

### **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 these 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 (ADSs).

#### **Risks related to our business and operations**

***Changes in the rand 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.***

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, such as, incurring retrenchment costs earlier than expected which could lead to a decline in profits, or losses. In addition, as most of our production costs are in rands, while gold is sold in dollars and then converted to rands, our results of operation and financial condition have been and could be in the future materially affected by an appreciation in the value of the rand. Accordingly, any sustained decline in the price of gold and/or the strengthening of the South African rand against the dollar would negatively and adversely affect our business, operating results and financial condition.

We typically 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 gold at spot prices based on the afternoon London Bullion Market fixing price on the day of delivery. We sell 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 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 year 2018, the closing price of the rand against the dollar weakened by 5%. In fiscal year 2017 the closing price of the rand against the dollar strengthened by 11% compared to the prior year. In fiscal year 2016 the closing price of the rand weakened against the dollar by 21% compared to the prior year. At September 30, 2018 the rand traded at R14.14 = \$1.00 (based on closing rates), a 3% weakening of the rand against the Dollar from June 30, 2018.

A decrease in the dollar gold price and/or a strengthening of the rand against the dollar would result in a decrease in our profitability as was the case in fiscal year 2018. For all periods presented, all of our production was from South Africa. If the rand was 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.

***A failure to acquire new Ore Reserves could negatively affect our future cash flow, results of operations and financial condition.***

New or ongoing exploration programs may not result in new mineral producing operations that will sustain or increase our Ore Reserves. A failure to acquire new Ore Reserves in sufficient quantities and quality to maintain or grow the current level and quality 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 effect on the future viability of our operations.

Our Ore Reserves (imperial) increased from 3.0 million ounces at June 30, 2017, to 3.3 million ounces at June 30, 2018, mainly because of a drilling program and pre-feasibility study ("PFS") that commenced during September 2016 and continued into fiscal year 2018, aimed at re-evaluating our surface gold tailings and specifically performing drilling on the Rooikraal tailings deposition facility in fiscal 2018. The increase was offset by depletion through ongoing mining activities.

Our Ore Reserves (imperial) increased from 1.8 million ounces at June 30, 2016, to 3.0 million ounces at June 30, 2017, mainly because of a drilling program and PFS that commenced during September 2016 aimed at re-evaluating our surface gold tailings. The increase was offset by depletion through ongoing mining activities and other survey adjustments.

Our Ore Reserves (imperial) decreased from 1.9 million ounces at June 30, 2016, to 1.8 million ounces at June 30, 2017, mainly because

of depletion through ongoing mining activities.

***We may be unable to make desirable acquisitions or to integrate successfully any businesses we acquire, including the acquisition of WRTRP assets***

Our future success may depend in part on the acquisition of businesses or technologies intended to complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities. The ability to complete such transactions may be hindered by a number of factors, including potential difficulties in obtaining government approvals. Our acquisitions, such as and including our acquisition of the WRTRP assets from Sibanye-Stillwater effective from July 31, 2018, could fail to achieve our financial or strategic objectives, disrupt our ongoing business and adversely impact our results of operations.

Any acquisition that we do make would pose risks related to the integration of the new business or technology with our business and organization. We cannot be certain that we will be able to achieve the benefits we expect from a particular acquisition or investment. Acquisitions may also strain our managerial and operational resources, as the challenge of managing new operations may divert our management from day-to-day operations of our existing business. Furthermore, we may have difficulty integrating employees, business systems, and technology. The controls, processes and procedures of acquired businesses may also not adequately ensure compliance with laws and regulations and we may fail to identify compliance issues or liabilities. Our business, financial condition and results of operations may be materially and adversely affected if we fail to coordinate our resources effectively to manage both our existing operations and any businesses we acquire. Acquisitions can also result in unforeseen liabilities.

Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives.

***Our large projects, most notably the development of FWGR, are subject to schedule delays and cost overruns, and we may face constraints in financing our existing projects or new business opportunities, which could render our projects unviable or less profitable than planned***

The development of our projects are capital intensive processes carried out over long durations and requires us to commit significant capital expenditure and allocate considerable management resources in utilising our existing experience and know-how.

Projects like the development of FWGR is subject to the risk of delays and cost overruns which are inherent in any large construction project including, *inter alia*:

- shortages or unforeseen increases in the cost of equipment, labor and raw materials;
- unforeseen design and engineering problems;
- unforeseen construction problems;
- inadequate phasing of activities;
- labor disputes;
- inadequate workforce planning or productivity of workforce;
- inadequate change management practices;
- natural disasters and adverse weather conditions;
- failure or delay of third-party service providers; and
- changes to regulations, such as environmental regulations.

In addition, significant variations in the assumptions we make in assessing the viability of our projects, including those relating to commodity prices, exchange rates, interest rates, inflation rates and discount rates may adversely affect the profitability or even the viability of our projects.

As the development of FWGR is particularly material to DRDGOLD, significant cost overruns or adverse changes in assumptions affecting the viability of the project could have a material adverse effect on our business, cash flows, financial condition and prospects. The uncertainty and volatility in the market makes it more difficult to accurately evaluate the project economics and increases the risk that the assumptions underlying our assessment of the viability of the project may prove correct.

Our operating cash flow and banking facilities may be insufficient to meet our capital expenditure plans and requirements, depending on the timing and cost of development of our existing projects and any further projects we may pursue, as well as our operating performance and the utilisation of our banking facilities. As a result, new sources of capital may be needed to meet the funding requirements of these projects and to fund ongoing business activities. Our ability to raise and service significant new sources of capital will be a function of macroeconomic conditions, our credit rating, our gearing and other risk metrics, the condition of the financial markets, future gold prices, the prospects for our industry, our operational performance and operating cash flow and debt position, among other factors.

In the event of unanticipated operating or financial challenges, any dislocation in financial markets or new funding limitations, our ability to pursue new business opportunities, invest in existing and new projects, fund our ongoing business activities and pay dividends, could be constrained, any of which could have a material adverse effect on our business, operating results cash flows and financial condition.

***We may not be able to meet our cash requirements because of a number of factors, many of which are beyond our control.***

Management's estimates on future cash flows are subject to risks and uncertainties, such as the rand 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 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. If we do not generate sufficient cash flows or have access to 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 meet our working capital requirements may be adversely affected.

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

We realized a profit of R6.5 million for fiscal year 2018, R13.7 million for fiscal year 2017 and R61.9 million for fiscal year 2016.

Our profits and cash flows of our operations are directly exposed to the rand gold price and input costs as we do not generally hedge. Such exposure and other factors could result in us incurring losses in the future, which would have a material adverse effect on our business, operating results and financial condition.

***Any interruption in gold production at Ergo, currently our only mining operation generating cash flows, will have an adverse effect on the Company.***

As at September 30, 2018, we have one mining operation generating cash flows, namely Ergo.

Ergo's processing plants, pump stations and the Brakpan/Withok Tailings Deposition Facility ("Brakpan/Withok TDF") are linked through pipeline infrastructure. The Ergo plant is currently our major processing plant.

The Ergo plant, pipeline infrastructure and the Brakpan/Withok TDF are exposed to numerous risks, including operational down time due to planned or unplanned maintenance, destruction of infrastructure, spillages, higher than expected operating costs, or lower than expected production as a result of decreases in extraction efficiencies due to imbalances in the metallurgical process as well as inconsistent volume throughput.

Our operations are also exposed to severe weather events that could interrupt production. It is believed that the long-term upward trend in global temperature is directly correlated with the increase in global severe weather events both in terms of magnitude and frequency.

For example, fiscal year 2015 brought a very strong El Nino event that is believed to be the cause of drought conditions in South Africa. Municipalities where we operate put in place water consumption restrictions with penalties if restrictions are not adhered to. The drought ended in late calendar 2016 which resulted in the relevant water restrictions being lifted, but future droughts could result in similar restrictions.

Severe thunderstorms and high winds may also cause damage to operation infrastructure that may in turn cause an interruption in the production of gold. Although freeboard on the Brakpan/Withok TDF is continually monitored to maintain acceptable levels, such monitoring may not provide adequate warning if the facility is exposed to significant rainfall. Such incidents and other weather events may damage the facility and cause the interruption of deposition and gold production until the facility is repaired or alternative deposition is brought on line.

Each of these or other weather conditions or other interruptions 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.***

We may not be able to accurately predict and contain further increases in our production costs. Production costs are affected by, *inter alia*:

- labor stability, 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.

Our production costs consist mainly of materials including reagents and steel, labor, electricity, specialized service providers, water, fuels, lubricants and other oil and petroleum based products. Production costs 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.

On April 9, 2018, Ergo signed a one year extension of the 2016/18 Wage Agreement with the Majority Unions for an average increase of 8.2% per annum across our workforce with individual increases ranging from 7-10% per annum. The next round of wages and conditions of employment negotiations will commence in June 2019.

The 2016/18 Wage Agreement does not include FWGR employees whose wage increases are currently being negotiated.

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 successful or sufficient to offset the increases affecting our operations and could adversely affect our business, operating results and financial condition.

***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 abandoned underground mining areas 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 if underground water rises to the surface, we, together with all other mining companies in those areas, may face claims relating to environmental damage. These claims may have a material adverse effect on 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 have the potential to 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 Provision for Environmental Rehabilitation at a net present value of R553.4 million which is included in our statement of financial position as at June 30, 2018 (Refer to Item 18. "Financial Statements - Note 10 - Provision for environmental rehabilitation"). 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.

***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, breach or damage 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 and seismic events, any of which could force us to stop or limit operations. In addition, the dams could overflow or a side wall could collapse 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.***

Gold mining is exposed to numerous risks and events, the occurrence of which may result in the death of, or personal injury, to employees. 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. Health and safety incidents could lead to mine operations being halted and that will increase our unit production costs, which 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 or are not insured, including those in respect of past mining activities. Our existing property, business interruption and other insurance contains certain exclusions and limitations on coverage. The insured value for property and loss of profits due to business interruption is R6.4 billion, with a total loss limit of R650 million for the 2018 financial year. Business interruption is only covered from the time the loss 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 related 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.

***Operational risk associated with our flotation and fine-grind (FFG) project.***

Our flotation and fine-grind project, implemented in fiscal year 2014, is designed to improve extraction efficiencies.

Production was temporarily suspended on April 2, 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 fiscal year 2014 and became fully operational in February 2015, treating the remainder of the Ergo plant throughput through the FFG from this date.

The flotation and fine-grind project remains exposed to numerous risks associated with similar 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.

***A disruption in our information technology systems, including incidents related to cyber security, could adversely affect our business operations.***

We rely on the accuracy, availability and security of our information technology systems. Despite the measures that we have implemented, including those related to cyber security, our systems could be breached or damaged by computer viruses and systems attacks, natural or man-made incidents, disasters or unauthorized physical or electronic access.

Any system failure, accident or security breach could result in business disruption, theft of our intellectual property, trade secrets (including our proprietary technology), unauthorized access to, or disclosure of, personnel or supplier information, corruption of our data or of our systems, reputational damage or litigation. We may also be required to incur significant cost to protect against or repair the damage caused by these disruptions or security breaches in the future, including, for example, rebuilding internal systems, implementing additional threat protection measures, defending against litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps with respect to third parties.

These threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. While we seek to detect and investigate all unauthorized attempts and attacks against our network, and to prevent their recurrence where practicable through changes to our internal processes and tools, we remain potentially vulnerable to additional known or unknown threats. In some instances, we may be unaware of an incident or its magnitude and effects. While we also seek to periodically review and assess our cybersecurity policies and procedures to ensure their adequacy and effectiveness, we cannot guarantee that we will not be susceptible to new and emerging risks and attacks in the evolving landscape of cybersecurity threats.

In addition, from time to time, we implement updates to our information technology systems and software, which can disrupt or shutdown our information technology systems. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations.

## Risks related to the gold mining industry

***A change in the dollar 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:

- a significant amount of above-ground gold in the world that is used for trading by investors;
- 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.

During fiscal year 2018 the gold price reached a high of US\$ 366 per ounce and a low of US\$ 204. Our profitability may be negatively impacted by a decline in the gold price as we incur losses when revenue from gold sales drops below the cost of production for an extended period.

***Economic conditions may adversely affect the profitability of the Group's operations.***

The outlook for the global economy remains uncertain. Economic conditions remain volatile and the demand for resources is uncertain. The uncertainty in the outlook of resources generally and of gold may result in tightened credit markets, reduced liquidity and extreme volatility in fixed income, credit, currency and equity markets. Such 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.

***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 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 the deposit contains economically recoverable mineralization. Uncertainties as to the metallurgical recovery of any gold discovered may not warrant mining based on available technology.

Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the costs and results 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 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 exploration and developments, especially in a declining gold price environment.

Because 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. The costs incurred on exploration activities that do not identify commercially exploitable reserves of gold are not likely to be recovered and therefore are 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 rand price of gold declines, or stabilizes at a price that is lower than recent levels, or if our labor, water, steel, electricity and other production costs increase or recovery rates decrease, it may become uneconomical to recover Ore Reserves, particularly those 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 recovery of 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. Estimates of reserves are based on drilling results and because unforeseen conditions may occur in these mine dumps that may not have been identified by the drilling results, the actual results may vary from the initial estimates. These factors have and could result in reductions in our Ore Reserve estimates and as a result, our production, which could in turn adversely impact 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 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 most 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 increase emigration of skilled workers. As a result, we may have difficulties retaining qualified employees.

***Inflation can adversely affect us.***

The inflation rate in South Africa is relatively high compared to developed, industrialized countries. As of June 2018, the annual Consumer Price Inflation Index, or CPI, stood at 4.6% compared to 5.1% in June 2017 and 6.3% in June 2016. Annual CPI was 4.9% as at September 30, 2018. Higher inflation in South Africa would result in an increase in our 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, which could reduce our profitability.

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***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.***

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

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

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

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

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

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

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

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

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

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

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

***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 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.

***Power stoppages or shortages 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.



Eskom is currently experiencing financial difficulties which include, *inter alia*, the chairman of the board citing serious concerns around the power utility's long-term viability and status as a going concern as disclosed in its 2018 Integrated Report, a decrease in the demand for its electricity from consumers and its growing outstanding debt owing from local municipalities, who are both Eskom's distribution agents and its largest customer. Accordingly, the security of future power supply as well as the cost thereof, remains a risk and may have major implications for our operational process, which may result in significant production losses.

While such power supply disruptions have not had a material impact on our production in recent years, the country's current reserve capacity may be insufficient and the risk of electricity stoppages is expected to continue for the foreseeable future. Supply interruptions because of this as well as an aging and poorly maintained distribution grid may pose a significant risk to the operations.

The group has installed auxiliary emergency units at its plant to prevent the tripping of thickeners and entered into a five year lease agreement for the supply of temporary power generation equipment and services during fiscal year 2014 to drive certain key installations associated with the disposal of tailings.

The group has a load-curtailement agreement in place with Eskom in terms of which we reduce power consumption by between 10% and 20% when the grid is under pressure, but Eskom maintains uninterrupted power supply to the operations. This has enabled us to maintain continuous operations and very little reduction in volume since its inception.

There is, however, no assurance that the measures will be sufficient to completely mitigate the risk of power stoppages.

Electricity tariffs increased as follows: from April 1, 2016 an average tariff increase of 9.4% and from April 1, 2017 an average tariff increase of 2.2% and from April 1, 2018 an average tariff increase of 5.2%. These increases have had an adverse effect on our production costs and similar or higher future increases could have a material adverse effect on our operating results and financial condition.

***Possible scarcity of water may negatively affect our operations.***

South Africa faces water shortages, 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.

DRDGOLD invested R22 million in the construction of a filtration plant at the Rondebult Waste Water Works (operated by the East Rand Water Care Company) to treat sewage water to reduce the use of potable water. This water is 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. The plant was commissioned in early fiscal year 2016 and has capacity to provide Ergo with 10 Mega Litres ("ML") a day from the Rondebult sewage treatment facility. However, due to the deterioration of the local government authorities' infrastructure, the expected quantity of sewerage is not reaching the treatment facility and as a result Ergo is not able to extract the full design capacity of 10 ML of water a day. It is not certain if and when the flow of sewerage will be normalised.

DRDGOLD installed new gland service infrastructure at the Ergo plant during October 2016 to allow for the use of recycled process water for gland service requirements. This initiative has resulted in the reduction of approximately 70ML a month in potable water use.

The Central Water Facility was commissioned at a cost of R29.5 million during the last quarter of Fiscal year 2017 to store and distribute water sourced from Rondebult waste water treatment works, treated Acid Mine Drainage ("AMD") water from Trans-Caledon Tunnel Authority ("TCTA") and recycled water from our Brakpan/Withok Tailings Deposition Facility. The Centrally Located Water Facility is a closed circuit and allows us to distribute water more efficiently throughout the operations.

As part of the Heads of agreement signed between EMO, Ergo, ERPM and TCTA in December 2012, Ergo secured the right to purchase up to 30ML of partially treated AMD from TCTA at cost, in order to reduce Ergo's reliance on potable water for mining and processing purposes. AMD water entered our system for the first time in fiscal year 2017.

There is no assurance that these measures will be sufficient to alleviate the water scarcity issues we face.

***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.

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

The Mineral and Petroleum Resources Royalty Act, No.28 of 2008 and the Mineral and Petroleum Resources Royalty Act (Administration), No.29 of 2008 govern royalty rates for gold mining in South Africa. 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 Mineral and Petroleum Resources Development Act ("MPRDA") fall outside the ambit of this royalty and consequently the Company does not pay any royalty on any dumps created prior to the MPRDA. Introduction of further revenue based royalties or any adverse future tax reforms could have an adverse effect on our business, operating results and financial condition.

***Failure to comply with the requirements of the Broad Based Socio-Economic Empowerment Charter could have an adverse effect on our business, operating results and financial condition of our operations.***

The Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry ("Mining Charter") (effective from 2001) 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 Department of Mineral Resources ("DMR") released amendments to the Mining Charter. The intention behind the amendments to the Mining Charter was to clarify certain ambiguities and uncertainties which existed under the Mining Charter and to provide more specific targets. It was this latter Mining Charter which the DMR applied to assess compliance with socio-economic transformation objectives. 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 attaining an occupancy rate of one person per room in on-site accommodation.

There is now a new Mining Charter in place, which was gazetted in September 2018, and supersedes all previous iterations thereof. For detailed discussion, see Item 4B. Business Overview - Governmental regulations and their effect on our business - The Broad Based Socio-Economic Empowerment Charter.

***Government policies in South Africa may adversely impact our operations and profits related to financial provisioning for rehabilitation.***

An amendment to the MPRDA was first proposed in 2013. The amendment bill, if implemented, would have had a material adverse impact on the Group's estimated financial provisions for environmental remediation and management due to the proposed inclusion of historic and old mine dumps in the definition of "residue stockpiles" as well as the extension of the liability for rehabilitation beyond the issuance of a closure certificate and the requirement to maintain financial provision for closed sites for a period of 20 years after a site is closed. The MPRDA Amendment Bill was withdrawn in August 2018 by the Minister of Mineral Resources, citing, amongst other things, the adequacy of the current MPRDA to deal with all regulatory matter pertaining to the mining and petroleum industries.

New Financial Provisioning Regulations ("FPR") were published on November 20, 2015 under the National Environmental Management Act, 107 of 1998 ("NEMA") and became effective from the date of publication thereof. Proposed amendments to the FPRs were published for public comment GNR 1228 GG 41236 of November 10, 2017 ("Draft Regulations"), which seek to address some challenges relating to the implementation thereof. Under these FRPs to be implemented by the DMR, existing environmental rehabilitation trust funds may only be used for post closure activities and may no longer be utilised for their intended purpose of concurrent and final rehabilitation and closure. Further amendments were made to the FPR on September 21, 2018, which extends the period of compliance with the FPR to February 19, 2020. This is likely to affect the amount of funds set aside for financial provision for rehabilitation of the mine. See discussion in 4.B. Business Overview - Governmental regulations and their effect on our business - Financial Provision for Rehabilitation.

***The implementation of carbon or other climate change related 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 has been postponed pending consideration by the South African Parliament. Should these taxes be implemented, they might have a direct or indirect cost impact on our operations which could have an adverse effect on our business, operating results and financial condition.

***Ring-fencing of unredeemed capital expenditure for South African mining tax purposes could have an adverse effect on 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 section 36 specifically relating to different mines regarding the deduction of certain capital expenditure and the carry over 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. It is expected that FWGR will also be 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 our business, operating results and financial condition.

***Assessment of unredeemed capital expenditure by the South African Receiver of Revenue could have an adverse effect on the business, operating results and financial condition of our operations.***

Capital expenditure is assessed by the South African Receiver of Revenue when it is redeemed against taxable mining income rather than when it is incurred. A different interpretation by the South African Receiver of Revenue 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 19% of our production costs for fiscal year 2018 (2017: 17% and 2016: 18%). As of June 30, 2018, our Ergo operations provided full-time employment for 862 employees while our main service providers deployed an additional 1 426 employees to our operations, of whom approximately 91% 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. We are also susceptible 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, a number of illegal strikes at several mining companies in South Africa and events related to these strikes resulted in 45 people being killed. Between February and June 2014, the platinum industry had a wage strike that lasted for five months. To bring the strike to an end, above inflation wage increases and changes to working conditions were agreed to.

We use a third party service provider for the management of our reclamation sites as well as the Deposition facility at Brakpan/Withok TDF. Any labor unrest or other significant issue at this third party service provider may impact the operation of this facility.

Such events at our operations or at our reclamation sites 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 the 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 such relaxation of controls will continue in the future. For further information see Item 10D. Exchange Controls.

***We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws outside of the United States.***

The U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non- U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with the FCPA and other applicable anti-bribery laws. Our internal control policies and procedures may not protect us from reckless or criminal acts committed by our employees, the employees of any of our businesses, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we would investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits, reputational harm or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity.

We face risks with respect to compliance with the FCPA and similar anti-bribery laws through our acquisition of new companies and the due diligence we perform in connection with an acquisition may not be sufficient to enable us fully to assess an acquired company's historic compliance with applicable regulations. Furthermore, our post-acquisition integration efforts may not be adequate to ensure our system of internal controls and procedures are fully adopted and adhered to by acquired entities, resulting in increased risks of non-compliance with applicable anti-bribery laws.

#### **Risks related to ownership of our ordinary shares or ADSs**

***It may not be possible for you to effect service of legal process, enforce judgments of courts outside of 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. All our assets are located outside the United States and a major portion with respect to 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 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 use in South African courts. It may not be possible therefore for an investor to seek to impose liability on us in a South African court arising from a violation of United States federal securities laws.

***Dividend 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. The dividend withholding tax rate was increased to 20%, effective from February 22, 2017. The withholding tax reduces the amount of dividends or other distributions received by our shareholders. Any further increases in such tax will further reduce net dividends 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.

***Control by principal shareholders could adversely affect our other shareholders.***

On July 31, 2018, 265 million ordinary shares were issued to Sibanye-Stillwater as settlement of the purchase consideration for the acquisition of the WRTRP Assets. As part of this acquisition, Sibanye-Stillwater was granted an option to subscribe for further shares to achieve a 50.1% shareholding at a 10% discount to the prevailing market value for a period of 2 years from the effective date of the acquisition. As a result, Sibanye-Stillwater currently beneficially owns approximately 38.05% of our outstanding ordinary shares and voting power and this may increase to 50.1%. Sibanye-Stillwater therefore has the ability to control, or exert a significant influence over, our board of directors, and will continue to have significant influence over our affairs for the foreseeable future, including with respect to the election of directors, the consummation of significant corporate transactions, such as an amendment of our constitution, a merger or other sale of our company or our assets, and all matters requiring shareholder approval. In certain circumstances, Sibanye-Stillwater's interests as a principal shareholder may conflict with the interests of our other shareholders and Sibanye-Stillwater's ability to exercise control, or exert significant influence, over us may have the effect of causing, delaying, or preventing changes or transactions that our other shareholders may or may not deem to be in their best interests. In addition, any sale or expected sale of some or all the shares held by Sibanye-Stillwater could have an adverse impact on our stock price.

***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 any such substantial sales may occur, 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.