

DRDGold pumps cash despite lockdown in SA

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DRDGold, one of the world's biggest dump retreatment specialists, pumped cash in the March quarter despite sharply lower gold output as a result of SA's coronavirus lockdown.

DRDGold, which has Ergo and the Far West Gold Recoveries businesses to the east and west of Johannesburg, respectively, advised investors that its full-year gold production would be towards the bottom end of its 175,000oz to 190,000oz forecast because of disruptions from the lockdown.

DRDGold generated R423m of free cash flow in the three months to end-March, despite a 13% fall in gold production to 43,274oz compared to the December quarter because of the imposition of the lockdown in the last week of March.

DRDGold tapped into its metal inventories and sold 47,004oz in the period, just 3% lower than the previous quarter. The decline in sales was offset by a 13% higher gold price, which pushed earnings before interest, tax, depreciation and amortisation (ebitda) up 18% to R389m.

The gold price received for the quarter was R785,581/kg. It has subsequently risen to a record R1m/kg.

DRDGold has been able to operate during the lockdown period on a strictly limited basis because it has surface operations where staff can maintain social-distancing and implement health and safety measures to prevent the spread of Covid-19.

The government eased restrictions on mining companies on April 18, clearing the way for underground mines to ramp up to 50% of capacity under strictly controlled conditions.

DRDGold's cash holdings of R1.8bn at the end of March, up from R543m at the end of December, were bolstered by cash coming from operations as well as a cash injection of R1.09bn on the sale of shares to Sibanye-Stillwater, the biggest shareholder in the company.

Sibanye swapped large tailings dumps near its mines close to Carletonville for a 38% stake in DRDGold. It had the option to take a controlling 50.1% stake in the tailings retreatment specialist, which it exercised.