3B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3D. RISK FACTORS

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

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

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

Risks related to our business and operations

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

As the majority of our production costs are in Rands, while gold is generally sold in dollars, our results of operation and financial condition have been and could be materially harmed in the future by an appreciation in the value of the rand. Due to the marginal nature of our operations any sustained decline in the market price of gold, would adversely affect us, and any decline in the price of gold below the cost of production could result in the closure of some or all of our operations which would result in significant costs and expenditure, for example, incurring retrenchment costs earlier than expected. Accordingly, any sustained decline in the price of gold would negatively and adversely affect our business, operating results and financial condition.

We do not enter into forward contracts to reduce our exposure to market fluctuations in the dollar gold price or the exchange rate movements of the rand. We sell our gold and trade our foreign currency at the spot price in the market on the date of trade. If the dollar gold price should fall and/or the rand should strengthen against the dollar, this would adversely affect us and we may experience losses, and if these changes result in revenue below our cost of production and remain at such levels for any sustained period, we may be forced to curtail or suspend some or all of our operations. We might not be able to recover any losses we may incur during that period or maintain adequate gold reserves for future exploitation.

Exchange rates are influenced by global economic trends. In fiscal 2014, 2013,and 2012 the rand weakened against the dollar 7.2%, 16.3% and 21.1% respectively (based on exchange rates at June 30 of each year). From December 2001, when the exchange rate reached R13.44 = $1.00, the rand has appreciated by 21.3%. against the dollar to R10.58= $1.00 at June 30, 2014 (based on closing rates). At September 30, 2014 the rand traded at R 11.28 = $1.00 (based on closing rates), a 6.6% weakening relative to the Dollar from June 30, 2014.

A decrease in the dollar gold price and a strengthening of the foreign exchange rate of the rand against the dollar could result in a decrease in profitability. In fiscal 2014, 2013 and 2012 all of our production was from South Africa providing significant exposure to the strengthening of the rand and a decrease in profitability. If the rand were to appreciate against the dollar for a continued time, our operations could experience a reduction in cash flow and profitability and this would adversely affect our business, operating results and financial condition.

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

South Africa has experienced high rates of inflation in the past. Higher inflation in South Africa may result in an increase in our future operational costs in rand, unless such inflation is accompanied by a concurrent devaluation of the rand against the dollar or an increase in the dollar price of gold. Significantly higher and sustained inflation in the future, with a consequent increase in operational costs could have a material adverse effect on our results of operations and our financial condition, and could result in operations being discontinued or reduced or rationalized.

***We have incurred losses in the past and may incur losses in the future*.**

We incurred a net loss of R54.7 million for fiscal 2014 and achieved a net profit of R97.7 million for fiscal 2013 and a profit of R374.8 million in fiscal 2012.

The loss in fiscal 2014 was largely due to a 5.5% drop in the average rand gold price received amounting to R432,775 per kilogram and a decline of 0.2% in gold produced from continuing operations. It also includes an impairment of R56.6 million relating to R12.4 million against property, plant and equipment and R46.9 million against available-for-sale financial assets which was offset by a reversal of an impairment of R2.7 million on equity accounted investments.

The profit in fiscal 2013 was largely due to a 9% increase in the average rand gold price received amounting to R458,084 per kilogram and an 8% increase in gold produced from continuing operations, which was partly offset by an impairment of R187.9 million relating to R61.0 million against property, plant and equipment, R101.3 million against available-for-sale financial assets and R25.6 million against investments. It also included a share of losses of equity accounted investment of R50.1 million relating impairments of exploration assets recognized at Chizim Gold level.

The profit in fiscal 2012 was largely due to a 36% increase in the average rand gold price received amounting to R418,538 per kilogram.

Our profits and cash flows of our operations are directly exposed to the gold price, strength of the rand and higher input costs as we do not hedge.

We may not be able to meet our cash requirements because of a number of factors, many of which are beyond our control and we cannot guarantee that alternative financing would be available.

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

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

Our future cash flow, results of operations and financial condition are directly related to the success of our exploration and acquisition efforts in South Africa and any new regions that we identify for future growth opportunities. Our Ore Reserves for fiscal 2014 decreased by 10.0% due to ongoing mining activities, in 2013 it decreased by 8%, also in main due to depletion from mining activities. Our Ore Reserves for fiscal 2012 decreased by 75%, mainly due to the disposal of Blyvoor which represented 73% of our Ore Reserves on June 30, 2011.

Any new or ongoing exploration programs may not result in new mineral producing operations that will sustain or increase our Ore Reserves. A failure to discover or acquire new Ore Reserves in sufficient quantities to maintain or grow the current level of our reserves will negatively affect our future cash flow, results of operations and financial condition. In addition, if we are unable to identify Ore Reserves that have reasonable prospects for economic extraction while maintaining sufficient controls on production and other costs, this will have a material influence on the future viability of our operations.

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

We have evaluated our internal controls over financial reporting for the current fiscal period so that management can attest to the effectiveness of these controls, as required by Section 404 of the United States Sarbanes-Oxley Act of 2002. Management has determined that these controls were effective for the 2014, 2013 and 2012 fiscal years respectively and did not identify any material weaknesses within our internal controls surrounding the financial reporting process. These internal controls over financial reporting may not be sufficient to prevent significant deficiencies or material weaknesses in the future, and we may also identify other conditions that could result in significant deficiencies or material weaknesses. In this event, we could experience a negative reaction in the financial markets and incur additional costs in improving the condition of our internal controls. For a detailed discussion of controls and procedures, see Item 15: “Controls and Procedures.”

Single point of failure due to one operating segment

With the disposal of Blyvoor on June 1, 2012, we currently have only one operating segment, namely Ergo. The various processing plants, pump stations and deposition site of this business are linked through pipeline infrastructure. The Ergo plant is now our major processing plant and we have one deposition site. The pipeline infrastructure relating to the Ergo plant and Brakpan Tailings Storage Facility ("Brakpan TSF") are exposed to numerous risks, including operational down time due to unplanned maintenance, destruction of infrastructure, spillages, higher than expected operating costs, or lower than expected production each of which could have a material adverse effect on our business, operating results and financial condition.

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

Our historical production costs have increased significantly and we may not be able to accurately predict and adequately provide for further increases in our production costs. Production costs are affected by, among other things:

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

The majority of our production costs consist of reagents, labor, steel, electricity, water, fuels, lubricants and other oil and petroleum based products. The production costs incurred at our operations have in the past, and could in the future, increase at rates in excess of our annual expected inflation rate and result in the restructuring of these operations at substantial cost. The majority of our South African labor force is unionized and their wage increase demands are usually above the then prevailing rates of inflation. Ergo and ERPM signed a two year wage settlement agreement with effect from July 1, 2013, with the National Union of Mineworkers of South Africa, or NUMSA and United Association of South Africa, or UASA, on October 9, 2013, which provides for average annual compensation increases in year one of 10% for categories 4 – 5, 9% for categories 6 – 7 and 8% for categories 8 – 15, and in year two 8% for categories 4 – 5 and 7.5% for categories 6 – 15. On September 4, 2014, Ergo and ERPM extended the two year wage settlement agreement with effect from July 1, 2015 to June 30, 2016, with NUMSA and UASA, which provides for average annual compensation increases in year one of 10% for categories 4 – 5, 9% for categories 6 – 7 and 8% for categories 8 – 15.

The emergence of a new labor union, the Association of Mineworkers and Construction Union, or AMCU, and labor unrest driven by AMCU during 2013 and 2014 in the gold and platinum industry have resulted in extended strikes. In certain instances wage settlements that were reached with other representative labor unions were challenged by AMCU and increased uncertainty in the labor market resulted. As at September 30, 2014 AMCU had no representation at any of our operations nor have there been demands for recognition. We cannot guarantee that no such demands will be made in the future.

In addition, in the past, we have been impacted by large price increases imposed by our parastatal entities which supply us with electricity and water. Increases in steel, electricity or water prices combined with the increases in labor costs, could result in our costs of production increasing above the gold price received. Discussions with steel suppliers and parastatal entities to moderate price increases have been unsuccessful in the past. A wage strike by NUMSA during July 2014 caused a delay in the delivery of certain steel products to our operations.

The costs of fuels, lubricants and other oil and petroleum based products have increased in fiscal 2014 due to the weakening exchange rate with the cost of crude oil in global markets remaining relatively flat to slightly lower. In the event that crude oil prices increase, this could have a significant impact on our production costs.

Our initiatives to reduce costs, such as reducing our labor force, a reduction of the corporate overhead, negotiating lower price increases for consumables and cost controls, may not be sufficient to offset the increases affecting our operations and could adversely affect our business, operating results and financial condition.

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

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

We have incurred and expect to incur in the future, expenditures to comply with these environmental laws and regulations. We have estimated our aggregate group Rehabilitation, Reclamation and Closure cost provision at R471.7 million which is included in our statement of financial position as at June 30, 2014 (Consisting of provision for environmental rehabilitation: R451.2 million and liabilities held-for-sale R20.5 million). However, the ultimate amount of rehabilitation costs may in the future exceed the current estimates due to factors beyond our control, such as changing legislation, higher than expected cost increases, or unidentified rehabilitation costs. We fund these environmental rehabilitation costs by making contributions over the life of the mine to environmental trust funds or funds held in insurance instruments established for our operations. If any of the operations are prematurely closed, the rehabilitation funds may be insufficient to meet all the rehabilitation obligations of those operations. The closure of mining operations, without sufficient financial provision for the funding of rehabilitation liabilities, or unacceptable damage to the environment, including pollution or environmental degradation, may expose us and our directors to prosecution, litigation and potentially significant liabilities.

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

If the rate of rise of water is not controlled, water from our discontinued and now abandoned underground operations could potentially rise and come into contact with naturally occurring underground water or decant into surrounding underground mining areas and could ultimately also rise to surface. Progressive flooding of these abandoned underground mining areas and surrounding underground mining areas could eventually cause the discharge of polluted water to the surface and to local water sources.

Should underground water levels not reach a natural subterranean equilibrium, and in the event that underground water rises to the surface, we may face, together with all other mining companies in those areas, claims relating to environmental damage as a result of pollution of ground water, streams and wetlands. These claims may have a material adverse effect on our business, operating results and financial condition.

Damage to tailings dams and excessive maintenance and rehabilitation costs could result in lower production and health, safety and environmental liabilities.

Our tailings facilities are exposed to numerous risks and events, the occurrence of which may result in the failure or breach of such a facility. These may include sabotage, failure by our employees to adhere to the codes of practice and natural disasters such as excessive rainfall, any of which could force us to stop or limit operations. In addition, the dams could overflow and the health and safety of our employees and communities living around these dams could be jeopardized. In the event of damage to our tailings facilities, our operations will be adversely affected and this in turn could have a material adverse effect on our business, operating results and financial condition.

Due to the nature of our business, our operations face extensive health and safety risks.

The business of gold mining is exposed to numerous risks and events, the occurrence of which may result in the death of, or personal injury, to employees. Regrettably one person died in a work-related incident during fiscal 2012. The employee died after he lit a fire in a closed shelter while on duty. According to section 54 of the Mine, Health and Safety Act of 1996, if an inspector believes that any occurrence, practice or condition at a mine endangers or may endanger the health or safety of any person at the mine, the inspector may give any instruction necessary to protect the health or safety of persons at the mine. These instructions could include the suspension of operations at the whole or part of the mine. These incidents could lead to mine operations being halted and that will increase our unit production costs, due to loss of production. This could have a material adverse effect on our business, operating results and financial condition.

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

Because of the nature of our business, we may become subject to liability for pollution or other hazards against which we are unable to insure, including those in respect of past mining activities. Our existing property, business interruption and other insurance contains certain exclusions and limitations on coverage. We have insured property, including loss of profits due to business interruption in the amount of approximately R6.4 billion. Claims for each and every event are limited by the insurers to R500 million. Business interruption is only covered from the time the loss actually occurs and is subject to time and amount deductibles that vary between categories.

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

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

The success of our business will depend, in large part, upon the skills and efforts of a small group of management and technical personnel including the positions of Chief Executive Officer and Chief Financial Officer. In addition, we compete with mining and other companies on a global basis to attract and retain key human resources at all levels with appropriate technical skills and operating and managerial experience necessary to operate the business. Factors critical to retaining our present staff and attracting additional highly qualified personnel include our ability to provide these individuals with competitive compensation arrangements, and other benefits. If we are not successful in retaining or attracting highly qualified individuals in key management positions, our business may be harmed. We do not maintain "key man" life insurance policies on any members of our executive team. The loss of any of our key personnel could delay the execution of our business plans, which may result in decreased production, increased costs and decreased profitability.

Our flotation and fine-grind (FFG) project faces the risk of a start-up project.

Our flotation and fine grind project is designed to improve extraction efficiencies which gold contained within the sulfides of the tailings material by subjecting the treated material to a flotation circuit, further regrinding and a leach circuit. This project was commissioned during the second and third quarters of fiscal 2014 and came into full operation in the third quarter. Production was temporarily suspended on 2 April 2014 due to unsatisfactory gold recoveries and low carbon absorption efficiencies. The established Low Grade Section was brought back to steady state and gold production stabilized during the last quarter of FY2014. The main causes for the unsatisfactory recoveries included carbon management in the Low Grade Section, thickener availability and management of the water balance. Apart from rectifying the main causes, the operational team also implemented a twin streaming process by isolating the Crown and City material from the main Elsburg material. By implementing this change the gold content in the individual feed supply streams can be measured before the product goes into the leach tanks. By comparing these assays with the final recoveries, management will be able to identify and correct, much earlier, any possible negative impacts whilst it will also improve the allocation of gold from different sources. A number of smaller engineering upgrades are also being made during this "time out" period.

In late August 2014 the FFG was restarted and currently treats one third of the Ergo plant throughput. Once the FFG shows steady, acceptable recoveries, the remainder of the Ergo plant throughput will also be treated through the FFG. Provided that these required levels are achieved, we plan to put the full Ergo throughput through the FFG by the end of the 1st quarter of calendar 2015.

The flotation and fine grind project remains exposed to numerous risks associated with similar start-up projects, including operational down time due to unplanned maintenance, destruction of infrastructure, spillages, higher than expected operating costs, or lower than expected production which could have a material adverse effect on our business, operating results and financial condition.

Conditions precedent for completion of the Blyvoor sale were not met before the due date.

The sale agreement entered into in connection with the disposal of Blyvoor consists of two parts, being Part A and Part B. See Item 5A.: "Operating Results - Recent developments" for a more detailed discussion. The conditions precedent for Part A were satisfied and Part A was completed on June 1, 2012. However, the Part B conditions for the mining right conversion did not occur prior to the deadline. On July 30, 2013, Village Main Reef Limited ("Village") suspended financial assistance to Blyvoor and on August 6, 2013, Blyvoor was placed into provisional liquidation. A legal dispute has now ensued to test whether the conditions for Part B were not met because of a breach of the agreement on the part of Village Main Reef Limited. Pending the outcome of the above (which will confirm the ownership of the shares), the 20,000,000 ordinary shares in Village remained in escrow.

Risks related to the gold mining industry

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

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

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

Our profitability may be negatively impacted by a decline in the gold price and we incur losses when revenue from gold sales drops below the cost of production for an extended period.

Current economic conditions may adversely affect the profitability of the Group's operations.

The future outlook for the global economy remains uncertain. Growth generally is still low and the demand for resources is down from previous highs. During fiscal 2014 the gold price came off a high of U$1,426 per ounce to a low of U$1,192. The uncertainty in the outlook of resources generally and of gold in particular resulted in tightened credit markets, reduced liquidity and extreme volatility in fixed income, credit, currency and equity markets. These conditions may adversely affect the Group's business. For example, tightening credit conditions may make it more difficult for the Group to obtain financing on commercially acceptable terms or make it more likely that one or more of our key suppliers may become insolvent and lead to a supply chain breakdown. In addition, general economic indicators have still not shown signs of sustained recovery - consumer sentiment remains bearish, unemployment remains high, economic growth is marginal and corporate earnings are uncertain and volatile. To the extent that the current economic climate worsens or the economic environment in which the Group operates does not recover, the Group could experience a material adverse effect on its business, results of operations and financial condition.

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

Exploration is highly speculative in nature and requires substantial expenditure for drilling, sampling and analysis of ore bodies in order to quantify the extent of the gold reserve. Many gold exploration programs, including some of ours, do not result in the discovery of mineralization and any mineralization discovered may not be of sufficient quantity or quality to be mined profitably. If we discover a viable deposit, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change.

Moreover, we rely on the evaluations of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined with any degree of accuracy whether or not the deposit contains economically recoverable mineralization. Uncertainties as to the metallurgical recovery of any gold discovered may not warrant mining on the basis of available technology.

Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the success of our continued exploration and development programs. Our business focuses mainly on the extraction of gold from tailings, which is a volume driven exercise. Only significant deposits within close proximity of services and infrastructure that contain adequate gold content to justify the significant capital investment associated with plant, reclamation and deposition infrastructure are suitable for exploitation in terms of our model. There is a limited supply of these deposits which may inhibit growth prospect, especially in a declining gold price environment.

As a result of these uncertainties, we may not successfully acquire additional mineral rights, or identify new Proven and Probable Ore Reserves in sufficient quantities to justify commercial operations in any of our operations. Our mineral exploration rights may also not contain commercially exploitable reserves of gold. The costs incurred on unsuccessful exploration activities are, as a result, not likely to be recovered and therefore likely to be impaired.

There is uncertainty with our Ore Reserve estimates.

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

Should we encounter mineralization or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and mining plans may have to be altered in a way that might ultimately cause our reserve estimates to decline. Moreover, if the price of gold declines, or stabilizes at a price that is lower than recent levels, or if our production costs, and in particular our labor, water, steel and electricity costs, increase or recovery rates decrease, it may become uneconomical to recover Ore Reserves containing relatively lower grades of mineralization. Under these circumstances, we would be required to re-evaluate our Ore Reserves. Short-term operating factors relating to the ability to reclaim our Ore Reserves, at the required rate, such as an interruption or reduction in the supply of electricity or a shortage of water may have the effect that we are unable to achieve critical mass, which may render the Ore Reserve, or parts of the Ore Reserve no longer feasible, which could negatively affect production rate and costs and decrease our profitability during any given period. These factors may, and could result in reductions in our Ore Reserve estimates, which could in turn adversely impact upon the total value of our mining asset base and our business, operating results and financial condition.

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

The business of gold mining is exposed to numerous risks and events, the occurrence of which may result in the death of, or personal injury to employees, the loss of mining and reclamation equipment, damage to or destruction of mineral properties or production facilities, monetary losses, delays in production, environmental damage, loss of the license to mine and potential legal claims. The risks and events associated with the business of gold mining include:

- environmental hazards and pollution, including dust generation, toxic chemicals, discharge of metals, pollutants, radioactive materials and other hazardous material into the air and water;
- flooding, landslides, sinkhole formation, ground subsidence, ground and surface water pollution, and waterway contamination;
- a decrease in labor productivity due to labor disruptions, work stoppages, disease, slowdowns or labor strikes;
- unexpected decline of ore grade;
- metallurgical conditions and gold recovery;
- failure of unproven or evolving technologies;
- mechanical failure or breakdowns and ageing infrastructure;
- energy and electrical power supply interruptions;
- availability of water;
- injuries to employees or fatalities resulting from falls from heights and accidents relating to mobile machinery or electrocution;
- activities of illegal or artisanal miners;
- material and equipment availability;
- legal and regulatory restrictions and changes to such restrictions;
- social or community disputes or interventions;
- accidents caused from the collapse of tailings dams;
- pipeline failures and spillages;
- safety-related stoppages; and
- corruption, fraud and theft including gold bullion theft.

The occurrence of any of these hazards could delay production, increase production costs and may result in significant legal claims.

Risks related to doing business in South Africa

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

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

Inflation can adversely affect us.

Recently, the South African economy has been growing at a relatively slow rate, inflation and unemployment have been high by comparison with developed countries, and foreign currency reserves have been low relative to other emerging market countries. The inflation rate in South Africa is relatively high compared to developed, industrialized countries. As of June 2014, the Consumer Price Inflation Index, or CPI, stood at 6.6% compared to 5.5% in June 2013 which remained flat at 5.5% from June 2012. The inflation rate slowed to 5.9% as at September 30, 2014. Continuing high levels of inflation in South Africa for prolonged periods, without a concurrent devaluation of the rand or increase in the price of gold, could result in an increase in our costs which could reduce our profitability.

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

Our mining operations are dependent on electrical power supplied by Eskom, South Africa's state owned utility company. As a result of insufficient generating capacity, owing to poor maintenance and lagging capital infrastructure investment, South Africa has faced significant disruptions in electricity supply in the past and Eskom has warned that the country could continue to face disruptions in electrical power supply in the foreseeable future. Whilst Eskom did manage to contain the number and severity of power supply stoppages to the extent of not having a material impact on our production, the country's current reserve capacity remains insufficient and the risk of electricity stoppages may continue through 2014. Supply interruptions due to cable theft is also on the increase and may pose a significant risk to the operations.

The group has installed auxiliary emergency units at its plant to prevent the tripping of electric generators and entered into an agreement for the supply of temporary power generation equipment and services during fiscal 2014 to drive certain key installations associated with the disposal of tailings. The lease term will commence during October 2014 for a term of five years at a fixed monthly payment. The group has the option to acquire the equipment at the termination of the lease. There is no assurance that the measures will be sufficient to mitigate the risk of power stoppages.

Electricity tariffs increased as follows: from April 1, 2012 an average tariff increase of 16.7%, from April 1, 2013 an average tariff increase of 8.0% and from April 1, 2014 an average tariff increase of 10.79%. These increases have had an adverse affect on our production costs and future increases of this nature could have a material adverse effect on our business, operating results and financial condition.

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

The primary area of focus in respect of occupational health within our operations is noise induced hearing loss, and occupational lung diseases (OLD) and tuberculosis (TB). We provide occupational health services to our employees, we provide training and protective gear and continue to improve preventive occupational hygiene initiatives. The costs associated with providing such occupational health services could increase significantly.

As a result of the South African Constitutional Court decision permitting individuals employed as miners with occupational lung diseases to sue their current or former employers for damages outside the statutory compensation scheme, we could be subject to claims against us from previous or current employees, including a potential class action or similar group claim. In January 2013, DRDGOLD, ERPM and 23 other mining companies were served with a court application for a class action issued in the South Gauteng High Court by alleged former mineworkers and dependents of deceased mineworkers. In the pending application, the applicants allege that DRDGOLD, ERPM and other mining companies conducted underground mining operations in such a negligent manner that resulted in the former mineworkers contracting silicosis and other related diseases. We will assess all such claims, if and when filed, on their merits. Liability associated with such claims and expenses of dealing with them could have a material adverse effect on our business, operating results and financial condition.

Increased theft at our sites, particularly of copper, may result in greater risks to employees or interruptions in production.

Crime statistics in South Africa indicate an increase in theft. This together with price increases for copper has resulted in the increased theft of copper cable. Our operations experience high incidents of copper cable theft despite the implementation of security measures. In addition to the general risk to employees' lives in an area where theft occurs, we may suffer production losses and incur additional costs as a result of power interruptions caused by cable theft and theft of bolts used for the pipeline.

Possible scarcity of water may negatively affect our operations.

National studies conducted by the Water Research Commission, released during September 2009, found that water resources were 4% lower than estimated in 1995 which may lead to the revision of water usage strategies by several sectors in the South African economy, including electricity generation and municipalities. This may result in rationing or increased water costs in the future. Such changes would adversely impact our surface retreatment operations, which use water to transport the slimes or sand from reclaimed areas to the processing plant and to the tailings facilities. In addition, as our gold plants and piping infrastructure were designed to carry certain minimum throughputs, any reductions in the volumes of available water may require us to adjust production at these operations.

We entered into a R22 million capital investment programme with the local municipality to source treated sewage water for our water circuit. This water will be used both to reclaim and carry production materials and also, ultimately, to irrigate rehabilitation vegetation at a significantly lower cost than that of potable water. In addition, as part of the Heads of agreement signed between EMO, Ergo, ERPM and Trans-Caledon Tunnel Authority (TCTA) in December 2012, Ergo has the right to purchase up to 30 Ml of treated water per day from TCTA at cost price for use in its production circuits. There is no assurance that the measures will be sufficient to alleviate all the water scarcity issues.

Government Regulation

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

The mining industry in South Africa is extensively regulated through legislation and regulations issued through the government's administrative bodies. These involve directives in respect of health and safety, the mining and exploration of minerals, and managing the impact of mining operations on the environment. A variety of permits and authorities are required to mine lawfully, and the government enforces its regulations through the various government departments. The formulation or implementation of government policies may be discretionary and unpredictable on certain issues, including changes in conditions for the issuance of licenses insofar as social and labor plans are concerned, transformation of the workplace, laws relating to mineral rights, ownership of mining assets and the rights to prospect and mine, additional taxes on the mining industry and in extreme cases, nationalization. A change in regulatory or government policies could adversely affect our business.

New order rights obtained under the Mineral and Petroleum Resources Development Act, 2002 are not equivalent to our old mining rights.

On May 1, 2004, the new Minerals and Petroleum Resources Development Act, or the MPRD Act, came into effect, which places all mineral and petroleum resources under the custodianship of the state. Private title and ownership in minerals, or the "old order rights," are to be converted to "new order rights," essentially the right to mine.

New order rights obtained under the MPRD Act, are not equivalent to our existing property rights. The area covered by the new order rights may be reduced by the Department of Mineral Resources, or DMR, if it finds that the prospecting or mining work program submitted by an applicant does not substantiate the need to retain the area covered by the old order rights. The duration of the new order rights will no longer be perpetual but rather, in the case of new order mining rights, for a maximum of 30 years with renewals of up to 30 years each and, in the case of prospecting rights, up to five years with one renewal of up to three years.

The new order rights will only be transferable subject to the approval of the Minister of Mineral Resources. Mining and prospecting must commence within one year or 120 days, respectively, of the mining right or prospecting right becoming effective, and must be conducted continuously and actively thereafter. The new rights can be suspended or cancelled by the Minister of Mineral Resources in the event of a breach or, in the case of mining rights, non-optimal mining in accordance with the mining work program.

The MPRD Act states that the conversions must be granted by the minister if all requirements are completed but it does not stipulate any time frame. The MPRD Act also provides for holders of old order rights to continue to operate under the terms and conditions of such rights until conversions under the MPRD Act have been completed. See Item 4B. "Business Overview".

The implementation of the MPRD Act has resulted in significant adjustments to our property ownership structure. We have lodged applications for conversion of our old order rights, however, to the extent that we are unable to convert some of our old order rights to new order rights, and that the exclusive rights to minerals we enjoyed under the previous statutory regime are diminished, this will result in significant adjustments to our property ownership structure, which in turn could have a material adverse effect on the underlying value of our operations. As at September 30, 2014, all of our old order mining rights have been converted into new order rights under the terms of the MPRD Act with only 1 new order right awaiting registration at the Mineral and Petroleum Titles

Registration Office of the DMR.

Mining royalties and other taxation reform could have an adverse affect on the business, operating results and financial condition of our operations.

The Mineral and Petroleum Resources Royalty Act, No.28 of 2008 was enacted on November 21, 2008 and was published in the South African Government Gazette on November 24, 2008. The Mineral and Petroleum Resources Royalty Act (Administration), No.29 of 2008, published on November 26, 2008, became effective from March 1, 2010. These acts provide for the payment of a royalty, calculated through a royalty rate formula (using rates of between 0.5% and 5.0%) applied against gross revenue per year, payable half yearly with a third and final payment thereafter. The royalty is tax deductible and the cost after tax amounts to a rate of between 0.33% and 3.3% at the prevailing marginal tax rates applicable to the taxed entity. The royalty is payable on old unconverted mining rights and new converted mining rights. Based on a legal opinion the Company obtained, mine dumps created before the enactment of the MPRD Act fall outside the ambit of this royalty and consequently the Company does not pay any royalty on any dumps created prior to the MPRD Act. Introduction of further revenue based royalties or any adverse amendments regarding royalties would have an adverse effect on the business, operating results and financial condition of our operations.

Ring-fencing of unredeemed capital expenditure for South African mining tax purposes could adversely affect the business, operating results and financial condition of our operations.

The Income Tax Act No. 58 of 1962, or the ITA, contains certain ring-fencing provisions in different mines regarding the deduction of certain capital expenditure and the carry over thereof to subsequent years. After the restructuring of the surface operations, effective July 1, 2012, Ergo is treated as one taxpaying operation pursuant to the relevant ring-fencing legislation. In the event that we are unsuccessful in confirming our position or should the South African Receiver of Revenue have a different interpretation of section 36 of the ITA, it could have an adverse effect on the business, operating results and financial condition of our operations.

The implementation of carbon or other climate change related to taxes might have a direct or indirect negative cost impact on our operations

Climate change is a global problem that requires both a concentrated international response and national efforts to reduce greenhouse gas, or GHG, emissions. The United Nations Framework Convention on Climate Change is the main global response to climate change. The associated Kyoto Protocol is an international agreement that classifies countries by their level of industrialization and commits certain countries to GHG emission reduction targets. Although South Africa is not one of these countries identified, it ranked among the top 20 countries measured by absolute carbon dioxide emissions. During the 2009 Copenhagen climate change negotiations, South Africa voluntarily announced that it would act to reduce domestic GHG emissions by 34% by 2020 and 42% by 2025, subject to the availability of adequate financial, technological and other support. The two main economic policy instruments available for setting a price on carbon and curbing GHG emissions are carbon taxation and emissions trading schemes. In a discussion paper on carbon taxation by the National Treasury of the South African Government released in June 2013 different methods of carbon taxation were discussed. The implementation of these carbon taxes gave been postponed till 2016, but should they be implemented, they might have a direct or indirect negative cost impact on our operations which could have an adverse effect on the business, operating results and financial condition.

Failure to comply with the requirements of the Broad Based Socio-Economic Empowerment Charter could adversely affect our business, operating results and financial condition of our operations.

The Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry, (effective May 1, 2004), or Mining Charter, established certain numerical goals and timeframes to transform equity participation in the mining industry in South Africa. The goals set by the Mining Charter include that each mining company must achieve 15% ownership by historically disadvantaged South Africans, or HDSA, of its South African mining assets within five years and 26% ownership within ten years, in each case, from May 1, 2004. This is to be achieved by, among other methods, the sale of assets to historically disadvantaged persons on a willing seller/willing buyer basis at market value.

In September 2010, the DMR released amendments to the Mining Charter. The intention behind the amendments was to clarify certain ambiguities and uncertainties which existed under the Mining Charter and to provide more specific targets. However, there are a number of matters that still require clarification and discussions in respect of interpretations of the requirements are in progress with the DMR. The goals set by the amendments to the Mining Charter include: minimum 26% HDSA ownership by March 2015; procurement of a minimum 40% of capital goods, 50% of consumer goods and 70% of services from Black Economic Empowerment, or BEE, entities by March 2015; minimum 40% HDSA representation at each of executive management level, senior management level, middle management level, junior management level and core and critical skills levels; minimum 3% investment of annual payroll in skills training; investment in community development; and attain an occupancy rate of one person per room in on-site accommodation.

When considering applications for the conversion of existing rights, the relevant regulator will take a "scorecard" approach, evaluating the commitments of each company to the different facets of promoting the objectives of the Mining Charter. Failure on our part to comply with the requirements of the Mining Charter and the "scorecard" could subject us to negative consequences. There is also no guarantee that any steps we might take to comply with the Mining Charter would ensure that we could successfully acquire new order mining rights in place of our existing rights. In addition, the terms of such new order rights may not be as favorable to us as the terms applicable to our existing rights. In addition, we may incur expenses in giving additional effect to the Mining Charter and the "scorecard", including costs which we may incur including the risk of losing our mining rights if we do not comply with the requirements stipulated in facilitating the financing of initiatives towards ownership by historically disadvantaged persons. Any of the foregoing could have an adverse effect on our business, operating results and financial condition.

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

Labor costs constituted 17% of our production costs for fiscal 2014, 17% for fiscal 2013 and 23% for fiscal 2012. As of June 30, 2014, we employed and contracted 2,329 people, of whom approximately 80% are members of trade unions or employee associations. We have entered into various agreements regulating wages and working conditions at our mines. Unreasonable wage demands could increase production costs to levels where our operations are no longer profitable. This could lead to accelerated mine closures and labor disruptions. In addition, we are subject to strikes by workers from time to time, which result in disruptions to our mining operations.

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

Labor unrest could affect production.

During August and September 2012, there have been a number of illegal strikes at several mining companies in South Africa and events related to these strikes resulted in 45 people being killed. During February to June 2014, the platinum industry had a wage strike that lasted for five months. Above inflation wage increases and changes to working conditions were agreed to in order to bring the strike to an end.

Such events at our operations or elsewhere could have an adverse effect on our business, operating results and financial condition.

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

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

· are generally not permitted to export capital from South Africa or to hold foreign currency without the approval of SARB;

· are generally required to repatriate, to South Africa, profits of foreign operations; and

· are limited in their ability to utilize profits of one foreign business to finance operations of a different foreign business.

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

Risks related to ownership of our ordinary shares or ADSs

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

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

Dividend tax, which is a withholding tax, will reduce the amount of dividends received by beneficial owners.

On April 1, 2012, the South African Government replaced Secondary Tax on Companies (then 10%) with a 15% withholding tax on dividends and other distributions payable to shareholders. Although this may reduce the tax payable by the Company or our subsidiaries, the withholding tax will reduce the amount of dividends or other distributions received by our shareholders.

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

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

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

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

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

· the court which pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;

· the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);

· the judgment has not lapsed;

· the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that no award is enforceable unless the defendant was duly served with documents initiating proceedings, that he was given a fair opportunity to be heard and that he enjoyed the right to be legally represented in a free and fair trial before an impartial tribunal;

· the judgment was not obtained by fraudulent means;

· the judgment does not involve the enforcement of a penal or revenue law; and

· the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act, 1978 (as amended), of South Africa.

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