companies and the DRDGOLD Respondents conducted underground mining operations in a negligent manner that caused occupational lung diseases. The matter was heard in October 2015.

On 13 May 2016, the South Gauteng High Court, Johannesburg ("Court") handed down judgment in respect of the class action certification in terms of which the applicants sought 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). In terms of the judgment, the Court ordered the certification of a single class action comprising two separate and distinct classes – a silicosis class and a tuberculosis class.

An application for leave to appeal to the Supreme Court of Appeal ("SCA") was filed and served at the Court by the DRDGOLD Respondents (as well as the Mining Companies) on 03 June 2016 in respect of *inter alia* the transmissibility of damages.

On 23 June 2016, the Court granted leave to appeal to the SCA against *inter alia* the transmissibility of damages as envisaged in paragraph 8 of the order dated 13 May 2016.

25 CONTINGENT LIABILITIES *continued*

Occupational health – Silicosis *continued*

On 15 July 2016, the DRDGOLD Respondents filed and served its petition to the SCA in respect of the certification issue. The notice of appeal in respect of the transmissibility of damages was filed and served on 25 July 2016.

On 13 September 2016, the SCA granted the DRDGOLD Respondents leave to appeal on both the certification and transmissibility of damages.

It is not possible at this stage to ascertain what the probable outcome of the matter will be.

Ekurhuleni Metropolitan Municipality ("Ekurhuleni") Electricity Tariff Dispute

In December 2014, an application (in the South Gauteng High Court) was filed and served on *inter alia* the Ekurhuleni Metropolitan Municipality ("Municipality") and Eskom Holdings SOC Limited ("Eskom") in terms of which Ergo Mining Proprietary Limited ("Ergo") contends, amongst other things, that the Municipality does not "supply" electricity to ERGO from a "supply main" as contemplated in the Municipality's Electricity By-Laws of 2002. The Municipality is not licensed to supply electricity to ERGO in terms of the Municipality's Temporary Distribution Licence. The Municipality is not entitled to render tax invoices to ERGO for the supply and consumption of electricity from the substation. The Municipality is furthermore not competent to add a surcharge or premium of approximately 40% (forty percent) of the rate at which Eskom ordinarily charges ERGO on its Megaflex rate. ERGO is not indebted to the Municipality for the supply and consumption of electricity and is not obliged to tender payment for any amounts claimed in the invoices rendered by the Municipality in excess of its actual consumption thereof as determined by Eskom on a monthly basis. The Municipality is indebted to ERGO in the amount of approximately R43 million in respect of the surcharges and premiums that were erroneously paid to the Municipality in the bona fide and reasonable belief that the Municipality was competent to supply electricity to it.

Subsequent to December 2014 up to 30 June 2016, the Municipality has invoiced ERGO for approximately R51.4 million in surcharges of which R45.7 million has been paid into an attorney's trust account at 30 June 2016 pending the final determination of the dispute.

26 FINANCIAL INSTRUMENTS

Overview

The group (which includes the company unless the context implies differently) 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 27. Further quantitative disclosures are included throughout these group and company financial statements.

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 from customers and investment securities.

The group's financial instruments do not represent a concentration of credit risk, because the group deals with a variety of major banks and financial institutions located in South Africa after evaluating the credit ratings of the representative financial institutions. Furthermore, its trade receivables and loans are regularly monitored and assessed for recoverability. Where it is appropriate an impairment loss is raised.

In addition, the group's operations all deliver their gold to Rand Refinery, which refines the gold to saleable purity levels and then sells the gold, on behalf of the South African operations, on the bullion market. The gold is usually sold by Rand Refinery on the same day as it is delivered and settlement is made within two days.

The following represents the maximum exposure to credit risk for all financial assets at 30 June:

	CARRYING VALUE	
	2016 R'000	2015 R'000
GROUP		
Non-current investments and other assets		
Listed investments (refer note 11)	**8 886**	3 226
Unlisted investments (refer note 11)	**147**	159
Loan to DRDSA Empowerment Trust (refer note 11)	**–**	2 496
Investments in environmental rehabilitation trust funds (refer note 11)	**93 798**	87 917
Trade and other receivables (refer note 14)	**34 966**	66 792
Cash and cash equivalents (refer note 23)	**351 796**	324 375
	489 593	484 965
COMPANY		
Non-current investments and other assets		
Listed investments (refer note 11)	**8 886**	3 226
Unlisted investments (refer note 11)	**147**	159
Loan to DRDSA Empowerment Trust (refer note 11)	**–**	2 496
Loans to subsidiaries (refer note 12)	**858 392**	1 143 614
Trade and other receivables (refer note 14)	**7 951**	7 843
Cash and cash equivalents (refer note 23)	**278 605**	228 567
	1 153 981	1 385 905

The following represents the maximum exposure to credit risk for trade and other receivables at 30 June:

	CARRYING VALUE	
	2016 R'000	2015 R'000
GROUP		
Trade receivables (gold) (refer note 14)	**–**	43 002
Receivables from related parties (refer note 14)	**2 947**	2 804
Other receivables (refer note 14)	**32 019**	20 986
	34 966	66 792
COMPANY		
Receivables from related parties (refer note 14)	**2 749**	2 703
Other receivables (refer note 14)	**5 202**	5 140
	7 951	7 843

26 FINANCIAL INSTRUMENTS *continued*

Credit risk *continued*

The ageing of trade and other receivables at 30 June:

	GROSS VALUE 2016 R'000	IMPAIRMENT 2016 R'000	GROSS VALUE 2015 R'000	IMPAIRMENT 2015 R'000
GROUP				
Not past due	**18 183**	**–**	53 630	(14)
Past due 0 – 30 days	**6 796**	**(269)**	1 149	(55)
Past due 31 – 120 days	**4 434**	**(925)**	2 754	(1 105)
Past due more than 120 days	**16 660**	**(9 913)**	15 724	(5 291)
	46 073	**(11 107)**	73 257	(6 465)
COMPANY				
Not past due	**4 385**	**–**	4 272	–
Past due 0 – 30 days	**23**	**–**	23	–
Past due 31 – 120 days	**23**	**–**	23	–
Past due more than 120 days	**3 520**	**–**	3 525	–
	7 951	**–**	7 843	–

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 other receivables during the year was as follows:

	IMPAIRMENT 2016 R'000	IMPAIRMENT 2015 R'000
GROUP		
Balance at 1 July	**(6 465)**	(6 981)
Impairments (recognised)/reversed	**(4 642)**	74
Bad debt written off against related receivable	**–**	442
Balance at 30 June	**(11 107)**	(6 465)

No impairments were recognised on trade receivables.

The group has no significant concentration of credit risk as the majority of the group's receivables are from debtors with a good track record. The company has no significant concentration of credit risk.

Market risk

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

Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold which is predominantly sold in US Dollar and then converted to Rand. DRDGOLD does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

A change of 10% in the Rand gold price 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 foreign currency rates, remain constant. The analysis is performed on the same basis for 2015 and excludes income tax.

	EQUITY AND PROFIT OR (LOSS)			
	10% increase 2016 R'000	10% decrease 2016 R'000	10% increase 2015 R'000	10% decrease 2015 R'000
GROUP				
Gold and silver revenue	**243 306**	**(243 306)**	210 530	(210 530)
Cash flow sensitivity	**243 306**	**(243 306)**	210 530	(210 530)

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.

The following represents the interest rate risk profile for the group's interest-bearing financial instruments at 30 June:

	CARRYING VALUE	
	2016 R'000	2015 R'000
GROUP		
Variable interest rate instruments		
Financial assets	**445 594**	412 292
Financial liabilities	**(19 161)**	(44 257)
	426 433	368 035
COMPANY		
Variable interest rate instruments		
Financial assets	**1 136 997**	1 372 181
Financial liabilities	**–**	(23 096)
	1 136 997	1 349 085

Cash flow sensitivity analysis for variable rate instruments:

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 foreign currency rates, remain constant. The analysis is performed on the same basis for 2015 and excludes income tax.

26 FINANCIAL INSTRUMENTS *continued*

Interest rate risk *continued*

	EQUITY AND PROFIT OR (LOSS)			
	100bp increase 2016 R'000	100bp decrease 2016 R'000	100bp increase 2015 R'000	100bp decrease 2015 R'000
GROUP				
Variable interest rate instruments	**4 264**	**(4 264)**	3 680	(3 680)
Cash flow sensitivity	**4 264**	**(4 264)**	3 680	(3 680)
COMPANY				
Variable interest rate instruments	**11 370**	**(11 370)**	13 491	(13 491)
Cash flow sensitivity	**11 370**	**(11 370)**	13 491	(13 491)

Foreign currency risk

The group's reporting currency is the South African Rand. Although gold is sold in US Dollars, the group is obliged to convert this into South African Rand. The company is thus exposed to fluctuations in the US Dollar/South African Rand exchange rate. The company conducted its operations in South Africa during the current year. Foreign exchange fluctuations affect the cash flow that it will realise from its operations as gold is sold in US Dollars, while production costs are incurred primarily in South African Rands. The company's results are positively affected when the US Dollar strengthens against the Rand and adversely affected when the US Dollar weakens against the Rand. The group does not hedge against foreign currency fluctuations and considers the risk to be low due to foreign currency normally being disposed of on the same day.

The following significant exchange rates applied during the year:

	SPOT RATE AT YEAR END		AVERAGE RATE	
	2016	2015	2016	2015
1 US Dollar	**14.6800**	12.1649	**14.4989**	11.4475

The following represents the exposure to foreign currency risks of the group:

	2016 USD'000	2015 USD'000
GROUP		
Trade and other receivables	**–**	3 535
Cash and cash equivalents	**2 320**	–
Net statement of financial position exposure	**2 320**	3 535
COMPANY		
Cash and cash equivalents	**2 320**	–
Net statement of financial position exposure	**2 320**	–

Sensitivity analysis

A 10 percent 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, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015. A 10% weakening of the rand against the US dollar at 30 June would have had the equal but opposite effect, on the basis that all other variables remain constant.

	2016 R'000	2015 R'000
GROUP		
Equity	**(3 405)**	(4 300)
Loss	**(3 405)**	(4 300)
COMPANY		
Equity	**(3 405)**	–
Loss	**(3 405)**	–

Other market price risk

Equity price risk arises from available-for-sale equity securities fair value adjustments accounted for in other comprehensive income. Investments within the portfolio are managed on an individual basis.

The following table represents the carrying amounts and net profit/(loss), finance income and finance expense recognised in profit or loss and/or equity as well as other comprehensive income per category of financial instruments at 30 June:

	Carrying value 2016 R'000	Profit/ (loss) 2016 R'000	OCI 2016 R'000	Total equity 2016 R'000	Carrying value 2015 R'000	Profit/ (loss) 2015 R'000	OCI 2015 R'000	Total equity 2015 R'000
GROUP								
Financial assets								
Available-for-sale financial assets	**9 033**	**–**	**4 342**	**4 342**	3 385	16 261	(757)	15 504
Loans and receivables	**480 560**	**28 686**	**–**	**28 686**	481 580	18 754	–	18 754
	489 593	**28 686**	**4 342**	**33 028**	484 965	35 015	(757)	34 258
Financial liabilities								
Financial liabilities measured at amortised cost	**245 197**	**(4 370)**	**–**	**(4 370)**	256 129	(10 612)	–	(10 612)
	245 197	**(4 370)**	**–**	**(4 370)**	256 129	(10 612)	–	(10 612)
COMPANY								
Financial assets								
Available-for-sale financial assets	**9 033**	**–**	**4 342**	**4 342**	3 385	16 261	(757)	15 504
Loans and receivables	**1 144 948**	**81 195**	**–**	**81 195**	1 382 520	74 055	–	74 055
	1 153 981	**81 195**	**4 342**	**85 537**	1 385 905	90 316	(757)	89 559
Financial liabilities								
Financial liabilities measured at amortised cost	**327 946**	**(168)**	**–**	**(168)**	344 321	(7 468)	–	(7 468)
	327 946	**(168)**	**–**	**(168)**	344 321	(7 468)	–	(7 468)

26 FINANCIAL INSTRUMENTS *continued*

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.

Unless otherwise stated the following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	6-12 months R'000	2-5 years R'000
GROUP					
30 June 2016					
Finance lease obligation	**19 161**	**(27 105)**	**(2 652)**	**(2 652)**	**(21 801)**
Trade and other payables [1]	**226 036**	**(226 036)**	**(226 036)**	**–**	**–**
	245 197	**(253 141)**	**(228 688)**	**(2 652)**	**(21 801)**
30 June 2015					
Loans and borrowings	23 096	(23 096)	(23 096)	–	–
Finance lease obligation	21 161	(32 409)	(2 652)	(2 652)	(27 105)
Trade and other payables [1]	211 872	(211 872)	(211 872)	–	–
	256 129	(267 377)	(237 620)	(2 652)	(27 105)

[1] Excludes payroll related liabilities of R63.0 million (2015: R45.9 million).

	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	6-12 months R'000	2-5 years R'000
COMPANY					
30 June 2016					
Amounts owing to subsidiaries	**311 459**	**(311 459)**	**(311 459)**	**–**	**–**
Trade and other payables [2]	**16 487**	**(16 487)**	**(16 487)**	**–**	**–**
	327 946	**(327 946)**	**(327 946)**	**–**	**–**
30 June 2015					
Amounts owing to subsidiaries	311 459	(311 459)	(311 459)	–	–
Loans and borrowings	23 096	(23 096)	(23 096)	–	–
Trade and other payables [2]	9 766	(9 766)	(9 766)	–	–
	344 321	(344 321)	(344 321)	–	–

[2] Excludes payroll related liabilities of R10.5 million (2015: R3.0 million).

Fair value of financial instruments

The following table represents the carrying amounts and fair values of the group's financial instruments at 30 June:

	Carrying value 2016 R'000	Fair value 2016 R'000	Carrying value 2015 R'000	Fair value 2015 R'000
GROUP				
Financial assets measured at fair value	**9 033**	**9 033**	3 385	3 385
Listed investments (refer note 11)	**8 886**	**8 886**	3 226	3 226
Unlisted investments (refer note 11)	**147**	**147**	159	159
Financial assets not measured at fair value	**480 560**	**480 560**	481 580	481 580
Loans to black empowerment entities (refer note 11)	**–**	**–**	2 496	2 496
Investments in environmental rehabilitation trust funds (refer note 11)	**93 798**	**93 798**	87 917	87 917
Trade and other receivables (refer note 14)	**34 966**	**34 966**	66 792	66 792
Cash and cash equivalents	**351 796**	**351 796**	324 375	324 375
	489 593	**489 593**	484 965	484 965
Financial liabilities not measured at fair value	**245 197**	**245 197**	256 129	256 130
Loans and borrowings (refer note 20)	**–**	**–**	23 096	23 096
Finance lease obligation (refer note 21)				
– non-current	**16 806**	**16 806**	19 161	19 161
– current	**2 355**	**2 355**	2 000	2 000
Trade and other payables	**226 036**	**226 036**	211 872	211 873
	245 197	**245 197**	256 129	256 130
COMPANY				
Financial assets measured at fair value	**9 033**	**9 033**	3 385	3 385
Listed investments (refer note 11)	**8 886**	**8 886**	3 226	3 226
Unlisted investments (refer note 11)	**147**	**147**	159	159
Financial assets not measured at fair value	**1 144 948**	**1 144 948**	1 382 520	1 382 520
Loans to subsidiaries (refer note 12)	**858 392**	**858 392**	1 143 614	1 143 614
Loans to black empowerment entities (refer note 11)	**–**	**–**	2 496	2 496
Trade and other receivables (refer note 14)	**7 951**	**7 951**	7 843	7 843
Cash and cash equivalents	**278 605**	**278 605**	228 567	228 567
	1 153 981	**1 153 981**	1385 905	1385 905
Financial liabilities not measured at fair value	**327 946**	**327 946**	344 321	344 321
Loans and borrowings (refer note 20)	**–**	**–**	23 096	23 096
Amounts owing to subsidiaries (refer note 12)	**311 459**	**311 459**	311 459	311 459
Trade and other payables	**16 487**	**16 487**	9 766	9 766
	327 946	**327 946**	344 321	344 321

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

26 FINANCIAL INSTRUMENTS *continued*

Fair value of financial instruments *continued*

Financial instruments measured at fair value

The financial instruments measured at fair value are measured using the following valuation methodologies.

Listed investments

The fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges.

Unlisted investments

The valuations are based on the net asset values of these investments and constitute the investments' fair value as most of the assets in these investment companies are carried at fair value. The valuations have been compared to information available in the market regarding other market participants' view on the value of the underlying investment.

Financial instruments measured at amortised cost

The group applied the discounted cash flow valuation technique in the measurement of loans and receivables as well as financial liabilities measured at amortised cost. No significant unobservable inputs are used in this measurement.

Loan to DRDSA Empowerment Trust

The fair value of the loan is not readily determinable and are therefore carried at cost.

Inter-company loans

Interest bearing: The fair value of these loans approximate its carrying amounts as the impact of credit risk is included in the measurement of carrying amounts.

Non-interest bearing loans without any fixed repayment arrangements: The fair value of these loans are not readily determinable and are therefore carried at cost.

Cash and cash equivalents and investments in environmental trust funds

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these deposits. The carrying value of the environmental trust funds approximate their fair value due to these investments being cash in nature.

Trade and other receivables

The fair value approximates the carrying value due to their short-term maturities.

Loans and borrowings

The loan bears interest at the three month Johannesburg Inter-bank Acceptance Rate plus a margin ranging from 4% to 5% per annum. Fair value is calculated by reference to quoted prices for floating interest instruments.

Trade and other payables

The fair value approximates the carrying value due to their short-term maturities.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observed for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 Inputs for the asset or liability that are not based on observed market data (unobserved inputs).

	Level 1 R'000	Level 3 R'000	Total R'000
GROUP			
30 June 2016			
Available-for-sale financial assets			
Listed securities	**8 886**	**–**	**8 886**
Unlisted securities	**–**	**147**	**147**
	8 886	**147**	**9 033**
30 June 2015			
Available-for-sale financial assets			
Listed securities	3 226	–	3 226
Unlisted securities	–	159	159
	3 226	159	3 385
COMPANY			
30 June 2016			
Available-for-sale financial assets			
Listed securities	**8 886**	**–**	**8 886**
Unlisted securities	**–**	**147**	**147**
	8 886	**147**	**9 033**
30 June 2015			
Available-for-sale financial assets			
Listed securities	3 226	–	3 226
Unlisted securities	–	159	159
	3 226	159	3 385

The unobservable inputs considered in the fair value measurement of Level 3 financial instruments are discussed in note 11.

26 FINANCIAL INSTRUMENTS *continued*

Fair value of financial instruments *continued*

Fair value hierarchy *continued*

Reconciliation of fair value measurements in Level 2 and Level 3 during the year:

Available-for-sale financial assets	2016 Level 2 R'000	2016 Level 3 R'000	2015 Level 2 R'000	2015 Level 3 R'000
GROUP				
Balance at beginning of the year	–	159	4 000	171
Acquired during the year	–	–	–	–
Fair value adjustment	–	–	2 425	–
Impairment	–	–	(300)	–
Disposed	–	(12)	(6 125)	(12)
Balance at end of year	–	147	–	159
Fair value adjustment reclassified to profit or loss	–	–	2 625	–
Impairment recognised in profit or loss	–	–	(300)	–
Loss recognised in other comprehensive income	–	–	(200)	–
– Fair value adjustment recognised in other comprehensive income	–	–	2 425	–
– Fair value adjustment reclassified to profit or loss	–	–	(2 625)	–
	–	–	2 125	–
COMPANY				
Balance at beginning of the year	–	159	4 000	171
Acquired during the year	–	–	–	–
Fair value adjustment	–	–	2 425	–
Impairment	–	–	(300)	–
Disposed	–	(12)	(6 125)	(12)
Balance at end of year	–	147	–	159
Fair value adjustment reclassified to profit or loss	–	–	2 625	–
Impairment recognised in profit or loss	–	–	(300)	–
Loss recognised in other comprehensive income	–	–	(200)	–
– Fair value adjustment recognised in other comprehensive income	–	–	2 425	–
– Fair value adjustment reclassified to profit or loss	–	–	(2 625)	–
	–	–	2 125	–

The gain or loss on the fair value adjustment is recognised in other comprehensive income net of deferred tax.

The available-for-sale financial assets Level 3 comprises investments in unlisted shares for which no reasonable alternative measure for fair value is available. Therefore no sensitivity analysis has been prepared.

27 CAPITAL MANAGEMENT

The primary objective of the Board in managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position. There were no changes to the group's overall capital management approach during the current year. The group manages and makes adjustments to the capital structure as opportunities arise in the market place, as and when borrowings mature or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof.

The board monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interest from continued operations, and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The board also monitors the level of dividends to ordinary shareholders.

The group's net liabilities and total equity, or capital, at June was as follows:

	2016 R'000	2015 R'000
Total liabilities	**1 079 519**	973 114
Less: Cash and cash equivalents	**(351 796)**	(324 375)
Net liabilities	**727 723**	648 739
Total equity	**1 339 556**	1 529 924

GROUP 2015 R'000	GROUP 2016 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		28 RELATED PARTY TRANSACTIONS		
		Key management personnel remuneration		
		Short-term benefits		
54 496	**51 505**	– Salaries paid	**15 775**	11 981
3 844	**3 743**	– Board fees paid	**3 743**	3 844
17 750	**33 767**	– Incentives relating to this cycle	**11 327**	7 259
–	**1 741**	– Pre-tax gain on share option excersised	**210**	–
7 150	**–**	– Retrenchment payments	**–**	2 974
83 240	**90 756**		**31 055**	26 058
		Long service awards		
1 753	**29 874**	– Share-based payment expense	**9 448**	247
304	**349**	– Post-retirement medical benefits	**–**	–
2 057	**30 223**		**9 448**	247

GROUP

The group has related party relationships with its subsidiaries and with its directors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company.

Prior to the awarding of a contract to a related party for the supply of goods and services the group procurement manager reviews the pricing, quality and the reliability of that party. The contract terms are compared to similar suppliers of goods and services to ensure that the contract is on market related terms.

Details of prescribed officers' emoluments are set out in note 5.

Contributions to, and the total of post-retirement medical benefits as well as long term employee incentive scheme liabilities for key management personnel as at 30 June 2016 are disclosed in note 18.

Treasury shares held by EMO are outlined in note 16.1. Dividends amounting to R5.6 million (2015: R0.1 million) were received by EMO on these shares.

28 RELATED PARTY TRANSACTIONS *continued*

Transactions with other entities in which an ownership interest is held:

Guardrisk

During the year ended 30 June 2016, Ergo paid fees to the Guardrisk Cell Captive relating to the environmental guarantees issued by Guardrisk to the DMR as outlined in note 17 amounting to R7.8 million (2015: R9.9 million), which included a contribution of nil (2015: R0.8 million) (refer note 11).

Rand Refinery

The group has entered into an agreement with Rand Refinery Limited ("Rand Refinery"), for the refining and sale of all of its gold produced in South Africa. Under the agreement, Rand Refinery performs the final refining of the group's gold and casts it into troy ounce bars. Rand Refinery then sells the gold for the London afternoon fixed price on the day the refined gold is delivered and sold. In exchange for this service, the group pays Rand Refinery a variable refining fee plus fixed marketing, loan and administration fees. Mr Gwebu, who held the position of executive: legal, compliance and company secretary of DRDGOLD up to 31 December 2014, was a director of Rand Refinery, a member of its Remuneration Committee and chairman of the Social and Ethics Committee until 5 September 2014 when he resigned as director. Mr Charles Symons has been appointed to replace him as director of Rand Refinery effective 5 September 2014. Mr Mark Burrell who is the financial director of Ergo is an alternate director of Rand Refinery and a member of Rand Refinery's Audit Committee.

- The group currently owns shares in Rand Refinery (which is jointly owned by South African mining companies) (refer note 11);
- Trade receivables to the amount of nil (2015: R43.0 million) relate to metals sold; and
- The group received a dividend of nil (2015: nil) from Rand Refinery.

Consultancy agreement

On 23 June 2008, EMO approved a consultancy agreement with Khumo Gold, which owned 20% of EMO at that date. The agreement provides for a monthly retainer of R0.3 million (2015: R0.3 million) and will conclude on 31 December 2016.

Sale of shares

During the year ended 30 June 2015, DRDGOLD acquired the 20% and 6% interest in the issued share capital of EMO held by Khumo and the Empowerment Trust respectively (refer note 16.2).

COMPANY

Details of director's emoluments are set out in note 5.

Long term employee incentive scheme liabilities for key management personnel as at 30 June 2016 are disclosed in note 18.

Transactions with subsidiaries:

During the year ended 30 June 2016 the company earned:

- corporate services fees from EMO amounting to nil (2015: R10.6 million);
- corporate services fees from Ergo amounting to R20.1 million (2015: nil);
- interest from EMO amounting to R26.5 million (2015: R30.7 million) and from Ergo amounting to R35.4 million (2015: R31.3 million).

Balances outstanding at 30 June 2016:

- Subsidiaries – refer to note 12;
- Loans to black empowerment entities – refer to note 11;
- Receivables from other related parties – refer to note 14;
- Cash held on behalf of black empowerment entities – refer to note 23.

29 SUBSEQUENT EVENTS

There were no significant subsequent events between the year-end reporting date of 30 June 2016 and the date of issue of these financial statements.

SHAREHOLDER INFORMATION

AS AT 30 JUNE 2016

		No. of shareholders	% of total shareholders	No. of shares	% of total issued share capital
1)	**Analysis of shareholdings**				
	1 – 5 000	4 507	81.27	3 415 294	0.79
	5 001 – 10 000	340	6.13	2 666 356	0.62
	10 001 – 50 000	444	8.00	10 477 542	2.43
	50 001 – 100 000	92	1.66	6 874 929	1.59
	100 001 – 1 000 000	123	2.80	137 313 042	31.83
	1 000 001 – And more	41	0.14	270 682 604	62.74
	Totals	**5 547**	**100.00**	**431 429 767**	**100.00**
2)	**Major shareholders**				
	(1% and more of the shares in issue)				
	Bank of New York			175 228 569	40.62
	Khumo Gold SPV (Pty) Limited			35 000 000	8.11
	BNYMSANV			18 191 596	4.22
	Investec			15 638 626	3.62
	Citiclient Nominees No 8 NY GW			13 745 058	3.19
	Clearstream Banking S.A. luxembourg			11 080 124	2.57
	DRDSA Empowerment Trust			10 500 000	2.43
	Ergo Mining Operations (Pty) Limited			9 361 071	2.17
	KBC Securities N.V Clients			7 586 424	1.76
	Peregrine Equities (Pty) Limited			6 140 668	1.42
	ABAX Investments			4 953 034	1.15
	JPMC-Vanguard BBH lending account			4 836 810	1.12
	State Street Bank and Trust			4 526 986	1.05
3)	**Shareholder spread**				
	Non-public:	4	0.07	10 180 238	2.36
	Directors	3	0.05	819 167	0.19
	Subsidiary	1	0.02	9 361 071	2.17
	Public	5 543	99.93	421 249 529	97.64
	Totals	**5 547**	**100.00**	**431 429 767**	**100.00**
4)	**Distribution of shareholders**				
	Individuals	4 969	89.58	33 640 960	7.80
	Institutions and bodies corporate	578	10.42	397 788 807	92.20
	Total	**5 547**	**100.00**	**431 429 767**	**100.00**

ADMINISTRATION AND CONTACT DETAILS

DRDGOLD Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1895/000926/06)

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DIRECTORS

Geoffrey Campbell*
Independent Non-executive Chairman [1,2#]

Niël Pretorius
Chief Executive Officer [3]

Riaan Davel
Chief Financial Officer [3]

Johan Holtzhausen
Independent Non-executive Director [1#,2]

Edmund Jeneker
Independent Non-executive Director [1,2#,3#]

James Turk**
Independent Non-executive Director [1, 2]

COMPANY SECRETARY

Reneiloe Masemene

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STOCK EXCHANGE LISTINGS

JSE
Ordinary shares
Share Code: DRD
ISIN: ZAE000058723

NYSE
ADRs
Trading Symbol: DRD
CUSIP: 26152H301
Marché Libre Paris
Ordinary shares
Share Code: MLDUR
ISIN: ZAE000058723

DRDGOLD's ordinary shares are listed on the Johannesburg Stock Exchange (JSE) and on the New York Stock Exchange (NYSE), in the form of American Depositary Receipts (ADRs). The company's shares are also traded on the Marché Libre in Paris, the Regulated Unofficial Market on the Frankfurt Stock Exchange, the Berlin and Stuttgart OTC markets.

SHARE TRANSFER SECRETARIES

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GENERAL

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One Capital

Auditor
KPMG Inc.

Attorneys
ENSafrica
Malan Scholes
Mendelow Jacobs
Norton Rose
Skadden, Arps, Slate, Meagher and Flom

Bankers
Standard Bank of South Africa Limited
ABSA Capital

Website
www.drdgold.com

* *British*
** *American*

Committee memberships during FY2016

[#] *Denotes committee chairman*

[1] *Member or the Audit and Risk Committee*

[2] *Member of the Remuneration and Nominations Committee*

[3] *Member of the Social and Ethics Committee*

DRDGOLD LIMITED

WWW.DRDGOLD.COM