

## UBS Investment Research

### DRDGOLD Ltd

#### ERPM mine restructuring

##### ■ ERPM production and job cuts likely – cutting loss making areas

DRD has initiated a 60-day formal consultation process at its ERPM mine, with a view to cutting/redeploying 400 of 1900 jobs. Two of the deepest sections of the underground mine, which are currently loss making, will likely be closed, with the mine reportedly losing R4.1m/mnth, and the general manager will be leaving the mine as the mine is re-engineered.

##### ■ Cut our expectations for ERPM and our earnings estimates

We have adjusted our view of ERPM, to reflect a 30% reduction in underground tonnage from the Dec'07-qtr, and we assume a restructuring cost of R20,000 per affected employee in the Jun'08-qtr. We cut 2008 HEPS est. by 12%, 2009 by 9% and 2010 by 25%, as it appears that we had underestimated the poor cost performance of the mine.

##### ■ Up to 60% of output from slimes re-treatment operations in 2008

As DRD shifts increasingly to a surface retreatment operation, near-term earnings stability should improve but this could be at the expense of rating. As it undermines the option value (high gearing to gold price) from the underground operations the traditional investor base may lose interest.

##### ■ Valuation: maintain Buy rating into quarterly reporting (est. positive EPS)

We maintain our Buy rating into quarterly reporting, but cut our price target from R11.50 to R7.20, due to lower earnings forecast and applying a reduced rating of 10x 2008ECY earnings (from 15x due to the increased near-term uncertainty and the implied likely reduction in longer-term underground opportunities).

| Highlights (Rm)     | 06/06    | 06/07    | 06/08E   | 06/09E   | 06/10E   |
|---------------------|----------|----------|----------|----------|----------|
| Revenues            | 1,575.20 | 2,155.10 | 1,895.94 | 2,123.81 | 2,203.05 |
| EBIT (UBS)          | 46.90    | 11.50    | 323.12   | 323.20   | 119.50   |
| Net Income (UBS)    | (318.20) | (299.90) | 126.30   | 152.24   | 26.13    |
| EPS (UBS, RCnt)     | (102.85) | (87.94)  | 33.60    | 47.24    | 8.11     |
| Net DPS (UBS, RCnt) | 0.00     | 0.00     | 0.00     | 0.00     | 0.00     |

| Profitability & Valuation | 5-yr hist av. | 06/07 | 06/08E | 06/09E | 06/10E |
|---------------------------|---------------|-------|--------|--------|--------|
| EBIT margin %             | 6.8           | 0.5   | 17.0   | 15.2   | 5.4    |
| ROIC (EBIT) %             | 39.0          | 1.2   | 56.5   | 60.6   | 16.8   |
| EV/EBITDA (core) x        | 13.4          | 19.5  | 7.1    | 6.5    | 11.5   |
| PE (UBS) x                | 8.1           | -8.4  | 17.4   | 12.3   | 71.9   |
| Net dividend yield %      | 0.0           | 0.0   | 0.0    | 0.0    | 0.0    |

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of RCnt583 on 29 Apr 2008 14:33 BST

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## Global Equity Research

South Africa

Precious Metals

12-month rating **Buy**  
**Unchanged**

12m price target RCnt720/US\$9.02  
**Prior:RCnt1,150/US\$14.41**

Price RCnt583/US\$8.43 (ADR)

RIC: DRDJ.J BBG: DRD SJ

29 April 2008

#### Trading data (local/US\$)

|                          |                              |
|--------------------------|------------------------------|
| 52-wk range              | RCnt1,007-378/US\$13.44-5.05 |
| Market cap.              | RCnt2.19bn/US\$0.32bn        |
| Shares o/s               | 376m (ORD)/37.6m (ADR)       |
| ADR ratio                | 1 ADR:10 ORD                 |
| Free float               | 97%                          |
| Avg. daily volume ('000) | 1,369/255                    |
| Avg. daily value (RCntm) | 11.7/2.8                     |

#### Balance sheet data 06/08E

|                      |         |
|----------------------|---------|
| Shareholders' equity | R1.22bn |
| P/BV (UBS)           | 1.8x    |
| Net Cash (debt)      | R0.71bn |

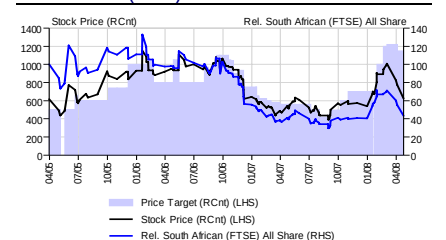
#### Forecast returns

|                             |        |
|-----------------------------|--------|
| Forecast price appreciation | +23.5% |
| Forecast dividend yield     | 0.0%   |
| Forecast stock return       | +23.5% |
| Market return assumption    | 14.4%  |
| Forecast excess return      | +9.1%  |

#### EPS (UBS, RCnt)

|        | 06/08E  |         | 06/07         |
|--------|---------|---------|---------------|
|        | From    | To      | Cons. Actual  |
| Q1E    | (11.70) | (11.70) | 29.50 (20.59) |
| Q2E    | 5.13    | 5.13    | 33.40 (47.41) |
| Q3E    | 16.76   | 14.97   | 41.20 (13.75) |
| Q4E    | 28.12   | 25.15   | 45.10 (8.20)  |
| 06/08E | 38.36   | 33.60   | 114.20        |
| 06/09E | 52.14   | 47.24   | 89.90         |

#### Performance (RCnt)



Source: UBS

[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

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DRD has initiated a 60-day formal consultation process at its ERPM mine, with a view to cutting/redeploying 400 out of 1900 jobs. According to miningmx.com the DRDGold (SA) CEO has stated that two of the deepest sections of the underground mine, that are currently loss making, will be closed. Further, the mine is reportedly losing R4.1m/mnth, and the general manager will be leaving the mine, as the mine is re-engineered.

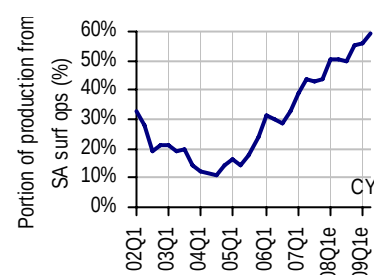
We have adjusted our view of ERPM, to reflect a 30% reduction in underground tonnage from the Dec'07-qtr, and we assume a restructuring cost of R20,000 per effected employee in the Jun'08-qtr. We cut 2008 HEPS est by 12%, 2009 by 9% and 2010 by 25%.

From a share price perspective, the cutting of the loss making units will be positive for earnings, however from a rating perspective, further reductions to underground operations (the North West operation was liquidated in 2005) undermines the potential gearing to a stronger gold price, as well as the potential for life extending resources to be brought on-line. *However, based on this newsflow, we have reduced our expectations for the operations, hence the earnings downgrade.*

Thus, as DRD shifts increasingly to a surface retreatment operation (up to 60% of gold output from S.African slimes dump re-treatment operations forecasted in 2008), near-term earnings stability should improve but this could be at the expense of rating. As it undermines the option value (high gearing to gold price) from the underground ops the traditional investor base may lose interest.

We maintain our Buy rating on DRD into gold quarterly reporting, but cut our price target from R11.50 to R7.20, due to lower earnings forecast and applying a reduced rating of 10x 2008ECY earnings (from 15x due to the increased near-term uncertainty and the implied likely reduction in longer-term underground opportunities). We maintain that this is a critical period for DRD to prove its investment case, after a lengthy period of operational disappointments and poor share price performance, and investment in the share thus continues to have elevated risk.

**Chart 1: Proportion of gold production from SA surface operations**



Source: Company data, UBS estimates

# DRDGOLD Ltd

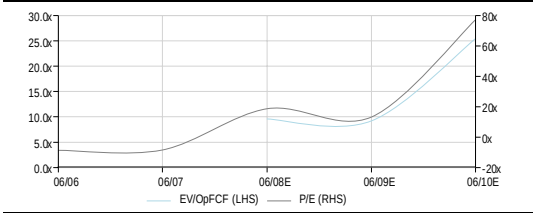
| Income statement (Rm)                    | 06/03      | 06/04      | 06/05      | 06/06      | 06/07      | 06/08E     | % ch   | 06/09E     | % ch  | 06/10E     | % ch  |
|------------------------------------------|------------|------------|------------|------------|------------|------------|--------|------------|-------|------------|-------|
| Revenues                                 | 2,385.40   | 2,181.50   | 1,546.70   | 1,575.20   | 2,155.10   | 1,895.94   | -12.0  | 2,123.81   | 12.0  | 2,203.05   | 3.7   |
| Operating expenses (ex depn)             | (2,197.60) | (1,833.20) | (1,326.20) | (1,375.30) | (1,997.20) | (1,493.43) | -25.2  | (1,700.61) | 13.9  | (1,966.43) | 15.6  |
| EBITDA (UBS)                             | 187.80     | 348.30     | 220.50     | 199.90     | 157.90     | 402.52     | 154.9  | 423.20     | 5.1   | 236.62     | -44.1 |
| Depreciation                             | (105.70)   | (211.70)   | (116.80)   | (153.00)   | (146.40)   | (79.40)    | -45.8  | (100.00)   | 25.9  | (117.13)   | 17.1  |
| Operating income (EBIT, UBS)             | 82.10      | 136.60     | 103.70     | 46.90      | 11.50      | 323.12     | 2709.7 | 323.20     | 0.0   | 119.50     | -63.0 |
| Other income & associates                | (15.00)    | (276.20)   | (300.40)   | (290.90)   | (298.90)   | (168.89)   | -43.5  | (151.57)   | -10.3 | (146.66)   | -3.2  |
| Net interest                             | 37.90      | (1.00)     | (55.70)    | (54.20)    | (42.20)    | 34.59      | -      | 68.44      | 97.8  | 61.62      | -10.0 |
| Abnormal items (pre-tax)                 | (26.60)    | 15.60      | 0.00       | 68.10      | (86.40)    | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Profit before tax                        | 78.40      | (125.00)   | (252.40)   | (230.10)   | (416.00)   | 188.82     | -      | 240.07     | 27.1  | 34.46      | -85.6 |
| Tax                                      | 85.40      | (474.30)   | (27.70)    | (24.40)    | (6.80)     | (60.84)    | 794.8  | (62.82)    | 3.2   | (9.35)     | -85.1 |
| Profit after tax                         | 163.80     | (599.30)   | (280.10)   | (254.50)   | (422.80)   | 127.97     | -      | 177.25     | 38.5  | 25.11      | -85.8 |
| Abnormal items (post-tax)                | 0.00       | (117.10)   | (211.00)   | 208.10     | (742.20)   | 1,093.90   | -      | 0.00       | -     | 0.00       | -     |
| Minorities / pref dividends              | 0.00       | 0.00       | 0.00       | 4.40       | 240.50     | (221.08)   | -      | (25.01)    | -88.7 | 1.02       | -     |
| Net income (local GAAP)                  | 163.80     | (716.40)   | (491.10)   | (42.00)    | (924.50)   | 1,000.79   | -      | 152.24     | -84.8 | 26.13      | -82.8 |
| Net Income (UBS)                         | 190.40     | (614.90)   | (280.10)   | (318.20)   | (299.90)   | 126.30     | -      | 152.24     | 20.5  | 26.13      | -82.8 |
| Tax rate (%)                             | -          | -          | -          | -          | -          | 32.22      | -      | 26.17      | -18.8 | 27.13      | 3.7   |
| Pre-abnormal tax rate (%)                | -          | -          | -          | -          | -          | (83.97)    | -      | 26.17      | -     | 27.13      | 3.7   |
| Per share (RCnt)                         | 06/03      | 06/04      | 06/05      | 06/06      | 06/07      | 06/08E     | % ch   | 06/09E     | % ch  | 06/10E     | % ch  |
| EPS (local GAAP)                         | 89.36      | (330.89)   | (190.51)   | (13.58)    | (271.09)   | 266.24     | -      | 47.24      | -82.3 | 8.11       | -82.8 |
| EPS (UBS)                                | 103.87     | (284.01)   | (108.66)   | (102.85)   | (87.94)    | 33.60      | -      | 47.24      | 40.6  | 8.11       | -82.8 |
| Net DPS                                  | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Cash EPS                                 | 161.54     | (186.23)   | (63.35)    | (53.40)    | (45.01)    | 54.72      | -      | 78.27      | 43.0  | 44.45      | -43.2 |
| BVPS                                     | 248.11     | 257.82     | 262.23     | 244.42     | 37.54      | 325.59     | 767.3  | 425.08     | 30.6  | 432.33     | 1.7   |
| Balance sheet (Rm)                       | 06/03      | 06/04      | 06/05      | 06/06      | 06/07      | 06/08E     | % ch   | 06/09E     | % ch  | 06/10E     | % ch  |
| Net tangible fixed assets                | 578.53     | 956.10     | 799.10     | 1,850.60   | 649.80     | 813.26     | 25.2   | 1,019.68   | 25.4  | 1,164.55   | 14.2  |
| Net intangible fixed assets              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Net working capital (incl. other assets) | (68.07)    | (120.80)   | (53.20)    | (259.30)   | 475.20     | (74.98)    | -      | (78.00)    | 4.0   | (74.82)    | -4.1  |
| Other liabilities                        | (428.39)   | (492.50)   | (296.10)   | (371.70)   | (412.90)   | (306.55)   | -25.8  | (306.28)   | -0.1  | (306.24)   | 0.0   |
| Operating invested capital               | 82.07      | 342.80     | 449.80     | 1,219.60   | 712.10     | 431.72     | -39.4  | 635.40     | 47.2  | 783.48     | 23.3  |
| Investments                              | 674.44     | 436.50     | 365.90     | 318.60     | 135.50     | 137.44     | 1.4    | 137.81     | 0.3   | 137.86     | 0.0   |
| Total capital employed                   | 756.50     | 779.30     | 815.70     | 1,538.20   | 847.60     | 569.17     | -32.8  | 773.20     | 35.8  | 921.34     | 19.2  |
| Shareholders' equity                     | 456.07     | 569.90     | 632.90     | 782.20     | 141.20     | 1,224.67   | 767.3  | 1,369.90   | 11.9  | 1,393.26   | 1.7   |
| Minority interests                       | 0.00       | 0.00       | 0.00       | 233.10     | 2.30       | 56.43      | 2353.4 | 63.44      | 12.4  | 64.09      | 1.0   |
| Total equity                             | 456.07     | 569.90     | 632.90     | 1,015.30   | 143.50     | 1,281.09   | 792.7  | 1,433.34   | 11.9  | 1,457.35   | 1.7   |
| Net debt / (cash)                        | 300.43     | 209.40     | 182.80     | 522.90     | 704.10     | (711.93)   | -      | (660.13)   | -7.3  | (536.01)   | -18.8 |
| Debt deemed provisions                   | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Total capital employed                   | 756.50     | 779.30     | 815.70     | 1,538.20   | 847.60     | 569.17     | -32.8  | 773.20     | 35.8  | 921.34     | 19.2  |
| Cash flow (Rm)                           | 06/03      | 06/04      | 06/05      | 06/06      | 06/07      | 06/08E     | % ch   | 06/09E     | % ch  | 06/10E     | % ch  |
| Operating income (EBIT, UBS)             | 82.10      | 136.60     | 103.70     | 46.90      | 11.50      | 323.12     | 2709.7 | 323.20     | 0.0   | 119.50     | -63.0 |
| Depreciation                             | 105.70     | 211.70     | 116.80     | 153.00     | 146.40     | 79.40      | -45.8  | 100.00     | 25.9  | 117.13     | 17.1  |
| Net change in working capital            | (109.30)   | 52.45      | (67.60)    | 43.50      | 151.80     | (158.52)   | -      | 3.02       | -     | (3.18)     | -     |
| Other (operating)                        | (0.28)     | 0.28       | 0.00       | (20.80)    | (832.10)   | 837.90     | -      | 0.00       | -     | 0.00       | -     |
| Operating cash flow                      | 78.22      | 401.03     | 152.90     | 222.60     | (522.40)   | 1,081.90   | -      | 426.22     | -60.6 | 233.44     | -45.2 |
| Net interest received / (paid)           | 37.90      | (1.00)     | (55.70)    | (54.20)    | (42.20)    | 34.59      | -      | 68.44      | 97.8  | 61.62      | -10.0 |
| Dividends paid                           | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Tax paid                                 | 0.00       | (341.90)   | (64.40)    | 0.00       | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Capital expenditure                      | (104.60)   | (584.44)   | (209.92)   | (1,204.50) | (310.60)   | (265.66)   | -14.5  | (306.42)   | 15.3  | (261.99)   | -14.5 |
| Net (acquisitions) / disposals           | 16.89      | (398.70)   | 0.00       | (968.98)   | 0.00       | 0.00       | -      | 0.00       | -     | 0.00       | -     |
| Other                                    | (197.32)   | (425.16)   | (909.70)   | 97.61      | (196.68)   | 769.03     | -      | (935.24)   | -     | (45.98)    | -95.1 |
| Share issues                             | (61.26)    | 113.44     | (16.00)    | 69.50      | (20.80)    | 0.36       | -      | 0.09       | -74.8 | 0.01       | -84.6 |
| Cash flow (inc)/dec in net debt          | (230.16)   | (1,236.73) | (1,102.81) | (1,837.97) | (1,092.68) | 1,620.22   | -      | (746.90)   | -     | (12.89)    | -98.3 |
| FX / non cash items                      | 116.80     | 1,327.76   | 1,129.41   | 1,497.87   | 911.48     | (204.20)   | -      | 695.11     | -     | (111.23)   | -     |
| Balance sheet (inc)/dec in net debt      | (113.36)   | 91.04      | 26.60      | (340.10)   | (181.20)   | 1,416.03   | -      | (51.79)    | -     | (124.12)   | 139.7 |
| Core EBITDA                              | 187.80     | 348.30     | 220.50     | 199.90     | 157.90     | 402.52     | 154.9  | 423.20     | 5.1   | 236.62     | -44.1 |
| Maintenance capital expenditure          | (57.85)    | (95.61)    | (79.91)    | (185.06)   | (64.98)    | (81.33)    | 25.2   | (101.97)   | 25.4  | (116.45)   | 14.2  |
| Maintenance net working capital          | (13.53)    | (10.40)    | (9.57)     | (6.44)     | (7.00)     | (6.69)     | -4.4   | (6.57)     | -1.8  | (6.50)     | -1.1  |
| Operating free cash flow, pre-tax        | 116.42     | 242.29     | 131.02     | 8.40       | 85.92      | 314.50     | 266.0  | 314.66     | 0.1   | 113.67     | -63.9 |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

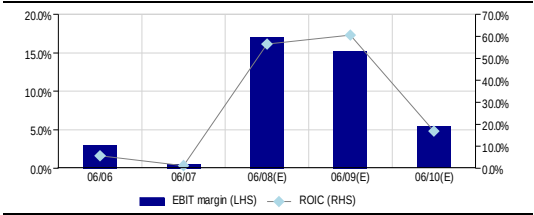
Company profile

DRDGOLD is the fourth-largest South African gold producer (fifth by market cap). DRD was founded and listed in 1895. While its existing operations are all mature, they have been acquired since 1995. Blyvooruitzicht and the ERPM operations are deep-level South African mines. DRD has an 85% stake in domestic South African operations Blyvoor, ERPM and Crown (15% held by an empowerment company). Foreign production comes from Tolukuma and Porgera (20%) in Papua New Guinea and Vatokoula (Fiji), which are held in 79.7%-owned Australian-listed Emperor Mines.

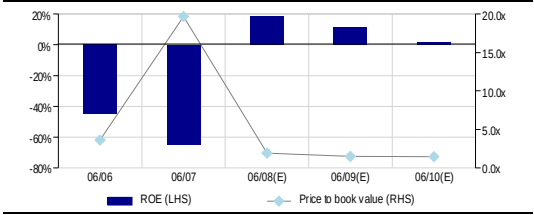
Value (EV/OpFCF & P/E)



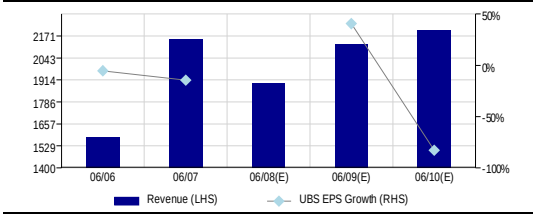
Profitability



ROE v Price to book value



Growth (UBS EPS)



| Valuation (x)           | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|-------------------------|---------|-------|-------|--------|--------|--------|
| P/E (local GAAP)        | NM      | NM    | NM    | 2.2    | 12.3   | 71.9   |
| P/E (UBS)               | 8.1     | -8.6  | -8.4  | 17.4   | 12.3   | 71.9   |
| P/CEPS                  | NM      | NM    | NM    | 10.7   | 7.4    | 13.1   |
| Net dividend yield (%)  | 0.0     | 0.0   | 0.0   | 0.0    | 0.0    | 0.0    |
| P/BV                    | 7.3     | 3.6   | 19.7  | 1.8    | 1.4    | 1.3    |
| EV/revenue (core)       | 1.9     | 2.0   | 1.4   | 1.5    | 1.3    | 1.2    |
| EV/EBITDA (core)        | 13.4    | 16.1  | 19.5  | 7.1    | 6.5    | 11.5   |
| EV/EBIT (core)          | 25.6    | NM    | NM    | 8.9    | 8.5    | 22.9   |
| EV/OpFCF (core)         | 21.7    | NM    | NM    | 9.1    | 8.7    | 24.0   |
| EV/op. invested capital | NM      | 3.9   | 3.2   | 5.0    | 5.1    | 3.9    |

| Enterprise value (Rm)           | 06/06    | 06/07    | 06/08E   | 06/09E   | 06/10E   |
|---------------------------------|----------|----------|----------|----------|----------|
| Average market cap              | 2,666.98 | 2,468.07 | 2,192.91 | 2,192.91 | 2,192.91 |
| + minority interests            | 233.10   | 2.30     | 56.43    | 63.44    | 64.09    |
| + average net debt (cash)       | 352.85   | 613.50   | 613.50   | 613.50   | 613.50   |
| + pension obligations and other | 0.00     | 0.00     | 0.00     | 0.00     | 0.00     |
| - non-core asset value          | (38.90)  | 0.00     | 0.00     | (137.81) | (137.86) |
| Core enterprise value           | 3,214.03 | 3,083.87 | 2,862.84 | 2,732.04 | 2,732.64 |

| Growth (%)   | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|--------------|---------|-------|-------|--------|--------|--------|
| Revenue      | -12.0   | 1.8   | 36.8  | -12.0  | 12.0   | 3.7    |
| EBITDA (UBS) | -20.1   | -9.3  | -21.0 | 154.9  | 5.1    | -44.1  |
| EBIT (UBS)   | -40.9   | -54.8 | -75.5 | NM     | 0.0    | -63.0  |
| EPS (UBS)    | -       | -5.3  | -14.5 | -      | 40.6   | -82.8  |
| Cash EPS     | -       | -15.7 | -15.7 | -      | 43.0   | -43.2  |
| Net DPS      | -       | -     | -     | -      | -      | -      |
| BVPS         | -0.3    | -6.8  | -84.6 | NM     | 30.6   | 1.7    |

| Margins (%)                | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|----------------------------|---------|-------|-------|--------|--------|--------|
| EBITDA / revenue           | 13.9    | 12.7  | 7.3   | 21.2   | 19.9   | 10.7   |
| EBIT / revenue             | 6.8     | 3.0   | 0.5   | 17.0   | 15.2   | 5.4    |
| Net profit (UBS) / revenue | NM      | NM    | NM    | 6.7    | 7.2    | 1.2    |

| Return on capital (%) | 5Yr Avg | 06/06  | 06/07  | 06/08E | 06/09E | 06/10E |
|-----------------------|---------|--------|--------|--------|--------|--------|
| EBIT ROIC (UBS)       | 39.0    | 5.6    | 1.2    | 56.5   | 60.6   | 16.8   |
| ROIC post tax         | -       | -      | -      | NM     | 44.7   | 12.3   |
| Net ROE               | -28.9   | (45.0) | (65.0) | 18.5   | 11.7   | 1.9    |

| Coverage ratios (x)             | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|---------------------------------|---------|-------|-------|--------|--------|--------|
| EBIT / net interest             | -       | -     | 0.3   | -      | -      | -      |
| Dividend cover (UBS EPS)        | -       | -     | -     | -      | -      | -      |
| Div. payout ratio (% , UBS EPS) | -       | -     | -     | -      | -      | -      |
| Net debt / EBITDA               | 1.0     | 2.6   | 4.5   | NM     | NM     | NM     |

| Efficiency ratios (x)          | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Revenue / op. invested capital | 5.3     | 1.9   | 2.2   | 3.3    | 4.0    | 3.1    |
| Revenue / fixed assets         | 2.3     | 1.2   | 1.7   | 2.6    | 2.3    | 2.0    |
| Revenue / net working capital  | NM      | NM    | 20.0  | 9.5    | NM     | NM     |

| Investment ratios (x) | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|-----------------------|---------|-------|-------|--------|--------|--------|
| OpFCF / EBIT          | 1.2     | 0.2   | 7.5   | 1.0    | 1.0    | 1.0    |
| Capex / revenue (%)   | 21.3    | NM    | 14.4  | 14.0   | 14.4   | 11.9   |
| Capex / depreciation  | 3.2     | 7.9   | 2.1   | 3.3    | 3.1    | 2.2    |

| Capital structure (%)          | 5Yr Avg | 06/06 | 06/07 | 06/08E | 06/09E | 06/10E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Net debt / total equity        | 48.7    | 66.8  | NM    | (58.1) | (48.2) | (38.5) |
| Net debt / (net debt + equity) | 32.8    | 40.1  | 83.3  | NM     | (93.0) | (62.5) |
| Net debt (core) / EV           | 6.2     | 11.0  | 19.9  | 21.4   | 22.5   | 22.5   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.  
Valuations: based on an average share price that year, (E): based on a share price of RCnt583 on 29 Apr 2008 14:33 BST Market cap(E) may include forecast share issues/buybacks.

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## ■ DRDGOLD Ltd

DRDGOLD is the fourth-largest South African gold producer (fifth by market cap). DRD was founded and listed in 1895. While its existing operations are all mature, they have been acquired since 1995. Blyvooruitzicht and the ERPM operations are deep-level South African mines. DRD has an 85% stake in domestic South African operations Blyvoor, ERPM and Crown (15% held by an empowerment company). Foreign production comes from Tolukuma and Porgera (20%) in Papua New Guinea and Vatokoula (Fiji), which are held in 79.7%-owned Australian-listed Emperor Mines.

## ■ Statement of Risk

We point out to investors the potential risks including, but not limited to, the volatile nature of commodity prices and currencies, which may differ materially from expectations for DRDGold. Earnings are very sensitive to changes in the rand/US dollar exchange rate and changes in commodity prices. The volatility of these variables poses a risk to our earnings forecasts and ultimately our price targets in this sector. Furthermore, the sector is exposed to political, financial and operational risks, each of which has the potential to significantly affect company/industry performance.

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### UBS Investment Research: Global Equity Rating Allocations

| UBS 12-Month Rating   | Rating Category | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-----------------------|-----------------|-----------------------|--------------------------|
| Buy                   | Buy             | 59%                   | 38%                      |
| Neutral               | Hold/Neutral    | 34%                   | 35%                      |
| Sell                  | Sell            | 7%                    | 26%                      |
| UBS Short-Term Rating | Rating Category | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| Buy                   | Buy             | less than 1%          | 67%                      |
| Sell                  | Sell            | less than 1%          | 25%                      |

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2008.

### UBS Investment Research: Global Equity Rating Definitions

| UBS 12-Month Rating   | Definition                                                                                                                            |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Buy                   | FSR is > 6% above the MRA.                                                                                                            |
| Neutral               | FSR is between -6% and 6% of the MRA.                                                                                                 |
| Sell                  | FSR is > 6% below the MRA.                                                                                                            |
| UBS Short-Term Rating | Definition                                                                                                                            |
| Buy                   | Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.  |
| Sell                  | Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. |

## KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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**Core Banding Exceptions (CBE) :** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

## Company Disclosures

| Company Name              | Reuters | 12-mo rating | Short-term rating | Price   | Price date  |
|---------------------------|---------|--------------|-------------------|---------|-------------|
| DRDGOLD Ltd <sup>16</sup> | DRDJ.J  | Buy          | N/A               | RCnt625 | 25 Apr 2008 |

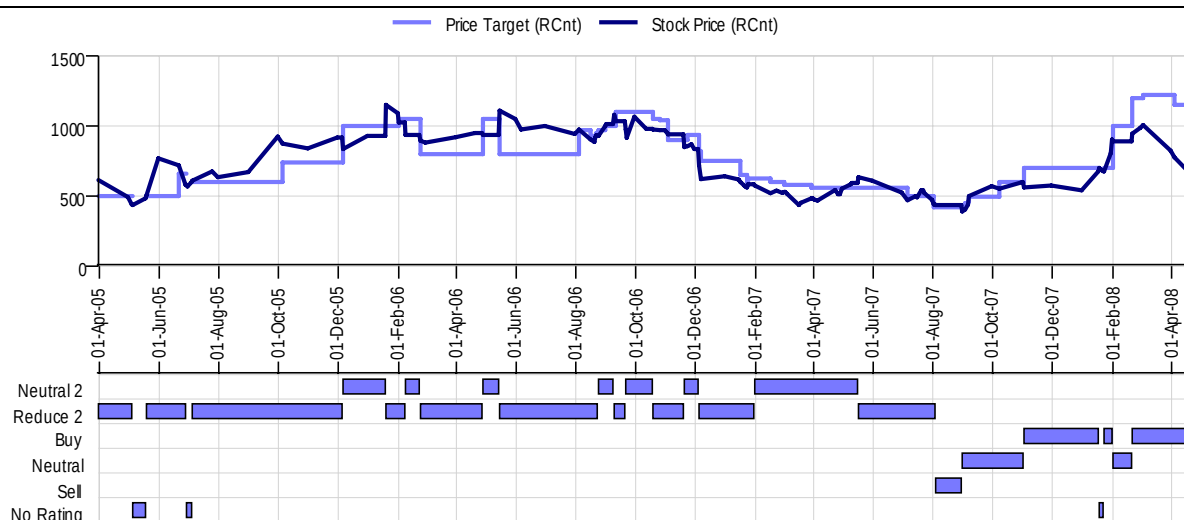
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

## DRDGOLD Ltd (RCnt)



Source: UBS; as of 25 Apr 2008

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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