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# EDITED TRANSCRIPT

DRD.J - Q2 2020 DRDGOLD Ltd Earnings Call

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## CONFERENCE CALL PARTICIPANTS

**Brendan Ryan**;Miningmx

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## PRESENTATION

**Daniël Johannes Pretorius** - *DRDGOLD Limited - CEO & Executive Director*

Good morning, everybody, and welcome to our results presentation. Is the sound and picture okay on this side? Yes, good. If you can just nod or put up your hand if it is.

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**Adriaan Jacobus Davel** - *DRDGOLD Limited - CFO & Executive Director*

Yes. Okay. Thank you. Yes, we've got you. Thank you.

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**Daniël Johannes Pretorius** - *DRDGOLD Limited - CEO & Executive Director*

Okay. Excellent. Thanks very much. Riaan, you'll be forwarding the slides as we go along, right?

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**Adriaan Jacobus Davel** - *DRDGOLD Limited - CFO & Executive Director*

Yes, we will.

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**Daniël Johannes Pretorius** - *DRDGOLD Limited - CEO & Executive Director*

So let's move on to the -- Riaan you're going to be moving the slides forward as we go along. Is that correct?

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**Adriaan Jacobus Davel** - *DRDGOLD Limited - CFO & Executive Director*

Yes, that's correct.

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**Daniël Johannes Pretorius** - *DRDGOLD Limited - CEO & Executive Director*

Okay. Perfect. All right. So thank you very much and -- for joining us this morning. I'm going to move straight into the presentation. And while we look at the disclaimer, where we have a picture, not coincidentally of a lady. She's one of several others, representing 23% of our labor force.

Maybe just 1 or 2 words on what the focus of this presentation is going to be. This is the first year or the first period, we will be reporting with First West -- Far West operations, rather, in full volume production. So obviously, this was almost the benchmark for numbers going forward. It's the

first establishing standard or the measure for the next reporting period, so that the comparatives are slightly skewed as a consequence of that, but they do make for good reading nonetheless. And I think they demonstrate just the impact of this combined circuit that we now have.

So moving on to the next slide, straight into the group's highlights. Moving on to the highlights slide. Adriaan, if we can move on to #3 there. Thank you. I think the -- we've always been talking about production within the context of tons, so 1 ton per quarter gives us 4 tons per year. And what you see there now is that with the 33% rise, whether there's a consequence of overhead performing really well over the 6 months considering just a number of issues that we had to deal with, and I'll talk a little bit more about that later on, that we actually achieved production of 3 tons for the 6 months. That resonated in the numbers. You can see that there is an operating profit that's increased by 604% to just under ZAR 0.75 billion. And all-in sustaining margin, up from less than 1% to 26.7%. This translated into healthy headline earnings just under ZAR 0.3333 billion. And Riaan will, obviously, expand a little bit more on those numbers. And as a consequence, we're also in a position now to -- after 6 months, declare a dividend of ZAR 0.25 per share and this will be the 13th consecutive year where our company has been in a position to distribute free cash and pay out a dividend.

We will reflect a little bit just on how we arrived at this dividend. You'll see that we made mention in our letter to shareholders and the pack on our thinking in this regard, obviously, our philosophy has always been there. We don't sit on free cash. We distribute free cash, and typically, what we would do. Let's look at near-term capital commitments. We also like to retain a buffer. And then the balance goes out to shareholders. And then for good reason, a very large percentage of our shareholders are here in the United States and us being an emerging economy, obviously, we have a somewhat vulnerable or at least volatile currency, maybe not as vulnerable as we thought it was, but certainly volatile. And we don't want to be sitting on an asset that's diminishing in value. We'd rather give the cash to shareholders and then they can apply it in whichever way they deem fit and [build] the cost of the business.

However, a big chunk of the free cash that came into the business this year came from the Far West operations. And you'll know that we've been talking about the first phase and the second phase of the Far West operations now right from its inception. And the second phase will involve a slightly different blend compared to what we've got now. At the moment, we are mining a fairly high-grade resource. It needs to be applied within the context of the larger ore body. And it's not happening at the moment. It's very much in accordance with plan. We are in the first phase. We're establishing project track record at this stage. And looking at the parameters of what this thing is going to look like as and when we implement. But you do have to apply the proceeds also in the context of the entire resource, and to take all of the, let's call it, almost the windfall portion of the operating profits that's been -- that are being generated by the circuit now and distribute all of that and not apply it back into the bigger project, I think, would be maybe to not use it 100% in accordance with our approach, with our policy or our value system, if you want to call it that.

So some of that money is being retained and Riaan could perhaps elaborate more a little bit on how we arrived at that, it's really the difference in the assumed gold price and what we've actually seen, and that's going to go back into the project. So it's maybe not as big of chunk of free cash as we did in the past, although we did reduce the buffer somewhat, the cash buffer somewhat, but it's for a very good reason. There was some thinking that actually went into that. And this was the first full 6-month period where we had full production from the Far West Gold operations. Of course, it was also very important highlight this in the subsequent events. This is something that you would have seen in the news following the end of the -- this period, this reporting period, where Sibanye is exercising its option. And we'll talk a little bit more about that as well, but there's also a big sum of money that's coming into the business. And I'll reflect on that when we'll talk about looking forward and also on the sustainability slide.

So then moving on to Page 4, the next slide, to some of the operating trends that we saw coming through this year on a group basis, you can see that the -- for the 2 comparative periods or period upon period, there was -- there's been a steady increase in volume throughput over the 12 months, but comparing the first half of financial 2020 to the latter half of 2019, you could see roughly a 700,000 increase in volume throughput, just under 14 million tons went through our plots during that period. We recovered 0.217 gram of gold per ton processed and that gave us the 3 tons of gold production, which, for us, I think, is a good number. It's very much consistent, maybe slightly better than what we had anticipated or what we had planned. So the operations are in a good space in terms of operating efficiency.

On the Ergo operating results, the next slide, thank you, Riann, I see we're already there. There, you could see that there's been a decline in volume throughput. And it's a combination of a number of things. Ergo is a complex footprint. We are mining from several sites, and they need to be mined in a particular sequence. If the one that's running at low volume, then you can't necessarily supplement the volume throughput from another site

because you do have to run them, it's almost like [face] advantage. You can't race ahead because you'll be cleaning up certain sites at a time when they still need to be part of a broader throughput mix and production combination or else you're going to be running out of volume, running out of material at a time when you still have a material lift that needs to become part of a bigger blend.

And the net result of that could then be that you end up with a site that still has lots of material that needs to be moved, but running at less than optimal volumes which translates into rehabilitation or cleanup costs. So we need to run these sites in a coordinated fashion, and we don't -- we don't always overcompensate for reduction in volume from certain sites by increasing volume throughput from other sites. The circuitry just doesn't lend itself to that.

So from a combination of things, obviously, there is some impact in terms of Eskom. It's not as profound. I saw some of their results coming through this year or during this reporting period on the impact that Eskom has. Obviously, our arrangement with Eskom is that we use a little bit less [part] so we reduced it either by 10% or 20% of total pool when there is load shedding. And then that has an impact on how we coordinate, for example, the movement, the pumping of water and maintaining our water balance. So for long uninterrupted periods of load shedding, we don't like the risk that results from that and the impact that it has on our water balance, but it's not the most important aspect or the most profound aspect in terms of volume throughput. We can actually manage -- to a large extent, we can manage volume throughput, notwithstanding the fact that there are occasional incidents of load shedding. But as I said, this is a complicated site that we're mining. Some of those sites, we are in the final stages and we're lifting material from the floor of that site. And that has been challenging to maintain volume throughput in a manner which is consistent with our budgets and with our plans. Hence, the slight reduction over the 12-month period.

I think what the team has done, though. And then this is part of I think the whole idea, the philosophy of creating embedded resilience to the realities of our operating environment is the model has slightly changed, and you can see that, although volume has gone down, yield has gone slightly up. And this is as a consequence of moles that we had moved, amongst other things, the moles have been moved from Crown across to Ergo and slightly higher-grade material coming into the Ergo side. And translating into that slightly higher yield over that same period of time.

It will change again at some point or another, in a few years from now, you will see much higher volumes when the mining footprint looks different, when the combination of sites that are being mined, when that looks different, and there are more higher-volume sites and less complexity. Also early stages of mining, I mean, some of the early dumps that we're mining, 4L50, it's the one right next to the highway on the way of Boksburg, on the right-hand side. This thing is really going really well simply because it's in mid-life, it's not a complex footprint that needs to be lifted. We're not finding our way through several decades of Johannesburg history and coming up with little surprises like the -- a little bit of rock that had been deposited in the middle of a tailings dam or recovering old foundations from (inaudible) and stuff like that. So these are the little secrets that lie beneath these dams as you get closer to ground level. A few years from now, volume throughput profile is going to look quite a bit different. But then the grades are going to be slightly lower because your slime grades typically are slightly lower than the sand grade.

So the other production on a whole, as a consequence of the way that I think this business has consistently been reimagined and evolving in order to be more resilient to the realities of our operating environment. You can see that the production was actually pretty good as there were 2.2 tons coming out of Ergo.

Far West Gold recoveries, new kid on the block, I think they arc the blocks pretty well. And we're very happy with what we've seen at Far West, maybe raising it a little bit on the volume throughput. I get nervous when I see this, but I'm told that it's entirely consistent with the plan, but they managed to get their own target in terms of volume throughput. They need to do 500,000 tons a month. And that is what you're seeing in terms of volume for the half year. In terms of yield, not much I can say about that, it is consistent with the ore body, with what we anticipate and also its recoveries. And it managed to produce 0.75 of a ton of gold over that period. And when Riaan takes you through some of the finances later on, we'll just see the difference between -- the difference that grade makes and also the difference that a more compact, concise operating footprint, less complicated operating footprint, the difference that it makes.

But these are -- this -- I think it's a good combination of assets. You've got the high-volume throughput on the one end, the lower-volume throughput at the other, and a very nice combination in terms of the -- in terms of resilience and risk. I'm going to hand over to Riaan now to take you through the financial review, and then he'll hand me back later on during the presentation.



**Adriaan Jacobus Davel** - DRDGOLD Limited - CFO & Executive Director

Thank you very much, Niël. Good morning, ladies and gentlemen, from my side. Niël always provides perfect context to what I'm going to do on the financial review. It's always my privilege to take the audience through the financial results. And the reason for that is, I believe, in the purpose of the company, it's not only to make money. But as Niël puts it in his letter to shareholders we are to roll back the environmental legacy of mining, starting in the Witwatersrand, but hopefully, we can take that further as well.

But maybe this morning is extra special, the results. Because from my point of view, I believe the results are pretty good. Niël has provided that context and also in his letter to shareholders, he makes mention, and he mentioned it earlier, of the resilience of the operational and support teams throughout the group, but specifically at Ergo and Far West because someone can say that your results are good because you had a healthy increase in the gold price. And yes, that is true, but the business must be set up over many years and it has been to be able to benefit from this increase in the gold products that we've seen over the last 6 months.

Yes. So from my point of view most of the credit I believe must go to the operational themes at Ergo and Far West. And as Niel has described, Ergo, Mothership training scene, where we've learned to do high-volume, low-grade complex business, but making a huge impact on the social environmental value.

Far West, as Niel mentioned, new kid on the block, completely different than Ergo, but also the same, small footprint, one site, high yield, high margin, and you'll see that and perfectly setting that business up for further growth. So just from my point of view, the context of the results that I wanted to start off with.

Hitting some of the detail there. Ergo revenue, healthy increase as a result of a 2% increase in gold sold. And as I've mentioned, the 26% increase in the average gold price received, leading it up of revenue of just below ZAR 1.6 billion. Cash operating costs, yes, there's been a slight increase period-on-period. Even though the volumes are down, that Niel alluded to. And the main reason for that is the introduction of high-grade sand into the circuit. But as you can see in the yield improvement and in the operating profit, that very much paid off. So the cost for me very much under control at Ergo and then in an increasing revenue model, obviously, your contribution to operating profit is significant at over ZAR 360 million for the 6-month period.

Looking at Far West, Niel alluded to the fact that it was really just very small toll treatment that we did in the December 2018 period. But from a comparison point of view, it doesn't make any sense. Then, as you know, the first period of commercial production of first of 3 months in the last quarter of the financial year 2019, April to June, started generating revenue. And then as Niel mentioned, hitting planned throughput in the last 6 months, the most kicking in, in September as well. And that operation really doing well as we planned it. It's delivered and as I said, from a timing point of view, we -- from a gold price timing point of view, we almost couldn't have planned it even if we tried. So it picked up on all of that. Obviously, the cost increase, that's effectively 3 months of cost, that's 6 months, including milling, but as planned and doing extremely well. And yes, smaller operation, but because of its higher margin, you'll almost yielding a similar level operating profit than Ergo.

But as Niel said, yes, it's because we know we are mining that higher-grade resource 3, 4x faster.

Few things on our group financial trends with that background. Obviously, there is a huge impact on operating margin. Ergo contributing, if you do Ergo's operating margin on its own, a very healthy 23%. Far West, a much healthier 68%.

But this, we understand why the operations are much different, but all of that helps to get us to a 34% operating margin. Niel mentioned the 26.7%, all-in sustaining costs, which is very good. From a free cash flow point of view, more than ZAR 400 million generated in the 6 months, but also a big chunk locked up in working capital, more than ZAR 100 million, impacting that number, but we're very happy with that ZAR 400 million free cash flow.

And in all of this, and we'll go through the income statement now, obviously resulting in an headline earnings increase and a very healthy ZAR 333 million or 48.4 (inaudible) cents per share.

Looking at the detail in the income statement. So with all that background, what happened with revenue. So we had a 34% increase in gold sold, a 26% increase in the average rand gold processes received that results in a 69% increase on the top line, which is very healthy for this period.

Cost of sales, the biggest impact there is around Far West, its 6 months cost coming into the picture. And as I mentioned, some costs for Ergo, higher-yielding sand material, but yes, it comes at a cost, but we believe it was very much worth it. And you could see it in the higher yield at Ergo for the 6 months.

Administration expenses and other costs, just to mention, there's a ZAR 43 million increase in the cash-settled phantom scheme liability as a result of measuring it from 30 June, I think, at ZAR 4.37 to just below ZAR 7 for the period, and that increase all goes through the income statement in this period.

But the half year results from operating activities are just under ZAR 500 million range. Finance income, ZAR 20 million of that sits in growth in our rehabilitation assets, finance expense, as you know, the majority of that noncash. And you'll see it on the cash flow, majority unwinding of the rehabilitation liability and as a lot of time value of money.

Then, yes, a number that has crept into our income statement that we must take cognizant of, And I do see it as a result of generating lots of profit and also taxable profit at the same time. You see it on the cash flow as well. That's a combination of current and deferred tax, it goes through the gates. We did make our first provisional tax payment and I'll allude to that on the cash flow statement.

And that's the profit for the period of ZAR 333 million. Statement of financial position or balance sheet. I mentioned in September during the presentation, looking at the June 2019 balance sheet that it very much looks like a launchpad.

Now I'm happy to say based on our 6 months number, yes, definitely started to launch. You can see decrease there, depreciation on those assets as assets being used. And it's showing you really good results from both operations. Healthy investments in rehabilitation obligation funds, over ZAR 600 million.

Cash and cash equivalents, I'll elaborate on, on the next slide and also provide some further context that Niel alluded to from how we thought about it from a dividend and near-term capital projects as well. Other current assets, slight increase, obviously, Far West will have its status and inventories also sitting on that in that line item.

Equity, obviously, it shows simplistically the profit for the period. And then the healthy dividend that we declared as a final dividend of \$0.20 per share for -- relating to the 2019 financial year. Rehab liabilities, just under ZAR 700 million, obviously, deferred tax, I mentioned on the income statement, that will flow through to the deferred tax liability on the balance sheet, saying that this tax expense down the line, that will happen.

And in other noncurrent liabilities, maybe before I get there just stating that it's still a zero-borrowing balance sheet. So we -- it was like that at 30 June 2019, still no borrowings on our balance sheet. Included in that number is ZAR 43 million leased liability applying in the new IFRS 16 standard on leases. Some employee benefits, then also some employee benefits sitting in current liabilities. But overall, leaving us with an extremely healthy current ratio of more than 2, at 2.1.

And then the statement of cash flows, cash generated by operations of ZAR 500 million, as I've mentioned, included in that number is working capital lockup of over ZAR 100 million, which in our working capital cycle flows quickly through to cash just following year-end, so very, very healthy cash from operations. There, you can see the smaller cash numbers specifically on interest paid coming through as the majority is noncash. And then there's the provision of tax payment that we made at the end of December, just under ZAR 60 million that we've made to receipt of revenue.

Property, plant, equipment, obviously, quite a decrease that's mostly related to the construction of Phase 1 of Far West Gold recoveries and you can see that even as a sustaining CapEx number for 6 months is fairly low and that's why in our planning, in the next 6 months and going forward, we're looking to up that quite a bit to do some spinning also around keeping the business resilient what Niel referred to.

We'll keep on setting our environmental liabilities and that's where our model is different to I believe any other mining company, that we settle those liabilities as we mine, as we continue each period.

Dividend that I alluded to, our final dividend that was paid in the 6 months period, just under ZAR 137 million. So even with that, giving us a very healthy increase in net cash and cash equivalents, leaving us with the ZAR 543 million in cash.

So as Niel said, yes, what we wanted, our philosophy is, yes, to still reward shareholders out of free cash. I'd almost to say, we planned the Far West project, as you know, in the competent person supported ZAR 564,000 a kilogram. So averaging then just under ZAR 700,000 a kilogram. And we said, we know that is a high-grade resource, but some of that difference or upside purely from gold price, we want to keep aside and say, yes, there's a much larger project there. There's more blending that will come in the future. We don't want to declare that as a dividend.

Maybe Ergo as it is, we looked at each short-term and medium-term projects from a cash point of view, but fully declared the majority of its free cash flow out as a dividend. So with all of that into account, we believe it's a good match between still rewarding shareholders with a dividend, but making sure that we have enough cash to deliver our short and medium-term growth prospects. So really, really exciting times for us ahead. Niel, that's it from my side. I'm going to hand over to Niel in New York.

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**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

Thank you. Thanks, Riaan. And so just on the sustainable development side. These are slides that 6, 7 years ago almost went unnoticed, I think, to the large extent, but with the introduction of ESG or the emphasis on ESG, which is, I think, a development from sustainable development and -- or the new theme around sustainable development, and the emphasis on that in the investor market, I think we do have -- we have some history that we can talk to. And the work that we've done in this regard stands us in good stead in terms of developing our ESG narrative. So maybe I'll start spending a little bit more time on this, again, as I did several years ago, now that the market actually takes this topic seriously. And it's being used as a qualifier in many fronts, before investment in a company is allowed.

Now we do set very specific targets in terms of both the containment of our operations on the environment, our installations on the environment and also what needs to be left after we've mined. And looking at the impact of our mining operations in the broader scheme of things, I think there are 4, one could argue, maybe 5 distinct parallel initiatives in this regard. The one is the containment of environmental impact. And this is really what do we do about dust. Our mines are in the middle of Johannesburg. And remember, the mine didn't go to the city, the city came to the mine. And as a consequence, you would find that there are lots of communities that have sprung up around our installations and typically around the tailings dams as well. And their lives can be an absolute misery if the potential impact, the environmental impact of those installations aren't looked after.

So a small fortune is being spent -- not a small fortune, in fact, a big fortune has been spent over the last 10, maybe 12 years on containing the impact of particularly the permanent storage facilities, the tailings dams that we have. So ongoing vegetation as a measure to contain dust and ensure that we don't cover those surrounding communities in a cloud of dust with both the nuisance and the environmental -- the health impacts that it potentially have. That's been a very important part. It's been a big priority for our company.

And obviously, if you're dealing with a legacy that is more than 100 years old, you don't do it all at once. But I think what we are seeing now is 10 years of dedicated work in that regard of consistently making sure that the area that's covered by vegetation every year increases and proves that we reverse the impact of maybe some unthinking behavior in burning down some of the vegetation that were established. You could see the little picture there in the left-hand corner with the irrigation -- that needs irrigation for 2 sometimes up to 3 years, before it's independently established. So fires on these tailings dams do cost us a lot of money, and I can't imagine why people would think it's a good idea to burn them down, but be that as it may.

But we're winning that battle, and we're seeing that the dust emissions in this -- 0.71% dust emissions exceedances. What this basically means is that of all the measurements that we take, and there are several thousand measurements that are taken every year in dust buckets in and around all of these areas. I think they're in excess of 290 -- correction, there are about 90 sites where we do measure dust in different areas surrounding the mines. Less than 1% of those measurements that were taken through the entire year exceeded the statutory limit on airborne particles. So it's





a race that we are winning. It's not over yet. We'll probably only finish in about 2022, 2023, with the vegetation of all of these tailings dams. But it's well worth doing because I think it profoundly impacts the quality of life of people living in and around those areas. So that's the first thing that we do, the first dynamic in terms of environmental containment.

The second one, obviously, is the rehabilitation of sites that were previously sterilized. When mining started in Johannesburg, it was open silt. So mine dumps were established and the deposition sites were established in areas that were convenient, lower-lying areas. So what we find is that lots and lots of areas are affected, low-lying areas, wetlands, flow areas and so forth by unthinking deposition techniques and policies dating back 80, 90 years ago. This is now slowly but surely being reversed. It's being restored. Around the Crown plant, for example, you see that there's a huge area that -- where the riverbed has been cleaned up. It's resuming its natural flow path. And we envisage more of those going forward. There is one area in particular, not far from the Riverlea community, which is one of our future priorities when it comes to quality of life and so forth.

And everybody in our operations know that this is an important priority for both the Board and for the executives that this is addressed. There's a [flay] area there too where whatever the financial upside turns out to be is maybe of lesser importance, not of no importance, but of lesser importance in deciding whether or not we're going to be doing it because this too is a catchment area where sediments have been accumulating for several decades. We're the only company in South Africa in Johannesburg with infrastructure capacity and the will to actually want to lift this, clean it up and do it in such a way that it's not costing the shareholders money. We can, at the very least, do it in a cost-neutral fashion, and we might actually even turn a small profit, but it will be the cleanup of an area that, ultimately, in 5, 6, 7, 8 years from now, when it's been cleaned up, will be restored to the pristine condition that it was in before contamination started taking place, before sediments started accumulating there. So this is the reversal of the environmental legacy aspect, cleaning up sensitive sites.

The third one, obviously, is the fact that a lot of the sites that are being cleaned, and we're talking about several hundred hectares. I think last year alone was 135 hectares of land that had been restored. Not all the mines themselves, thankfully, had been built in wetlands and [flays], some of them have been built in areas that are perfectly suitable for development, industrial and even residential development. So more and more of that is taking place as well. The landscape of Johannesburg is changing. These dumps have been moved, deposition of the recycling takes place on a modern dam that is managed to modern standards, increasingly transparent sharing of information and so forth and so forth, that's being required of mining companies increasingly. That's on the governance side, and we're perfectly comfortable with that. We have those structures in place, and we're developing those.

But that's the third thing is the development of these sites for purposes of either residential or for industrial site. And that is how I think the activities of our company, which has a commercial focus, has the added benefit of reversing something at a national level many, many years in terms of environmental cleanup. So there you see 31 hectares of additional deposition area that's been vegetated. And the difference between the dust coming off these dams now compared to what they looked like 10 years ago, is chalk and cheese and hopefully, those looking at this objectively would actually see that and acknowledge that. And our purpose really -- our objective and Riaan alluded to purpose, it's the word that he uses often. I think that's the modern approach. People nowadays want to be assured that what they're doing has purpose. And the purpose really ultimately is to have reversed the impact of the environment in and around the Johannesburg area and also in Carletonville area where is the issue of aquifers and tailings dams have been built over dolomitic aquifers. It's going to play a big role, and 20, 30 years from now, when we reflect back on the career, then these are the things, hopefully, that we'll remember and that will stand us in good state. So about 31 hectares of additional deposition facilities vegetated.

There has been an increase in the amount of water that we're using in terms of potable water, but that is because of the addition of the new plant and the water usage there that's now being consolidated into our numbers. But we continue to look at reducing usage of externally sourced potable water. We don't want to compete with the communities and with other users of potable water, so recycled water is a big theme in our company, and we will continue to develop that theme. We're getting both treated AMD from TCTA. And we also have an arrangement for sewage, retreated sewage. We've got a lovely plant that feeds sewage water. And we take most of the water that they feed. I think the big issue now, unfortunately, in Johannesburg is that not all the sewage reaches the sewage plant. So hopefully, our partner there can lift its game, make sure that infrastructure actually delivers the sewage to the sewage plant, and then most of that water will find its way into our circuit into the Ergo circuit. And that too, I think, resonates both in terms of health and also the right sort of usage of the environment.





And that was the fourth point that I was going to make in terms of how we impact the environment is a slightly softer footprint using less power through technologies that are conducive to setting up the plant optimally in terms of our management systems to make sure that we don't overdraw power and also in terms of water usage, making sure that our footprint is as smart as it potentially could be.

Environmental spend in our business is, thank you, Riaan, this is not a generic summary of -- or a generic story. We can show you the actuals here. There's some real money that's going into environmental containment and rehabilitation on an ongoing basis. This is of the highest quality. We used to do this in-house and at a very good rate. Vegetation has now also taken on a development side, a small economic development side, small enterprise development side. So we've involved members of the community that also do some of this vegetation. I think what we're also finding out is that the community is a simple word. It's not hard to spell, but -- and it's not difficult to pronounce, but it is a very, very interesting concept. There are several communities within each community. And everybody wants to be part of something. And not everybody is happy when somebody else is part of something and they're not. So managing these community relations are turning out to be complicated, but we are persevering and we are determined to make sure that we add some value in this regard to us, at the same time achieving an outcome. Ultimately, these tailings need to be vegetated, and if we pay for something, then we expect the result. And this is how we drive it. That's the underlying value, and we stick to it.

Saying to my colleagues the other day, we're a mine, we're not the department of education. The standards will stay the same. It maybe become higher on as we go along, but we will never adjust our standards only because there's some sort of a social dynamic that's introduced into an initiative. If there's a contract, there's a contract and people need to deliver into that. And we intend to stick to that. We owe it to our shareholders to look at the funds responsibly.

So moving on to the guidance aspect. You would have seen, in the results, thank you Riaan, you will have seen that in the summary that we are sort of bumping against the higher end of the production side. Because of both Ergo and the Far West Gold Recoveries circuit performing really well. It's a good space to be in. Riaan made the comment that yes, the gold price has been exceptional. It has been unbelievably exceptional. You need to be able to take advantage of that as an upper end,

(foreign language) and we've got both. We've got a big bucket and even bigger spoon. So we can take advantage of these conditions. And I think it -- the team, the operations team and everybody supporting them is deserving of our praise, and we're really proud of what they achieved over the last few years to put themselves in this position.

Of course, now we want to move to full steam ahead. Sibanye had exercised the option to acquire the additional 12%. They now own 50.1% of the equity in our company. And the focus there is also very much one of -- is a very unique combination of mining -- rehabilitation through mining. The emphasis in Sibanye, when it comes to ESG, when it comes to responsible mining, the green economy, green energy, maintaining -- achieving and maintaining the high standards in terms of environmental practice, of social relevance and also of governance, these are things that are being run at big company scale and big company standards. And we slot nicely into that. I think the fact that Sibanye has invested ZAR 1 billion into a company that is developing environmental cleanup and dealing with mining legacy issues as part of an emerging brand identity is testimony to the model and its relevance in mining in this contemporary environment that we find ourselves in, the focus from investors and also from those who, on a professional basis, [around] other people's money. And there's nice alignment. I think there's very good alignment in terms of what we're capable of doing and what Sibanye, as our major shareholder, is expecting from us. And obviously, this investment will assist us to accelerate these initiatives to expand our footprint, firstly, in terms of the Far West Gold operations and hopefully, increasingly also in terms of other metals and products, where they have an existing presence. We intend to leverage that for the benefit of all of our shareholders. But as I say, I think it's a very good combination. It's a very elegant combination of environmental and social responsibility, coupled with high standards of governance, whilst at the same time, delivering value to shareholders. And this investment has certainly accelerated our ability to develop into that.

We want to become a company that is associated, not just with cash flows, dividends, profit, something that we've now done for 13 years, a 13-year dividend run, but we also want to be associated with the environmental aspect, the cleanup and the rehabilitation aspect and earn the trust of those communities where we're active by keeping our work and improving the quality of their lives through environmental remediation.

So that's really where we are after 6 months. It's a -- sort of just trundling down the initial few meters of that launchpad. We've got a clear runway ahead of us. Full tanks. And I think the plane has been serviced. It's ready for takeoff. And now we just need to stay on course and stay disciplined



to our value system. And hopefully, we'll be able to continue to do this. And also, once the gold price does go down because, undoubtedly, it will at some point or another be much lower than what it is now, have systems in place to ensure that we can come through that cycle and again take advantage of the next bull cycle as and when it takes place. So that's the rep for now. I think Riaan will take a few questions. I'll chip in to the extent that I'm required, but thank you very much for attending this presentation and for listening to it.

## QUESTIONS AND ANSWERS

### Brendan Ryan;Miningmx

Niel, Brendan Ryan here, Miningmx. You touched -- now that Sibanye is your major shareholder, you touched very briefly on what may be coming. Can you elaborate it on that, please? Are you going to expand, diversify into platinum tailings recoveries? And what is the potential for enlarged more gold treatment per plant, given the scale of Sibanye's assets?

### Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director

Brendan, thank you for the question. We're happy to be able to do that. Obviously, the immediate one, the near-term one is to develop the Far West Gold project to its full potential and take it to 1 million ton a month project. Once that is up and running, then we would have established very good infrastructure on either side of the Witwatersrand all the -- from Carletonville all the way through to Ergo -- to Boksburg and Springs and Brakpan. And I think that there's a lot of opportunity that we could then leverage. We could leverage basically this infrastructure, our presence on both ends and develop that opportunity. So that is certainly something which -- that we're looking at, to basically expanding to that. And yes, we -- I mean, Sibanye has hundreds of millions of tons of other tailings material at all of their other operations. And I think that the model works really well.

If you consider what's happened here now with the Far West Gold operations and how it actually came together quite nicely, when -- before we did the transaction, I think if you broke up the Sibanye share price in terms of different components of the business contributing to the aggregate of its share price, let's say, platinum was 20% or whatever, 40%, and gold was, whatever number you pick, I don't think that in their share price, these tailings was really recognized or contributed much. If it was 1% or 2%, I'd be very surprised. So I think what's happened with this transaction is something that was invisible and not receiving any recognition from the market in terms of its share price. It was rendered into a company that is a bespoke company and that's associated with this sort of thing. And following that transaction and considering our share price this morning, following that transaction, something which was worth 0 from a market perspective, not 0 per se, but from a market perspective received 0 value, this morning has a value of ZAR 4 billion. Now that's a compelling commercial consideration for wanting to do more of this. I think some of the other tailings out there are also not receiving any sort of recognition in terms of value. And whilst this is a unique transaction, and then maybe there won't be similar value uplift, maybe this took the market a little bit by surprise because I think there was skepticism expressed initially when we did the transaction as to what the impact would be in terms of projectability and capacity and funding and so forth and so forth. Maybe this time, the market will be less critical about or less skeptical about the ability of how this thing will pan out in terms of value add.

I do think that there are still loads and loads of other assets within Sibanye that are not called on, that's not receiving any kind of value recognition that may receive recognition as and when it comes into DRDGOLD. So there's that commercial consideration. And we definitely wanting to be part of that conversation. We want to start the conversation and move it forward now that the option's been exercised and share price sensitivities and so forth are out the way, and in terms of governance, there's a requirement for the flow of information. So that's the one component.

And then, of course, I made mention of that, it is a -- it's very high up on the strategic agenda of Sibanye. This whole green mining and green economy and cleanup and so forth. And to have a, within the group as one of its subsidiaries, a visible company with an independent personality and an independent brand to be actively involved in this and having just funded it to the tune of ZAR 1.1 billion to continue to do that, I'd be very surprised if we don't receive a very clear message from Sibanye that this is the route that they would prefer for us to go.

So it's a very good combination, Brendan. I mean, you've been following our story for many, many years. We always wanted to create this value overlap. We've always pursued -- sustainable development has been very important in our strategic thinking. And we've always pursued some sort



of a value overlap. We want to be profitable, but we also want to do stuff in terms of social value and environmental value that impacts on the bottom line. And this, I think, is a very good example, where there's been value unlock just from a Sibanye perspective of ZAR 4 billion. Obviously, the rest of the DRDGOLD shareholders are also experiencing that with a market cap that's gone from where it was -- what's it ZAR 1.7 billion to ZAR 8 billion, and the additional cash flows where there's that aspect, whilst, at the same time, also having a very soft impact on the environment and also rolling back some of those environmental issues. The story just works in this day and age.

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#### Unidentified Shareholder

My name is [Reece]. I'm the shareholder. The first question relates to the last question that was asked in terms of that Sibanye transaction. And I see that also in the media release, towards the -- on the last paragraph, it talks about moving to PGMs. Now one would be interested that, does this mean that the strategy is changing towards diversification into other resources area? And also, what has been sort of influence of this Sibanye transaction in this statement? I'm not sure if I can just ask all 3 of them.

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#### Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director

Yes, certainly. The strategy is to develop into other metals as well, precious metals, those associated with PGMs. I think Sibanye demonstrated in how the market responded to their movement into the hard rock aspect of both gold and PGMs, that it's something that the market finds attractive. Their share price has been the -- I think their share has been one of the best-performing shares on the JSE in the last 12 months. So to the extent that there may be concerns that the market doesn't appreciate this combination, I think those concerns have been addressed by the market itself. The market speaks unequivocally. We don't have to think for the market, it thinks for itself. And then I think its message is clear. And yes, I think the reason why DRDGOLD and Sibanye moved close together because there is synergy in thinking. We have a shared vision of what this combination of mining tailings profitably and in such a fashion that it rolls back environmental legacies and environmental impact that it's a vision that is shared, and it's a relationship that I think works and one that we would want to obviously develop going forward.

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#### Unidentified Shareholder

Okay, okay. And then the second one is around the low dependence on Eskom. I think that -- looking at their results, I mean, that has to be commended. You did very well in that regard. But my question is around the contribution of that towards the sustainable development. What's the contribution of that? And maybe if you can quantify?

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#### Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director

Yes. On Eskom, it's really a matter of carbon footprint. It's how many units of electricity you use. So by using low friction liners and pipelines, that means that the amount of energy that you're required to push all of this material through those pipelines. If the amount of energy is less, then as a consequence your carbon footprint is also lower. So that's how we really approach that in terms of Eskom to use as little energy as possible and to be as efficient in terms of energy use as we possibly can.

Obviously, over time, there will be an acceleration nationally, I think, in the whole of South Africa towards alternative energy sources and so forth. We're looking at more from the perspective of managing costs and storage of power at this stage than as an alternative. I don't think that the industry can be entirely independent of Eskom. The South African economy and Eskom are just the -- it's a relationship that you cannot break. The one cannot exist without the other. So we need to work with Eskom towards finding solutions for its problems and so forth. But that doesn't mean that we cannot look at ways and means of reducing risk and also managing our costs, and that's the direction that we're moving in. But more to your question, it's really about carbon footprint and efficient energy usage at this stage.

**Unidentified Shareholder**

Okay. And then the last one. There was a comment on the DRD website that despite the improvement in technology, the Ergo waste still contains minute particles of gold. Has there been maybe a further improvement? And maybe what's your general comment in that regard?

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**Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director**

Thank you. Look, there's a lot of R&D taking place on an ongoing basis to see if there are other technologies that could be employed. But at this stage, it's really a matter of setting up your plant infrastructure and circuit in such a way and your metallurgy in such a way that you optimally run the plant. So it's staying ahead of the curve. It's not new technologies. It's just managing those technologies as well as we possibly can from an efficiency standpoint. And that's basically based on our management system, which assumes a free exchange of information and running the plant towards very specific parameters and keeping them within those parameters and doing monitoring on a 24/7 basis. I think Jaco will be able to elaborate on that, where we have 40,000 data points collecting or reporting into a central data and information management system that enables us to keep the plant within range, our operations within -- all the key dynamics within range.

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**Martin Creamer;Mining Weekly**

Martin Creamer from Mining Weekly Online. I just wanted to get some sort of insight into the technologies involved with you recover platinum. Is there much difference in technology in the recovery of platinum? Will you have to do a lot of research and development in that? And when you say other metals and minerals, are you talking silver? What are you talking about?

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**Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director**

No, no. No, I think at this stage, it's limited to the opportunities arising from our relationship with Sibanye. So it's a stuff that Sibanye's involved in. We'll continue with the gold. And to the extent that we -- that there's an opportunity for us to move into the PGMs, then that's where we want to go. So our skill set is logistics. We move large quantities of material, volumes of material and deliver it at the right rate and in the right condition to a plant and then the management systems around that plant to monitor the key drivers there, the key dynamics within that plant. In terms of the metallurgical responses, I think operationally, we do have -- we do understand how it works, but there is some skills that we have to -- that we would have to bring into a company in that regard. And they're -- are there. They're out there. We don't have to go and develop those skills from fresh, and we certainly don't want to make mistakes that other people have made as part of a learning curve. So we will do sort of a mini Sibanye thing kind of way. When it came to tailings, Sibanye thought that maybe DRDGOLD is a good idea. When it comes to PGMs, there are individuals out there, and we would want to bring them into the organization on the metallurgical aspect.

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**Brendan Ryan;Miningmx**

Niel, coming back to Eskom, I mean, you've indicated that you can cope with what has thrown at you so far. But given the scope of what you're looking at in terms of new projects, are you considering setting up your own power IPP to give you some security on the power situation?

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**Daniël Johannes Pretorius - DRDGOLD Limited - CEO & Executive Director**

We're not looking at building a plant at this stage that will -- independently of Eskom's ability to deliver electricity to that plant. So -- and if your question is in the next phase are you going to build both the plant and also set up power generating capacity adequate to feeding to that plant? The answer is no, I don't think so. The economics don't work. So Eskom is key also for our future plans. We're looking at alternative power generation, more or less a cost risk management exercise and an interruption of supply risk management exercise. So yes, there are various models. And I mean, they start with storage and charging batteries during off-peak periods when electricity is a lot cheaper and then growing power from those batteries from the storage facilities during peak hours that is a cost thing, but also a risk of interaction thing because while you have those batteries, everything flows through that, your current flows through that so you won't have a large UPS. Ultimately, maybe combining that with solar.

But, Brendan, we live in hot tank, we live in a hail belt. So I think I need to be reassured that the technology is capable of withstanding large hailstorms and other weather and so forth. I'm not sure if we're quite there. The work is being done. And you can have a chat with Jaco. He'll tell you how extensively he's researched this already, and what sort of models are out there that one could look into, but we're moving towards that cautiously. And as I said, not as -- the philosophy, the thinking, and I think most of the executives in our company share my thinking, the thinking is not so much one of becoming independent of Eskom, but rather managing the risks associated with Eskom, both in terms of cost and supply.

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**Adriaan Jacobus Davel** - DRDGOLD Limited - CFO & Executive Director

Niel. We have some questions from the webcast. I see [Gunther] is listening. [Gunther Audick] from Zurich. He just mentioned that you're presenting live at the Princeton Club in New York. And then he had a comment around technology that we can use to assist underground mines.

Don't know if that's a robotic angle, and that's probably not something that we do focus on, we're all-surface as our strategy is. But thank you for the comment. And thanks for listening to the webcast.

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**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

[Mr. Audick], it's very good for you to dial in into. (foreign language)

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**Adriaan Jacobus Davel** - DRDGOLD Limited - CFO & Executive Director

Then a question from [Antoniho]. I'm very impressed. Someone reading much deeper in our 20-F, which is great. He mentioned that in your 20-F, you're evaluating the cost effectiveness of Ergo's fine grind circuit. Could you please provide us with an update on this evaluation?

Niel, I don't know if you want to just kick off and we can maybe add Jaco and myself.

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**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

Yes. Thanks so much. The cost efficiency thing, it's really a matter of the extent to which it's capable of contributing meaningfully to the production profile. What we found is that the materials that we're processing at this stage contains a lower percentage of sulfate. And as a consequence, the mass pool has not been as efficient as it was in the past when we just started up. I think, initially, we saw a change close to 60 kilos in production per month, as we started up when we were mining the -- sort of deep into the belly the Elsburg circuit. As we moved further east, we saw a reduction in that. And following care and maintenance, an interruption in maintenance rather, when was it -- Jaco, was that in June of last year, July of last year. I see you nod. We haven't switched it back on again. It's now being substituted basically by the percent laws, the higher fraction laws.

And in terms of cost efficiency, we did not see -- towards the end, we did not see any significant change in the residue values of material leaving the Ergo plant. So there's a much big saving in cost, about ZAR 12 million saving in cost without sacrificing production and without seeing a change in efficiency. So in terms of the current material that we're mining, the current resource has run its course. It's been perfectly preserved, obviously, because we may want to use it, once we open up something else that has similar characteristics as the material that initially justified its construction. But at the moment, it's standing.

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**Wilhelm Jacobus Schoeman** - DRDGOLD Limited - Operations Director of Ergo Mining Operations Proprietary Limited

Niel, just to add a little bit to that. So currently, it's also the review for different resources going forward. So it might be put back in a different sequence and a different configuration for a different resource going forward. So we're not just -- it's currently just mothballed with the idea of recommissioning it maybe at a later stage.

**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

Thanks, Jaco.

**Adriaan Jacobus Davel** - DRDGOLD Limited - CFO & Executive Director

Thanks, Jaco. Niel, last question on the website from [Ralph Milton]. The comment is, great results. Any idea on timing on West Rand expansion. Also 2 options were floated on Phase 2. Any comment? Also, are you marketing to these sovereign funds that place great emphasis on environmental issues.

**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

Yes, there is a lot of focus going into the environmental issues at this stage. And I think the market is -- that's the expectation. The -- this is something that, as I said in the past, was, by and large, sort of an afterthought when it came to putting together these presentations or delivering them, at least from a market perspective, but now a lot of funds are actually leading with us. They're wanting to see very specific standard being adhered to.

In terms of the Far West, obviously, the situation that we find ourselves in now is that we could be a little bit more aggressive and maybe bring forward some of the capital projects that set us up to accelerate this. And it's indeed being done. We approached our Board at the last Board meeting, and we asked for some money. Jaco asked for some capital money that was only going to come in, in the next financial year. We brought that forward. Not in considerable sum to start moving in that direction. So it's on the current horizon.

**Adriaan Jacobus Davel** - DRDGOLD Limited - CFO & Executive Director

Excellent job. Thanks. Obviously, we're looking at all the options for -- and yes, 2 options publicly to increase the capacity of DP2 as it is now up to a 1 million tons and also to build a central processing facility, maybe do both. So we're looking at all the options as we indicated to the market.

Niel, so nothing further on the webcast questions. And I don't know there's any final questions from the floor. Yes. Nothing. Thank you, Niel, that we're -- that's all the questions. Thank you.

**Daniël Johannes Pretorius** - DRDGOLD Limited - CEO & Executive Director

Good. Thanks very much, everyone. Thanks for dialing in and also for attending.

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