

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the historical cost accounting basis, as modified by the revaluation of certain financial instruments to fair value.

The following accounting policies adopted by the Group are in accordance with South African Statements of Generally Accepted Accounting Practice and are consistent with those applied in the previous year, except for the adoption of South African Accounting Standard IFRS3 (AC 140): Business Combinations details of which are set out below.

The financial statements are presented in Rands ('000s) and cover the year ended 30 June 2004.

Change in accounting policies

The Group applied IFRS3 (AC 140): Business Combinations to business combinations for which the agreement date was on or after 31 March 2004. The statement was applied prospectively and no adjustment was made to comparative information presented. The adoption of this statement did not have a material impact on the results of the Group for the year under review.

For the year ended 30 June 2003, the Group adopted AC 133: "Financial Instruments: Recognition and Measurement" in respect of derivative financial instruments. A net adjustment of R582.0 million was made to opening shareholders' equity, comprising an adjustment of R249.4 million to the deferred tax opening balance, and R831.4 to the opening balance of derivative financial liabilities to account for the impact of the Group's derivative financial instruments at the beginning of the year.

Consolidation

The Group annual financial statements incorporate the annual financial statements of the Company, its wholly-owned subsidiaries, their associated environmental rehabilitation trust funds, associates and its proportionate interest in joint ventures. The results of the subsidiaries and joint ventures are included from the date on which effective control was acquired up to the date control ceased to exist.

All significant inter-company transactions and balances have been eliminated. Unrealised profits that arise between Group entities are also eliminated.

Foreign entities' assets and liabilities are translated using the closing rates at balance sheet date and income statement transactions are translated at the average exchange rates applicable for the year. Shareholders' equity is translated at historic rates. The differences arising from the translation are taken directly to shareholders' equity.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. An associate is an entity over which the Group exercises significant influence, but which it does not control.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss after tax for the year. The Group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes the unamortised portion of goodwill on acquisition. Adjustments for impairment in value are recorded when they occur.

Investments in joint ventures

A joint venture is an entity in which the Group holds a long-term interest and which is jointly controlled by the Group and one or more other venturers under a contractual arrangement. The Group's interest in a jointly controlled entity is accounted for using proportionate consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries, associates or joint ventures before 31 March 2004 is reported in the balance sheet as an asset and is amortised using the straight-line method over its estimated useful life, not exceeding twenty years.

Goodwill arising before 31 March 2004 is carried at cost less any accumulated amortisation. The carrying amount of goodwill is reviewed annually and written down for impairment where considered necessary.

Goodwill arising on business combinations with an agreement date on or after 31 March 2004 is not amortised but subject to an annual impairment test.

Mining assets

Mining assets, which comprise mining properties, mineral rights, development costs, mine plant facilities and decommissioning assets, are recorded at cost of acquisition less sales,

recoupments and amounts written off. Development costs consist primarily of expenditure to expand the capacity of the mines. Ordinary mine development costs to maintain production and exploration costs are expensed as incurred.

Depreciation of mining properties, mineral rights, development costs, mine plant facilities and decommissioning assets is computed primarily by the units-of-production method based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. Other assets are depreciated using the straight-line method, principally over estimated useful lives of two to five years.

Recoverability of the mining assets of the Group's operating mines, which include development costs, is reviewed annually. Estimated future net cash flows for each mine are calculated using estimates of proven and probable ore reserves, estimated future sales (considering historical and current prices, price trends and related factors), cash working costs, development costs and rehabilitation costs. Reductions in the carrying value of the mining assets of the Group's mines are recorded to the extent that the carrying value exceeds the estimate of future discounted net cash flows.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Group's mining assets.

Borrowing costs

Interest on borrowings utilised to finance qualifying capital projects under construction is capitalised during the construction phase as part of the cost of the project. Other borrowing costs are expensed as incurred. No borrowing costs were capitalised in the 2004 or 2003 financial years.

Financial instruments

Financial instruments recognised on the balance sheet include investments, derivative instruments, accounts receivable, cash and cash equivalents, long-term and short-term liabilities, accounts payable, bank overdrafts and accrued liabilities.

Financial instruments are initially measured at cost, including transaction costs, when the Group becomes a party to the contractual arrangements. The subsequent measurement of financial instruments is dealt with in the individual policy statements associated with the relevant item.

Investments

Investments comprise investments in listed and unlisted companies, which are classified as "held for trading" and are accounted for at fair value or at cost where fair value cannot be reliably measured. Realised and unrealised investment gains and losses are included in earnings for the relevant period.

Derivative instruments

Under AC133: "Financial Instruments: Recognition and Measurement", all derivative instruments that are not exempt from AC133, are recognised on the balance sheet at their fair value. At the inception of a derivative

contract, the Group designates the contract as 1) a hedge of the fair value of a recognised asset or liability (fair value hedge), 2) a hedge of a forecasted transaction (cash flow hedge), 3) a hedge of a net investment in a foreign entity or 4) a derivative and is measured at fair value. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting.

The Group does not currently hold or issue derivative instruments for trading or speculative purposes.

Changes in fair value of a derivative that is highly effective, and that is designated and qualifies as a fair value hedge are recorded in earnings, along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in fair value of a derivative that is highly effective, and that is designated as a cash flow hedge, are recognised directly in shareholders' equity. Amounts deferred in shareholders' equity are included in earnings in the same periods during which the hedged firm commitment or forecasted transaction affects earnings.

Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges.

Changes in the fair value of derivatives that are not designated as hedges or that do not qualify for hedge accounting are recognised in the income statement.

As at 30 June 2004, the Group's derivative instruments are deemed to be "held for

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trading" as they currently do not meet hedge accounting criteria.

Accounts receivable

Accounts receivable are carried at anticipated realisable value. Estimates are made for impairments. Irrecoverable amounts are written off during the year in which they are identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, metals on consignment and highly liquid investments with an original maturity of three months or less.

The carrying amount of cash and cash equivalents is stated at cost, which approximates fair value.

Financial liabilities

Financial liabilities, other than trading financial liabilities and derivatives, are subsequently measured at amortised cost being the original obligation less principal payments and amortisations. Trading financial liabilities and derivatives are subsequently measured at fair value.

Convertible loan notes

On the issue of convertible instruments, the fair value of the conversion option is determined. This amount is recognised and presented separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The obligation to make future payments of principal and interest to noteholders is calculated using a market interest rate for an equivalent non-convertible note and is carried as a long-term liability on the amortised cost basis until extinguished on conversion or maturity of the notes.

Inventories

Gold in process is stated at the lower of cost and net realisable value. Costs are assigned to gold in process on an average cost basis. Costs comprise all costs incurred to the stage immediately prior to smelting, including costs of extraction and processing. Selling, refining and general administration costs are excluded from inventory valuation.

Consumable stores are stated at the lower of cost or net realisable value.

Non-current inventory comprises ore stockpile. These in-process inventories are measured on the absorption cost method and valued at the lower of average production cost and net realisable value, after a reasonable allowance for further processing costs.

Deferred mining and income taxation

Deferred taxation is provided for by using the balance sheet liability method and represents the potential future liability for taxation at current tax rates on the temporary differences between the financial statement amounts and the tax bases of certain assets and liabilities. Account is taken of potential deferred tax assets only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year.

The charge for taxation is based on the results for the year, as adjusted for items which are exempt or disallowed.

Environmental rehabilitation

Estimated rehabilitation costs, which are based on the Company's interpretation of current environmental and regulatory requirements, are accrued based on present obligations as environmental damage is incurred. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation accrual. However, it is reasonably possible that the Company's estimates of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

Annual contributions are made to dedicated rehabilitation trust funds to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine.

Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Gold bullion revenue (and revenue from related by-products) is recognised when it is delivered to the relevant refinery, at which stage all risks and rewards of ownership pass from the Group.

Dividends are recognised when the right to receive payment is established. Interest is recognised on a time proportion basis taking account of the principal outstanding and the effective rate to maturity on the accrual basis.

Retirement and other employee benefits

Pension plans, which are multi-employer plans in the nature of defined contribution plans, are funded through annual contributions.

In addition, the Group makes long service bonus payments (long-service awards) for certain eligible employees, based on qualifying ages and levels of service, and accrues the cost of such liabilities over the service life of the employees on an actuarial basis.

The Group contributes to a defined contribution multi-employer medical fund for current employees and certain retirees on an annually determined contribution basis. No contributions are made for employees retiring after 31 December 1996.

(Loss)/profit per share

(Loss)/profit per share is calculated based on the net (loss)/profit after taxation for the year divided by the weighted average number of ordinary shares in issue during the year.

Headline (loss)/profit per share is calculated based on the (loss)/profit after taxation but before certain items of a capital nature. Diluted (loss)/profit per share is presented when the inclusion of ordinary shares that may be issued in the future has a dilutive effect on (loss)/profit per share.

The resulting numbers are stated to the nearest cent.

Segment reporting

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, and consist principally of mining assets as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade creditors and accrued liabilities. These assets and liabilities are all directly attributable

to the segments. Segment revenue, expenses and results include transfers between the geographical segments. These transfers are eliminated on consolidation.

Foreign currencies

Transactions in currencies other than Rands, which is the Group's functional currency, are recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising are dealt with in the income statement.

Comparative figures

Where necessary comparative figures have been reclassified to comply with the current year's disclosure.

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for the year ended 30 June 2004

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		2. REVENUE		
2 366 922	2 161 738	Gold revenue	–	–
41 676	30 404	By-product revenue	–	–
2 408 598	2 192 142	Total revenue	–	–
		3. (LOSS)/PROFIT FROM OPERATIONS INCLUDES THE FOLLOWING AMONGST OTHER:		
5 173	6 685	<i>Auditors' remuneration</i>	4 540	3 912
1 911	3 233	– audit fees – current year	1 737	814
653	1 684	– underprovision – prior year	1 588	796
2 508	1 722	– fees for other services	1 215	2 302
101	46	– expenses	–	–
14 933	14 683	Management, technical, administrative and secretarial service fees	9 533	11 921
		<i>Staff costs</i>		
		Included in staff costs are:		
877 812	788 125	– Salaries and wages	24 936	11 021
13 599	54 946	– Retrenchment and restructuring costs	–	4 911
57 552	59 990	– Pension fund contributions	–	–
		<i>Income from subsidiaries:</i>		
		– administration and management fees	(50 100)	(35 592)
(15 663)	382	Loss/(profit) on sale of mining assets	–	(9 759)
133 001	108 770	<i>Impairments</i>	698 274	1 010 784
48 029	(1 818)	– mining assets	–	–
–	(670)	– other assets	–	–
–	–	– investments in and loans to subsidiaries	611 667	925 812
84 972	88 855	– loans to associates	79 555	84 972
–	15 332	– other loans	7 052	–
–	7 071	– goodwill	–	–
–	–	<i>Operating lease</i>	600	600

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
4. DIRECTORS' EMOLUMENTS				
Executive directors				
<i>Services rendered as directors of the Company</i>				
12 924	6 971	Salaries and bonuses to directors	6 971	12 924
3 410	–	Retirement package	–	3 410
85	–	Restraint of trade payments amortised	–	85
–	1 748	Change in terms of employment payment (refer to page 53)	1 748	–
Non-executive directors				
943	925	Directors' fees	925	943
17 362	9 644	Included in administration and general costs	9 644	17 362
Executive directors				
15 496	1 522	Share options gains	1 522	15 496
Non-executive directors				
2 146	500	Share options gains	500	2 146
35 004	11 666	Total emoluments	11 666	35 004
5. INVESTMENT INCOME				
826	–	Dividends from listed investments	–	822
4 762	1 539	Dividends from unlisted investments	104	321
156	298	Royalties received	298	156
1	766	Sundry income	–	–
59 341	31 201	Interest received	32 085	67 634
1 376	434	Surplus on realisation of listed and unlisted investments	–	–
10 858	7 594	Growth in environmental rehabilitation trust funds	1 139	1 217
1 500	–	Option fee	–	500
37 107	58 634	Unrealised foreign exchange gain	57 997	36 886
(15 929)	30 383	Write up/(down) of investments	–	–
99 998	130 849		91 623	107 536

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Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		6. TAXATION CHARGE		
(3 041)	(474 312)	Mining tax	–	–
(234)	–	Share of tax of associates	–	–
(3 275)	(474 312)		–	–
		<i>Comprising</i>		
		South African		
(234)	–	Current tax – current year	–	–
–	(1 540)	– prior year	–	–
(167 196)	(414 295)	Deferred tax – current year	–	–
167 147	–	– prior year rate change	–	–
		Foreign		
–	(26 796)	Current tax – current year	–	–
–	(22 646)	– prior year	–	–
(2 992)	(9 035)	Deferred tax – current year	–	–
(3 275)	(474 312)		–	–

In South Africa, mining tax on mining income is determined based on a formula which takes into account the profit and revenue from a gold mining company during the year. Non-mining income, which consists primarily of interest, is taxed at a standard rate of 30%. The tax rates applicable to the mining and non-mining income of a gold mining company depends on whether the company has elected to be exempt from the Secondary Tax on Companies, or STC. STC is a tax on dividends declared, which is payable by the company declaring the dividend, and, at present, the STC tax rate is equal to 12.5%. In 1993, all existing gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In 2004 and 2003, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 46% and 38%, respectively. During those same years the tax rates for companies that did not elect the STC exemption were 37% and 30%, for taxable mining and non-mining income, respectively.

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		6. TAXATION CHARGE (continued)		
		In 1993, the Company elected not to be exempt from STC, as this would have meant that the Company would be subject to normal taxation at the higher rates of 46% for mining income and 38% for non-mining income. The Company, having chosen not to be subject to the STC exemption, is subject to 37% tax on mining income and 30% for non-mining income. With the exception of Blyvoor, all of the South African subsidiaries elected to be subject to the STC exemption.		
		South African deferred tax is provided at the estimated effective mining rate applicable in terms of the mining tax formula to the relevant operations at either 37% or 46% (2003: 37% or 46%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2003: 30%).		
		Each company is taxed as a separate entity and no tax set-off is allowed between the companies.		
		No provision has been made for income taxation in the company as it did not earn any taxable income in the current year.		
		Deferred tax assets totalling R414.3 million were reversed during the year, as the Group companies in which they were held were making losses and some doubt existed as to whether the related tax benefit will be realised.		
518 683	389 300	Unredeemed capex at year-end (available for deduction against future mining income)	132 293	135 756
1 021 564 (782 035)	1 436 618 (1 307 989)	Estimated tax losses at year-end (available to reduce the future taxable income)	103 305	184 013
		Applied to reduce deferred tax	–	–
758 212	517 929	Tax losses and unredeemed capex carried forward	235 598	319 769
315 477	187 578	Estimated future tax relief at applicable statutory rate	70 679	95 931

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for the year ended 30 June 2004

Group			Company	
2003	2004		2004	2003
R'000	R'000		R'000	R'000
		6. TAXATION CHARGE (continued)		
		Tax reconciliation		
		Major items causing the Group's income tax provision to differ from the applicable statutory rates were:		
(140 600)	97 658	Taxation benefit/(charge) on net income at applicable statutory rates		
–	(414 295)	Reversal of deferred tax asset previously recognised		
(3 259)	(131 693)	Temporary difference for which deferred tax assets not recognised		
(89 703)	(4 911)	Disallowable expenditure		
64 122	3 116	Exempt income		
–	(24 187)	Additional tax expense relating to the prior year		
167 147	–	Rate change in rate at which deferred tax recognised		
(234)	–	Share of tax of associates		
(748)	–	Other		
(3 275)	(474 312)	Taxation charge		
		7. (LOSS)/PROFIT PER ORDINARY SHARE		
		<i>Basic</i>		
		The calculation of (loss)/profit per ordinary share is based on the (loss)/profit for the year attributable to ordinary shareholders of (R'000)		
370 905	(716 430)			
		<i>Headline</i>		
		The basic (loss)/profit has been adjusted by the following to arrive at a headline (loss)/profit:		
370 905	(716 430)	Basic (loss)/profit attributable to ordinary shareholders		
48 029	5 253	Impairments of mining assets and goodwill		
(15 663)	382	Loss/(profit) on sale of mining assets		
(89 333)	–	Profit on sale of subsidiary		
313 938	(710 795)	Headline (loss)/profit attributable to ordinary shareholders		
		<i>Diluted</i>		
370 905	(716 430)	Basic (loss)/profit attributable to ordinary shareholders		
27 452	33 587	Interest paid on convertible loan notes		
398 357	(682 843)	Diluted basic (loss)/profit		
(56 967)	5 635	Headline earnings adjustments		
341 390	(677 208)	Diluted headline (loss)/profit attributable to ordinary shareholders		

Group			Company	
2003	2004		2004	2003
R'000	R'000		R'000	R'000
		7. (LOSS)/PROFIT PER ORDINARY SHARE (continued)		
		<i>Reconciliation of weighted average ordinary shares to diluted weighted average ordinary shares</i>		
Number	Number			
183 300 665	216 509 843	Weighted number of average issued ordinary shares		
2 943 230	621 713	Number of staff options allocated		
14 827 839	17 600 000	Convertible loan notes		
201 071 734	234 731 556	Diluted weighted average number of ordinary shares		
202	(331)	Basic (loss)/profit per ordinary share (cents)		
171	(328)	Headline (loss)/profit per ordinary share (cents)		
198	(331)	Diluted basic (loss)/profit per ordinary share (cents)		
170	(328)	Diluted headline (loss)/profit per ordinary share (cents)		
		There is no dilution in loss per share for 2004 as the effect of dilutive securities in issue would be anti-dilutive, as the Group recorded a loss for the year.		
		8. MINING ASSETS		
		<i>Mining properties, mineral rights, mine development and mine plant facilities</i>		
1 650 865	2 032 368	Cost	426 994	426 964
1 907 371	1 650 865	Opening balance	426 964	426 781
–	422 716	Acquired through purchase of subsidiaries	–	–
121 483	185 732	Additions	30	186
(16 887)	(24 013)	Disposals	–	(3)
(312 796)	–	Disposed through sale of subsidiary	–	–
(48 306)	(202 932)	Foreign exchange movement	–	–
1 077 126	1 115 383	Accumulated depreciation and amortisation	385 384	374 120
1 141 844	1 077 126	Opening balance	374 120	362 705
–	–	Acquired through purchase of subsidiaries	–	–
48 029	(1 818)	Impairment of assets	–	–
104 929	199 427	Current depreciation and amortisation	11 264	11 415
–	(626)	Disposals	–	–
(183 929)	–	Disposed through sale of subsidiary	–	–
(33 747)	(158 726)	Foreign exchange movement	–	–
573 739	916 985	Net book value	41 610	52 844

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Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		8. MINING ASSETS (continued)		
		<i>Decommissioning asset</i>		
93 742	132 412	Cost	7 951	7 951
99 218	93 742	Opening balance	7 951	7 951
–	25 888	Acquired through purchase of subsidiaries	–	–
–	17 512	Additions	–	–
(4 996)	–	Disposed through sale of subsidiary	–	–
(480)	(4 730)	Foreign exchange movement	–	–
88 953	93 346	Accumulated amortisation	7 951	7 951
92 858	88 953	Opening balance	7 951	7 951
746	5 163	Current amortisation	–	–
(4 322)	–	Disposed through sale of subsidiary	–	–
(329)	(771)	Foreign exchange movement	–	–
4 789	39 066	Net book value	–	–
578 528	956 051	Total assets net book value	41 610	52 844

Included in net book value is an amount of R22 million (2003: R33 million) in respect of Argonaut's mineral rights not yet in use acquired from Randgold & Exploration Company Limited in 1997. The value of the mineral rights is being written off over a five-year period and the remaining value of the mineral rights will be written down in full over the next two years.

Certain assets have been encumbered as security for specified liabilities (refer Note 19).

In assessing the recoverability of the assets where possible impairment is indicated, the estimated cash flows have been calculated using the following estimates:

- recoverable proven and probable reserves;
- sales price estimates are based on a sales price estimate of R83 370 per kilogram of gold (US\$400 per ounce) and a base exchange rate of R6.48 = US\$1.00, with the rand weakening in future years based on the expected differential between the local South African interest rate over the United States interest rate in those years;
- working cost estimates are based on current working costs per kilogram at 30 June 2004, escalated for expected South African inflationary increases of approximately 6% per annum; and
- capital cost estimates are based on current estimates of future development costs to mine the current proven and probable reserves, escalated for expected South African inflationary increases of approximately 6% per annum.

Group			Company	
2003	2004		2004	2003
R'000	R'000		R'000	R'000
59 213	77 387	9. NON-CURRENT INVESTMENTS AND OTHER ASSETS		
		<i>Listed investments (see below)</i>	–	–
1 063	59 213	Opening balance	–	–
2 688	(12 209)	Exchange differences	–	–
71 792	–	Additions	–	–
(401)	–	Disposals	–	–
(15 929)	30 383	Mark-to-market adjustment	–	–
12 889	15 006	<i>Unlisted investments</i>	1 107	1 138
133 736	143 330	<i>Investments in environmental rehabilitation trust funds</i>	12 975	9 836
125 928	133 736	Opening balance	9 836	8 619
(4 695)	–	Disposed through sale of subsidiary	–	–
1 704	2 000	Contributions	2 000	–
10 858	7 594	Growth in environmental rehabilitation trust funds	–	1 217
(59)	–	Rehabilitation payments from fund	1 139	–
205 838	235 723	Total non-current investments and other assets	14 082	10 974
12 889	15 006	Directors' valuation of the unlisted investments	1 107	1 451

Listed investments consist of:

Detail	% held	Number of shares	Market value 2004 R'000	Carrying value 2004 R'000	Carrying value 2003 R'000
Drillsearch Energy Limited	#	1 820 000	433	433	499
Emperor Mines Limited ⁽¹⁾	19.78%	22 208 038	76 901	76 901	58 654
Startrack Communications Limited	#	1 125 000	44	44	50
Cape Tel Limited	#	100 000	9	9	10
			77 387	77 387	59 213

Represents a less than 1% shareholding.

⁽¹⁾ Shareholding increased to 45.33% on 30 July 2004.

The monies in the environmental rehabilitation trust funds are invested primarily in interest-bearing securities and equity-limited unit trusts and may be used only for environmental rehabilitation purposes.

Unlisted investments comprise investments in various unlisted companies in South Africa for which a fair value is not readily determinable.

The directors of the Company perform independent valuations of these unlisted investments on an annual basis to ensure that no significant decline, other than of a temporary nature, in value of the investments has occurred.

Group			Company	
2003	2004		2004	2003
R000	R000		R000	R000
		11. INVESTMENT IN ASSOCIATE (continued)		
		The Group's effective share of income, expenses, assets, liabilities and cash flows of the associate, is as follows:		
		Income statement		
		Revenue	257 444	228 758
		Cost of sales	(260 114)	(233 123)
		Operating profit from gold	(2 670)	(4 365)
		Other income, administration and general costs	(97 248)	(54 513)
		Loss before taxation	(99 918)	(58 878)
		Balance sheet		
		Non-current assets	43 430	89 156
		Current assets	21 369	32 434
		Total assets	64 799	121 590
		Shareholders' equity	(238 798)	(138 815)
		Non-current liabilities	215 550	162 891
		Current liabilities	88 047	97 514
		Total equity and liabilities	64 799	121 590
			Country of incorporation	% interest held
		The principal associates are:		
		Crown Gold Recoveries (Pty) Limited	South Africa	40%
		On 1 July 2002 the Company sold 60% of its wholly owned subsidiary company, Crown Gold Recoveries (Pty) Limited (CGR) to Khumo Bathong Holdings (Pty) Limited (KBH) in a deal consistent with its black economic empowerment strategy. Previously, the results of CGR had been consolidated into the results of the Group. Effective 1 July 2002 DRD's remaining 40% interest has been treated as an investment in an associate and has been equity accounted for. In 2004 the Company impaired loans to Crown Gold Recoveries (Pty) Limited totalling R79.6 million (R88.9 million at Group level).		

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	2004 percentage held
12. INVESTMENT IN JOINT VENTURE	
The joint venture for which the income statement and balance sheet has been proportionately consolidated is as follows:	
Porgera Joint Venture	20%
The Group acquired a 20% interest in the unincorporated Porgera Joint Venture in Papua New Guinea on 14 October 2003. Accordingly no comparative information is disclosed.	
	2004 R'000
The Group's effective share of income, expenses, assets, liabilities and cash flows of the joint venture, which is included in the consolidated financial statements, is as follows:	
Income statement	
Revenue	418 032
Cost of sales	(211 048)
Operating profit from gold	206 984
Administration and general costs	(44 688)
Profit before taxation	162 296
Balance sheet	
Non-current assets	796 922
Current assets	64 511
Total assets	861 433
Shareholders' equity	828 156
Non-current liabilities	4 118
Current liabilities	29 159
Total equity and liabilities	861 433
Cash flow statement	
Cash flow from operating activities	201 551
Cash flow from investing activities	(200 281)
Cash flow from financing activities	-
Net increase in cash and cash equivalents	1 270

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		13. GOODWILL		
–	7 071	Goodwill arising on acquisition of Net-Gold Services Limited		
–	(7 071)	Impairment of goodwill		
–	–			
		14. INVENTORIES		
13 565	20 445	Gold in process	–	–
45 535	83 048	Consumable stores	100	16
–	200 836	Ore stock piles (Porgera Joint Venture)	–	–
59 100	304 329		100	16
–	200 836	Less: Non-current inventories	–	–
59 100	103 493		100	16
		15. DEFERRED MINING AND INCOME TAXES		
		Balances arose from the following types of temporary differences:		
(123 804)	(169 272)	Mining assets	27 205	–
(5 538)	(61 643)	Inventories	–	–
39 068	61 470	Provisions, including rehabilitation provision	7 366	–
356 711	37 038	Estimated assessed losses	(34 571)	–
147 858	(48)	Other	–	–
414 295	(132 455)	Net deferred mining and income tax (liability)/asset	–	–
414 295	–	Disclosed under non-current assets	–	–
–	(132 455)	Disclosed under non-current liabilities	–	–
414,295	(132,455)		–	–
		<i>Reconciliation between deferred taxation opening and closing balances:</i>		
168 294	414 295	Opening balance	–	–
(377)	15 769	Foreign exchange movement	–	–
–	(139 189)	Deferred tax of subsidiaries acquired	–	–
(170 189)	(423 330)	Income statement credit in current year	–	–
		Change in accounting policy – AC 133 adjustment against opening balance	–	–
249 420	–	Rate change	–	–
167 147	–		–	–
414 295	(132 455)	Closing balance	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		16. DERIVATIVE INSTRUMENTS		
(230 841)	(19 387)	Gold for electricity contract	a	–
49 025	–	Call positions bought	b	–
(13 582)	(12 450)	Interest rate swap agreement	c	(13 582)
(195 398)	(31 837)			(12 450)
49 025	51 569	Disclosed under non-current assets		–
(244 423)	(83 406)	Disclosed under non-current liabilities		(12 450)
(195 398)	(31 837)			(13 582)
		a) This amount comprises the fair value of the gold for electricity contract entered into by the Company. Changes in fair value have been recorded in the Income Statement. The fair value represents the difference between the contract price that was agreed on the date of the transaction and the forward price on 30 June 2004 (refer to Note 23 for further details of quantities and the timing of settlement). The negative R19.4 million reflects the fair value as at 30 June 2004 when the gold price was R2 451 per ounce against an average contract price of R2 256 per ounce. On 28 June 2004 the Company announced that it was to close out this hedge contract.		
		b) This amount reflects the fair value of call positions. These contracts were closed out during the year with no new positions entered into.		
		c) This amount reflects the fair value of the interest rate swap agreement that was entered into to manage the interest rate and currency risk on the bi-annual coupon payments of the convertible loan note. Changes in fair value have been recorded in the income statement. The fair value represents the difference between the fixed coupon rate of 6% per annum and the forward Johannesburg Interbank Acceptance Rate (JIBAR) plus 200 interest basis points together with the spot and forward US dollar exchange rate with reference to the coupon amount payable bi-annually. At 30 June 2004 the six month JIBAR rate was 8.313%. Refer to Note 23 for further details of quantities and the timing of settlement.		

Group			Company	
2003 R000	2004 R000		2004 R000	2003 R000
		17. SHAREHOLDERS' EQUITY		
		Details of shareholders' equity are provided in the Statement of Shareholders' Equity on page 60.		
		Share capital		
		Authorised		
		300 000 000 ordinary shares of no par value		
500	500	5 000 000 cumulative preference shares of 10 cents each	500	500
		Issued		
		233 307 667 (2003: 184 222 073) ordinary shares of no par value	3 069 055	2 184 437
2 184 437 500	3 069 055 500	5 000 000 cumulative preference shares of 10 cents each	500	500
2 184 937	3 069 555		3 069 555	2 184 937
		Unissued shares		
		The Company operates a share option scheme as an incentive tool for its executive directors, non-executive directors and senior employees whose skills and experience are recognised as being essential to the Company's performance. In terms of the scheme rules, a maximum of 15% of the issued ordinary shares is reserved for issuance there under and no participant may hold options at any time, which if exercised in full, would exceed 2% of our issued share capital at that time. The number of issued and exercisable share options is approximately 3.6% of the issued ordinary share capital which is within the international accepted guideline of 3 to 5% for such schemes. In addition, the participants in the Scheme are fully taxed at their maximum marginal tax rate on any gains realised on the exercise of their options.		
		On 12 November 2002 the Company issued at \$66 million convertible loan notes (refer to Note 19). The notes are convertible into ordinary shares at a conversion price of \$3.75 per share at the company's election, subject to adjustment in certain events.		
		In terms of an ordinary resolution passed at the previous Annual General Meeting, the remaining unissued ordinary shares in the Company are under the control of the directors until the next general meeting.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		17. SHAREHOLDERS' EQUITY (continued)		
		<i>Cumulative preference shares</i>		
		The terms of issue of the cumulative preference shares are that they carry the right, in priority to the company's ordinary shares, to receive a dividend equal to 3% of the gross future revenue generated by the exploitation or the disposal of Argonaut's mineral rights acquired from Randgold & Exploration Company Limited in September 1997.		
		<i>Option instruments</i>		
		The Company currently has one class of options authorised but not issued, namely Durban Deep "C" options. There are 10 000 000 authorised option instruments at year-end which entitle the holder to subscribe for one ordinary share per option instrument at a subscription price of R15 per ordinary share, which are exercisable at any time during the period from the date on which the option is issued by the Company to a date no later than five years from the date of issue.		
		18. PROVISION FOR ENVIRONMENTAL REHABILITATION		
		<i>Provision for decommissioning</i>		
128 360	126 623	Opening balance	9 868	9 868
(1 229)	(1 331)	Foreign exchange movements	–	–
(6 200)	–	Disposed through sale of subsidiary	–	–
5 692	13 620	Charge to the income statement	–	–
126 623	138 912	Closing balance	9 868	9 868
		<i>Provision for restoration</i>		
65 016	57 342	Opening balance	21 299	18 529
–	(4 479)	Foreign exchange movements	–	–
(14 788)	25 888	Acquired/(disposed) through purchase/(sale) of subsidiaries	–	–
–	17 512	Additional restoration asset raised	–	–
7 114	10 217	Charge to the income statement	(209)	2 770
57 342	106 480	Closing balance	21 090	21 299
183 965	245 392	Provision for environmental rehabilitation	30 958	31 167
		Amounts have been contributed to irrevocable trusts (refer to Note 19).		
		The Company intends to fund the ultimate rehabilitation costs from the money invested with the trust funds as well as, at the time of mine closure, the proceeds on sale of remaining assets and gold from plant clean-up.		

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
19. LONG-TERM LIABILITIES				
Secured				
42 864	33 135	a) Industrial Development Corporation	–	–
628	–	b) First National Bank Limited	–	–
4 926	–	c) Mineral Resources Development Company	–	–
263	–	d) Volvo Truck Finance	–	–
11 977	–	e) Bank of South Pacific Limited	–	–
Unsecured				
374 558	316 957	f) Convertible loan notes	316 957	374 558
–	17 350	g) Investec Bank Limited	17 350	–
11 052	–	h) CAWMS post retirement medical liability	–	–
47 900	–	i) J Aron & Company	–	–
35 745	–	j) UBS AG	–	–
529 913	367 442		334 307	374 558
(142 435)	(58 450)	Less: payable within one year shown under current liabilities	(42 199)	(29 581)
387 478	308 992		292 108	344 977
Long-term liability repayment schedule for capital amounts payable in the 12 months to:				
142 435	–	30 June 2004	–	29 581
53 959	58 450	30 June 2005	42 199	29 581
45 653	41 099	30 June 2006	24 849	29 581
287 866	267 893	30 June 2007	267 259	285 815
529 913	367 442		334 307	374 558
Analysis of gross long-term liabilities by currency:				
17 166	–	Australian Dollar	–	–
374 558	316 957	United States Dollar	316 957	374 558
138 189	50 485	South African Rand	17 350	–
529 913	367 442		334 307	374 558
Weighted average interest rates:				
Secured liabilities				
%	%	Mortgage loan and term loans	–	–
14.55	10.5	Lease agreements	–	–
12.00	–			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

Group			Company	
2003	2004		2004	2003
%	%		%	%
		19. LONG-TERM LIABILITIES (continued)		
		Unsecured liabilities		
8.74	9.55	Convertible loan notes	8.74	8.74
	10.95	Investec Bank Limited	10.95	
		Borrowing facilities		
		The Company has the following undrawn committed borrowing facilities		
R'000	R'000		R'000	R'000
22 136	18 074	<i>Floating rate</i>		
–	82 650	Industrial Development Corporation	–	–
		Investec Private Bank	82 650	–
22 136	100 724		82 650	–
		a) On 18 July 2002, Blyvoor entered into a loan agreement with Industrial Development Corporation of South Africa for R65 million specifically for financing capital expenditures incurred by Blyvoor in completing the Blyvoor Expansion Project. The loan bears interest at 1% below the prime rate of First National Bank of Southern Africa Limited on overdraft. As of 30 June 2004, the interest rate on this loan stood at 10.5% per annum and R33.1 million had been drawn down. The loan is repayable in 48 monthly installments starting from September 2003. The loan is secured by a special notarial bond over the Blyvoor metallurgical plant.		
		The loan agreement prohibits us from disposing of or further encumbering the assets covered by the special notarial bond and places restrictions over our ability to change the business of Blyvoor.		

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		19. LONG-TERM LIABILITIES (continued)		
		<p>b) A mortgage bond of R3 million was obtained by subsidiary, Stand 752 Parktown Extension (Pty) Limited in November 1998 in order to acquire the building which houses the Company's registered address and corporate offices. The loan was secured by a first covering mortgage bond over this property and a deed of suretyship signed by the Company. The mortgage loan bore interest at 0.75% below the prime lending rate offered by First National Bank of Southern Africa Limited on overdraft. Interest was calculated daily and compounded monthly in arrears. The loan was repayable over 60 months in monthly installments. This bond was settled during the 2004 financial year.</p> <p>c) On 19 November 1997, Dome Resources NL entered into a loan agreement with Mineral Resources Development Company (Proprietary) Limited, or MRDC, by which MRDC provided a loan of A\$2.5 million to Tolukuma. The loan was to be repaid in four equal half-yearly installments, as per an amended agreement, with the first installment paid on 30 June 2002 and the last payable on 31 December 2003. Interest was payable at 9% per year and had been capitalised. The loan was secured by a lien on the assets of Tolukuma. The loan agreement provided that neither Dome nor Tolukuma may make dividend payments if such payments would have a material adverse effect on Tolukuma's ability to meet its obligations under the loan. The loan was guaranteed by Dome and was settled during the 2004 financial year.</p> <p>d) In November 2000, a master finance lease agreement was entered into, with Volvo Truck Finance Australia (Pty) Limited, or Volvo, for the lease of two articulated dump trucks to transport ore from the mine at Tolukuma to the metallurgical plant. At the termination of the lease, the equipment was to be returned to Volvo. The initial value of the lease was R4 million. The principal was paid in 35 equal monthly installments. The lease bore interest at a rate of 12% per annum. This lease agreement was settled during the 2004 financial year.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		19. LONG-TERM LIABILITIES (continued)		
		<p>e) In August 2001, Tolukuma, entered into a loan agreement with Bank of South Pacific Limited, or Bank of South Pacific. Under this loan agreement, Bank of South Pacific agreed to provide Tolukuma with a cash advance installment loan and/or a letter of credit facility. Tolukuma may request the provision of an advance, or the issue of a letter of credit in favour of Sandvik Tamrock (Pty) Limited to refinance its purchase, or to make payment on the purchase, of certain specific pieces of mining equipment described in the loan agreement.</p> <p>The loan bore interest at a rate equal to Bank of South Pacific's "Indicator Lending Rate", which is published weekly, plus a margin of 4% per year. Interest was payable monthly in arrears. Principal payments were also made monthly in accordance with the payment schedule which Bank of South Pacific calculates from time to time.</p> <p>The loan agreement required Tolukuma to maintain certain financial ratios, advise or seek the approval of Bank of South Pacific on capital expenditures above certain thresholds, and ensure that capital and exploration expenditures do not generate a negative cash flow. Additionally, without the consent of Bank of South Pacific, Tolukuma may not have incurred financial indebtedness or provide a guarantee of the financial indebtedness of another person, further encumber any of its property, except by operation of law, or dispose of or otherwise create an interest in any of its property other than in the ordinary course of its business. Tolukuma must also have notified Bank of South Pacific when it incurs any financial indebtedness, guarantees the financial indebtedness of another person, or issues any shares or alters its share capital. Also, Tolukuma had agreed not to repay any inter-company loans without first obtaining the written consent of Bank of South Pacific.</p> <p>The loan was secured by fixed and floating charges over the assets of Tolukuma, Dome and Dome Resources (PNG) Limited, or Dome (PNG). Additionally, we, Dome and Dome (PNG) had guaranteed this loan.</p>		

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		19. LONG-TERM LIABILITIES (continued)		
		<p>Under our guarantee agreement with Bank of South Pacific, we guaranteed the payment and performance of Tolukuma of its obligations to Bank of South Pacific up to maximum of A\$4.3 million. Also, our guarantee agreement restricted our ability to further encumber or dispose of our assets in Australia or Papua New Guinea, without approval from Bank of South Pacific. Our guarantee agreement also restricted our ability to receive funds from Tolukuma, enforce certain rights or claims against Tolukuma, take certain actions against Bank of South Pacific, and incur financial indebtedness with respect to our assets in Australia and Papua New Guinea. The guarantee agreements for Dome and Dome Resources (PNG) contained similar provisions but did not contain a monetary limit on exposure. This loan was settled during the 2004 financial year.</p>		
		<p>f) On 12 November 2002 we issued \$66 000 000 of 6% Senior Convertible loan notes due 2006, in a private placement. We issued the notes at a purchase price of 100% of the principal amount thereof. If not converted or previously redeemed, the notes will be repaid at 102.5% of their principal amount plus accrued interest on the fifth business day following their maturity date in November 2006. The notes are convertible into our ordinary shares, or, under certain conditions, American Depositary Shares, or ADSs, at a conversion price of \$3.75 per share or ADS, subject to adjustment in certain events. We are entitled to redeem the notes at their accredited value plus accrued interest, if any, subject to certain prescribed conditions being fulfilled, after 12 November 2005. We offered the notes only to qualified institutional buyers in reliance on Rule 144A of the Securities Act of 1933, as amended, or the Securities Act, and to non-U.S. persons in reliance on Regulation S under the Securities Act.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		19. LONG-TERM LIABILITIES (continued)		
		g) On 24 June 2004 Investec Bank Limited, or Investec, granted the Company a R100 million facility. Draw downs are to be made on the prescribed form and are at Investec's discretion. The facility bears interest at the three-month Johannesburg Interbank Acceptance Rate, or JIBAR, plus 300 interest basis points. Investec calls for payment by delivering a repayment notice. Upon receipt of the notice the Company may elect to repay the facility in cash or by the issue of Durban Roodepoort Deep, Limited shares. The balance owing was settled on 3 August 2004 through the issue of 1 370 886 shares in Durban Roodepoort Deep, Limited.		
		h) In September 2001 we voluntarily accepted liability for certain post-retirement medical benefits of employees who were members of various medical schemes arranged by the Company. The liability was payable over the next five years, bore no interest and was unsecured. This liability was settled during the 2004 financial year.		
		i) During the 4th quarter of 2002 the Company closed out its hedge position with J Aron & Company. This amount was payable over twelve months and was unsecured. The loan bore no interest and was settled during the 2004 financial year.		
		j) During the 4th quarter of 2002 the Company closed out its hedge position with UBS AG. This amount was payable over twelve months and was unsecured. The loan bore no interest and was settled during the 2004 financial year.		

Group			Company	
2003 R'000	2004 R'000		2004 R'000	2003 R'000
		19. LONG-TERM LIABILITIES (continued)		
		The fair values of the liability component and the equity conversion component were determined on the issue of the notes. The fair value of the liability component, included in long-term liabilities net of unamortised raising costs, is calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity. In subsequent periods, the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity conversion component is determined on issue of the bonds and is not changed in subsequent periods.		
487 402	374 558	Opening balance	374 558	487 402
(26 731)	(3 366)	Issuance costs capitalised to the liability during the year	(3 366)	(26 731)
4 187	7 902	Issuance costs amortised during the year	7 902	4 187
27 452	29 715	Interest expense	29 715	27 452
(19 555)	(27 451)	Interest paid	(27 451)	(19 555)
(98 197)	(64 401)	Foreign exchange gain	(64 401)	(98 197)
374 558	316 957	Closing balance	316 957	374 558
		Borrowing powers		
		In terms of the Articles of Association of the Companies in the Group, the borrowing powers of the group shall not exceed the greater of R30 million or the aggregate of the issued and paid up capital together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves.		
2 184 937	3 069 555	Issued and paid up share capital		
–	–	Distributable reserves in credit balance		
5 070	–	Non-distributable reserves in credit balance		
2 190 007	3 069 555			
529 913	367 442	Currently utilised		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

20. PROVISIONS

	Opening balance	Acquired through purchase of subsidiaries	Additional provision made	Amounts used (incurred and charged to provision)	Amounts unused reversed	Translation difference	Closing balance
2004							
Group (R'000)							
Leave pay provision	67 133	6 554	225 477	(35 702)	(196 727)	(24)	66 711
Retrenchment provision	1 360	–	105 664	–	(106 475)	–	549
Other provisions	4 739	–	13 386	70	–	(2 586)	15 609
	73 232	6 554	344 527	(35 632)	(303 202)	(2 610)	82 869
Company (R'000)							
Leave pay provision	7 222	–	2 440	(3 091)	–	–	6 571

	Opening balance	Disposed through sale of subsidiaries	Additional provision made	Amounts used (incurred and charged to provision)	Amounts unused reversed	Translation difference	Closing balance
2003							
Group (R'000)							
Leave pay provision	69 923	(3 913)	45 233	(37 805)	(6 305)	–	67 133
Health care provision	5 525	(5 525)	–	–	–	–	–
Retrenchment provision	–	–	1 360	–	–	–	1 360
Other provisions	9 184	–	–	(2 641)	(1 804)	–	4 739
	84 632	(9 438)	46 593	(40 446)	(8 109)	–	73 232
Company (R'000)							
Leave pay provision	5 979	–	1 243	–	–	–	7 222

Group			Company	
2003	2004		2004	2003
R'000	R'000		R'000	R'000
		21. COMMITMENTS AND CONTINGENT LIABILITIES		
		Contracted but not provided for in the annual financial statements		
99 342	10 483		–	–
72 638	76 351	Authorised by the directors but not contracted for	–	–
171 980	86 834		–	–

The expenditure will be financed from existing cash resources and future borrowings.

Environmental

In past years, the Company received financial assistance in the form of pumping subsidies from the South African Government for the removal of extraneous water from its underground mine workings at the Durban Deep and West Wits mines. The South African government withdrew this assistance effective 1 April 1998. The Company has ceased operations at these mines in August 2000. Durban Deep Mine has identified a number of ingress points and is attempting to seal them in accordance with the EMPR commitment.

The West Wits Mine is located in the geographical area known as the western basin. There is no hydraulic continuity between the western basin and the central basin. Water has already begun to flood to the surface in this area from other neighbouring mining operations. However, there has been no flooding of water to the surface on any of the Company's properties located in the western basin. This water is of poor quality, containing heavy metals, sulphates and other pollutants.

Because of this, the Department of Water Affairs and Forestry, or DWAF, requires that this water be temporarily directed into Robinson Lake to prevent it from reaching the Tweelopiesspruit, which is a local stream. If the water were to reach this stream, it could pollute the neighbouring communities, the Krugersdorp Game Reserve and the Sterkfontein Caves located nearby. A forum has been established in consultation with DWAF, the Department of Minerals and Energy, the Department of Agriculture, Conservation, Environment and Land and other neighbouring mining operations to address and manage the impact of the current flooding in the area. Similar to the Durban Deep Mine, the Company has developed a program to progressively seal all potential ingress points at the West Wits Mine.

The sealing of all potential ingress points at these operations will be a permanent measure. All plugs used have been approved by the Department of Minerals and Energy which also performs periodic inspections during the sealing phase to monitor progress. However, despite these sealing programs, naturally occurring water conduits and other geological features which are not mine related and may not be located on mine property will allow surface water, especially storm runoff, to reach underground aquifers. This will eventually cause water levels to rise.

Due to the sources of flooding and the potential number of parties involved, the Company cannot estimate the amount of any potential liability attributable to it. However, in the event of joint and several liability, the amounts could be significant.

The Blyvoor Mine has its own unique environmental risks, due to its dolomitic geology and geohydrology, sinkholes and subsidences which require remediation using appropriate cost-effective filling techniques. The Blyvoor Mine is an active mining operation and pumps water to the surface in the amount of 12 to 14 ml per day. Most of this water is discharged into the Wonderfontein Spruit, which is a local stream. Several other neighbouring mining operations also discharge water into this area. The surrounding area comprises agricultural land and mining towns.

▶ NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

21. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The consequence of this pumping could be that ground water, streams and wetlands may become polluted. Also, dolomitic rock will be dissolved, resulting in an increased risk of sinkholes and possible pollution of fresh water resources stored in the dolomitic formations. As the water reaches the surface, there will be an increased risk of damage to municipal services, foundations of buildings and properties. The Blyvoor Mine is currently in operation and monitors all water discharge as required by its environmental management program. This water is known as "fissure water" and is generally of good quality. Therefore, the Company believes that the contribution of this water to pollution of water in the area is minimal.

The Company has not conducted an assessment of the full scope of such potential environmental damage. This is because the impact of the Company's discharge cannot be addressed without addressing the impact from the discharge of other neighbouring mining operations. These include operations owned by Harmony Gold Mining Company Limited, AngloGold Limited and Gold Fields Limited. The Far West Rand Dolomitic Water Association, of which all mining operations in the area are members, has undertaken two studies. One study addresses the methodologies proposed for filling in sinkholes and subsidences and was completed in January 2003. The second study, will address the impact of the flooding on the dolomitic aquifers when mining in the area ceases. This study has been commissioned and is being planned by Dr Frank Winde and is scheduled to be completed by the end of 2005.

In addition to purifying the water for its own use, the Company repairs all sinkholes, in accordance with industry and government standards, as they form on its property. Sinkholes which form outside of the Company's property are repaired by the Far West Rand Dolomitic Water Association. Surface rehabilitation is also currently underway.

The Tolukuma Section in Papua New Guinea also has site specific environmental risks associated with its operations. Tailings are routinely discharged into the Auga/Angabanga river system. The discharging of tailings into riverine and marine systems in Papua New Guinea is an acceptable practice due to the seismic instability of the area and the dangers this poses for the stability of conventional tailings dams. Due to the fact that ore mined at the Tolukuma Mine, and the surrounding land in general, is high in mercury, the potential does exist that levels of mercury discharged into the river system might expose the Company to criminal liability under Papua New Guinea legislation. As a result of an internal study of the Tolukuma Mine in 2000 and in order to ensure that mercury discharges remain within allowable limits the following program is being followed:

- daily monitoring of mercury levels at the tailings discharge point and approximately 1500 feet downstream (grab sampling);
- monthly monitoring of mercury and other heavy metals at government mandated water quality inspection points;
- biennial monitoring of stream sediments.

Lead, mercury, cyanide and arsenic occur naturally in the ore processed at the Tolukuma Section. Cyanide is associated with the mining process and is discharged into the riverine system as a result of the inability of the Company to use conventional tailings dams. In South Africa, the Company does not discharge cyanide into riverine systems. Prior to discharge, the cyanide is degraded in a detoxification process and levels are monitored daily.

Through visits with local communities by mine staff members, the Company has become informed that communities located downstream from the Tolukuma Mine do not generally use water from the Auga/Angabanga river system for consumption as these communities rely on water from creeks, tributaries and strategically placed wells, many of which the Company has provided, and the Company is not aware of any adverse health effects on communities associated with the Tolukuma Mine.

Furthermore, the Company is not aware of any scientific or engineering report that states that the level of mercury discharges from the Tolukuma Mine into the Auga/Angabanga river system is harmful to human life. In November 2002, Oxfam Community Aid Abroad released their "Mining Ombudsman Annual Report 2001-2002" which we believe made inaccurate and unsubstantiated references to mercury output and other findings contained in an internally prepared study on the Tolukuma Section done in 2000. This study was not conclusive on the mercury output at the Tolukuma Mine and the results of this study were not scientifically tested. As discussed above, we increased our environmental management systems in response to this study.

21. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Two water quality and geochemical investigations were conducted by an independent consultant in July 2000 and June 2002. These investigations concluded that there was little difference between mercury concentrations in mining sediment from the Tolukuma Mine being dumped into the Auga/Angabanga river system and the naturally occurring sediments in the area. Although mercury is detectable in the mining derived sediments immediately adjacent to the discharge point, these levels are immediately diluted to levels below detectable limits upon mixing with the Alabule River. This area consists of steep gorges and fast, turbid currents. The result is a high dilution of mining sediments and, therefore, a negligible impact on the lower Angabanga floodplain and oxbow lakes which are located downstream from the Tolukuma Mine. An additional study took place during June of 2003, reinforcing earlier findings.

In addition, a comprehensive monitoring programme has been undertaken in accordance with the Company's approved Environmental Management and Monitoring Programme (EMMP), which addresses water quality, population dietary surveys and aquatic fauna and metals-in-tissue surveys. These surveys were conducted during July and September of 2003. During March 2003, an environmental audit was concluded at the Tolukuma Section which found the operations to be in substantial compliance with applicable Papua New Guinea legislation, the Company's environmental plan and the EMMP. The studies conducted in 2003 confirmed existing trends that had been established over recent years. The water quality meets legal requirements, as per the criteria set by the water license.

The Porgera mine is located in extremely rugged mountainous terrain, subject to seismic activity, high rainfall and landslides. In such conditions, construction of a tailings impoundment would be very challenging and the risk of an engineering failure would be high. Therefore the Papua New Guinea Government approved riverine disposal as the most appropriate method for treated tailings and soft incompetent waste rock. Competent rock is stored in stable waste dumps.

The mine follows a government approved Environmental Management and Monitoring Program (EMMP). The mine has at all times been in compliance with government approved criteria.

In 1996, an independent study was undertaken by the Commonwealth Scientific and Industrial Research Organisation, or CSIRO, an Australian-based independent research organisation, to assess the mine's impact on the downstream river system and local people. The study resulted in a report titled "Review of Riverine Impacts". The report made certain recommendations to the Porgera Joint Venture that have either been implemented or are in the advanced stages of implementation. A few of these recommendations have been rejected due to impracticality. An advisory group, called the Porgera Environmental Advisory Komiti, or PEAK, was formed as a result of the CSIRO recommendations. PEAK comprises representatives from the Papua New Guinea government, Papua New Guinea and international non-governmental organisation groups, Placer (PNG) Limited and independent technical experts. The primary function of PEAK is to enhance understanding and provide transparency of Porgera's environmental (physical and social) issues with external stakeholders and to assist in reviewing its environmental performance and public accountability. In 2002, PEAK had its terms of reference expanded to include mine closure.

Fish index and food resources

A dietary health survey was conducted with the intention of determining the impact of the operation on downstream users' agricultural potential. An intensive and analytical survey was conducted by Impact Horizons Ltd in accordance with the sitings of the aquatic survey conducted in 2003. The results showed that there were a variety of crops grown in the garden and that there was little difference between crops grown in the garden from the various villages that were evaluated. The die-back of vegetation in the villages near the river, oxbow lakes and low-lying areas were attributed to flooding and water logging resulting from the rainy season. It is also important to note that the garden crops had been ruined by wash-outs. This has impacted on the growth of bananas (stunting) and the die-back of rice and sweet potatoes.

▶ NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

21. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Mining rights

The Company's rights to own and exploit its Mineral Reserves and deposits are governed by the laws and regulations of the jurisdictions in which the mineral properties are located. Currently, a significant portion of the Company's Mineral Reserves and deposits are located in South Africa.

On 1 May 2004, the Mineral and Petroleum Resources Development Act, or MPRD Act, which was passed by the parliament of South Africa in June 2002, came into effect. Prior to the introduction of the MPRD Act, private ownership in mineral rights and statutory mining rights in South Africa could be acquired through the common law or by statute. With effect from 1 May 2004, as all mineral rights have been placed under the custodianship of the South African government under the provisions of the MPRDA, old order proprietary rights need to be converted to new order rights of use within certain prescribed time frames.

The MPRD Act vests custodianship of South Africa's mineral resources in the State which will issue prospecting rights or mining rights to applicants in the future. The existing common law prospecting, mining and mineral rights will cease to exist but transitional arrangements are provided in order to give holders of existing rights the opportunity to convert to new rights.

The implementation of the MPRD Act may result in significant adjustment to the Company's property ownership structure, which could have a material adverse effect on its financial condition and results of operations.

Where the Company holds mineral rights and mining authorisations and conducts mining operations on the date on which the MPRD Act comes into effect, it will be able, within five years from the date of effectiveness of the MPRD Act, to submit the old rights and authorisations for conversion to a new mining right. It will need to submit a mining work programme to substantiate the area and period of the new right, and also to comply with the requirements of the Mining Charter. A similar procedure applies where it holds prospecting rights and a prospecting permit and conducts prospecting operations, but it must apply for a conversion to a new prospecting right within the two years from the date of effectiveness of the MPRD Act for which purpose a prospecting work programme must be submitted. Where the Company holds unused rights however, it will have one year to apply for new prospecting rights or mining rights, the requirements of which are more stringent than for conversion, and involve non-concentration of resources, fair competition, no exclusionary effects, and proof of financial and technical ability.

If the Company does not acquire new rights under the MPRD Act, it would be entitled to claim compensation from the State if it can prove that thereby its property has been expropriated as provided for under the Constitution of South Africa. Whether mineral rights constitute property and whether the MPRD Act does bring about an expropriation are both aspects which are the subject of legal debate which is likely to be settled ultimately by litigation. The factors in determining compensation include not only fair market value but also history of acquisition and use and aspects of redress and reform which could have the effect of reducing the compensation.

In addition, the South African Government has stated its intention to levy revenue based royalties on mining revenues and in accordance with the draft Royalty Bill, 2003. The implementation of this bill, which was scheduled to take commensurate with the MPRD Act, has been postponed indefinitely, pending a revision of the entire taxation regime of gold mining companies.

22. EMPLOYEE CONTRIBUTION PLANS

Pension and provident funds

In South Africa, the Group participates in a number of industry-based retirement plans. All plans are governed by the Pension Funds Act, 1956. All the pension funds are actuarially valued at intervals of not more than three years using the projected benefit valuation basis. All pension funds have been valued during the last three years and were certified to be in a sound financial position. The provident funds are funded on the "money accumulative basis" with the members' and Company's contributions having been fixed in the constitutions of the funds.

In Papua New Guinea retirement fund contributions are regulated by the Superannuation Act. According to the Act the Group has to contribute 7% of the employee's earnings to a local superfund (NASFUND), whilst the employee contributes 5% of their gross salaries and wages. Payments are made to the fund on a monthly basis.

The majority of the Group's employees are covered by the above-mentioned funds. Fund contributions by the Group for the year ended 30 June 2004 amounted to R60.0 million (2003: R57.5 million).

Post-retirement benefits other than pensions

Previously, skilled workers (clerical workers and mine management) participated in multi-employer plans, which paid certain medical costs. Employer contributions were determined on an annual basis by the funds. Qualifying dependants received the same benefits as active employees.

Currently, no post-retirement benefits are available to other workers.

A subsidiary of the Company voluntarily accepted liability for certain post-retirement medical benefits of employees who were members of various medical schemes arranged by the Company. The fixed amount, which was determined based on negotiations between the Company and the fund, was payable over a period of five years (refer to Note 19(h)). This liability was settled during the 2004 financial year.

Long service awards

The Group participates in the Chamber of Mines of South Africa Long Service Awards Scheme, or the Scheme. The Scheme does not confer on any employee or other persons any right of payment of any award. In terms of the scheme, bonus payments may be made to certain employees, usually semi-skilled, upon reaching the age of 55, who have completed 15 years of continuous service in South African gold mining companies which are members of the Chamber of Mines of South Africa and the Employment Bureau of Africa, provided such service is not pensionable service. The Scheme lays down the rules under which an employee may be eligible for the award. The award is paid by the company for which the employee works upon becoming eligible for the award and electing to receive payment. All awards must be confirmed by the Chamber of Mines of South Africa before payment. The amount of the award is based on both the employee's skill level and years of service with qualified gold mining companies. Due to the nature of the award and the uncertainty surrounding the ultimate payment of the award by the Company, no provision is made for any potential payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

22. EMPLOYEE CONTRIBUTION PLANS (continued)

Share option scheme

(a) Details of scheme

The Company operates a share option scheme, Durban Roodepoort Deep (1996) Share Scheme, as an incentive tool for its executive directors, non-executive directors and senior employees whose skills and experience are recognised as being essential to the Company's performance. In terms of the scheme rules, a maximum of 15% of the issued ordinary shares is reserved for issuance there under and no participant may hold options at any time, which if exercised in full, would exceed 2% of our issued share capital at that time. The number of issued and exercisable share options is approximately 3.6% of the issued ordinary share capital which is within the international accepted guideline of 3 to 5% for such schemes. In addition, the participants in the Scheme are fully taxed at their maximum marginal tax rate on any gains realised on the exercise of their options.

The price at which an option may be exercised is the lowest seven day trailing average of the closing market prices of an ordinary share on the JSE, as confirmed by our directors, during the three months preceding the day on which the employee is granted the option. Each option remains in force for ten years after the date of grant, subject to the terms of the option plan. Options granted under the plan vest at the discretion of our directors, but primarily according to the following schedule over a maximum of a three year period:

Percentage vested in each period	Period after the original date of the option grant
25%	6 months
25%	1 year
25%	2 years
25%	3 years

Any options not exercised within ten years from the original date of the option grant will expire and may not thereafter be exercised.

(b) Share options activity in respect of the Durban Roodepoort Deep (1996) Share Scheme was as follows:

	Outstanding		Vested	
	Number of Shares	Average price per share R	Number of shares	Average price per share R
Balance at 1 July 2002	6 759 109	10.98	162 000	11.82
Granted	3 113 500	23.04	–	–
Exercised	(2 292 361)	9.01	–	–
Forfeited/lapsed	(1 303 566)	12.08	–	–
Balance at 30 June 2003	6 276 682	17.45	1 342 839	17.65
Granted	3 452 117	18.37	–	–
Exercised	(984 019)	8.88	–	–
Forfeited/lapsed	(399 417)	17.92	–	–
Balance at 30 June 2004	8 345 363	18.82	3 342 479	18.32

Utilising a Black Scholes valuation model, and based upon certain assumptions made by management, the fair value expense attributable to the Durban Roodepoort Deep (1996) Share Scheme would have been R25.4 million (2003: R44.0 million).

23. FINANCIAL INSTRUMENTS

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short term maturity of these deposits. Cash and cash equivalents are placed with major banks and financial institutions located in South Africa, Papua New Guinea and Australia, after evaluating the credit ratings of the respective financial institutions.

Derivative instruments

In the normal course of its operations, the Group is exposed to commodity price, currency, interest, liquidity and credit risks. Among other reasons, we enter into transactions, which make use of derivative instruments to economically hedge certain exposures. These instruments include forward contracts. The decision to use these types of transactions is based on our hedging policy. Although most of these instruments are used as economic hedges, none of them qualify for hedge accounting and, consequently, are measured at fair value with resultant gains and losses being included in the Income Statement for the period.

Commodity price risk

The market price of gold has a significant effect on our results of operations, our ability and the ability of our subsidiaries to pay dividends and undertake capital expenditures, and the market price of our ordinary shares. Historically, gold prices have fluctuated widely and are affected by numerous industry factors over which we have no control. The aggregate effect of these factors on the gold price is impossible for us to predict. The price of gold may not remain at a level allowing us to economically exploit our reserves. It is not the Company's policy to hedge this commodity price risk.

Gold for electricity contract

In October 2000 the Company entered into a five year contract to buy electricity from Eskom. Under the terms of our agreement, we pay Eskom standard electricity tariff for all energy we consume, with the minimum offtake of 75 GWh per month as specified in the contract.

The gold price adjustment is based on the notional amount of 15 000 ounces of gold multiplied by the difference between the contracted gold price, which is the price that was agreed on the date of the transaction for a determined period, and the arithmetic average of London PM fix for each business day in the calculation period of 30 days.

This contract expires in September 2005.

In terms of the provisions of AC133: "Financial Instruments: Recognition and Measurement", the Eskom contract is deemed to be 'held for trading' as it does not meet the definition of a hedging instrument and is measured at fair value, with the resultant gains and losses being charged to the income statement for the period.

As discussed in Note 16 to the financial statements, the fair value of the gold for electricity contract was a liability of R19.4 million (2003: a liability of R230.8 million). During the financial year, the Company took advantage of the lower Rand-gold price and closed out a total of 355 000 ounces, which was 175 000 ounces more than the annual committed ounces per the contract.

	2005	2006
<i>Gold for electricity contract (by maturity)</i>		
Ounces (notional)	5 000	45 000
Average price (R/ounce)	2 256	2 256

The above table reflects the number of ounces committed and the average contract price over the remaining period of the contract.

Interest rate swap agreement

An interest rate swap agreement was entered into to provide the Company exposure to changes in interest rates with regard to its coupon rate payable on the Convertible Loan Notes (refer to Note 19). The fixed coupon rate (in US Dollars) was swapped for a floating South African interest rate, calculated at JIBAR plus 200 interest basis points per annum.

As discussed in Note 16 to the financial statements, the fair value of the interest rate swap agreement was a liability of R12.5 million (2003: liability of R13.6 million).

Concentration of credit risk

The Group's financial instruments do not represent a concentration of credit risk, because the Group deals with a variety of major banks and financial institutions located in South Africa and Australia, after evaluating the credit ratings of the representative financial institutions. Furthermore, its debtors and loans are regularly monitored and assessed for recoverability. Where it is appropriate to raise a provision, an adequate level of provision is maintained.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

23. FINANCIAL INSTRUMENTS (continued)

In addition, the Group's South African operations all deliver their gold to Rand Refinery Limited (Rand Refinery) which refines the gold to saleable purity levels and then sells the gold, on behalf of the South African operations, on the bullion market. The gold is sold by Rand Refinery on the same day as it is delivered and settlement is made within two days. Once the gold has been assayed by Rand Refinery, the risks and rewards of ownership have passed.

The Tolukuma mining operation delivers their gold to one customer, N M Rothschild and receives proceeds within two days. The concentration of credit risk in Australia is mitigated by the reputable nature of the customer and the settlement of the proceeds within two days. The Porgera Joint Venture delivers their gold to AGR Matthey (Papua New Guinea) who refines the gold and then delivers it to the Bank of Western Australia Limited at a price negotiated by the Company. The concentration of credit risk in Papua New Guinea is mitigated by the reputable nature of the customer and the settlement of the proceeds within two days.

Foreign currency risk

The Group's functional currency is the South African Rand. Although gold is sold in US Dollars, the Company is obliged to convert this into South African Rand. The Company is thus exposed to fluctuations in the US Dollar/South African Rand exchange rate. With the South African operations converting the proceeds from gold sales into Rands, this provides a synthetic hedge against the costs which are borne by those operations in that currency. The Company conducts its operations in South Africa and Papua New Guinea. Currently, foreign exchange fluctuations affect the cash flow that it will realise from its operations as gold is sold in US Dollars while production costs are incurred primarily in South African Rands and Papua New Guinean Kina. The Company's results are positively affected when the US Dollar strengthens against these foreign currencies and adversely affected when the US Dollar weakens against these foreign currencies. The Company's cash and cash equivalent balances are held in US Dollars, South African Rands and Papua New Guinean Kina; holdings denominated in other currencies are relatively insignificant.

Interest rates and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments and financing activities, giving rise to interest rate risks.

In the ordinary course of business, the Group receives cash from its operations and is required to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. Funding deficits for the Group's mining operations have been financed through the issue of additional shares and external borrowings. Lower interest rates result in lower returns on investments and deposits and also may have the effect of making it less expensive to borrow funds at then current rates. Conversely, higher interest rates result in higher interest payments on loans and overdrafts.

From time to time the company enters into Interest rate swap agreements to mitigate interest rate risk.

Fair value of financial instruments

The following table represents the carrying amounts and fair values of the Group's financial instruments outstanding at 30 June:

	2004 R'000 Carrying Amount	2004 R'000 Fair Value	2003 R'000 Carrying Amount	2003 R'000 Fair Value
Financial assets				
Listed investments	77 387	77 387	59 213	59 213
Unlisted investments	15 006	15 006	12 889	12 889
Investments in environmental trust rehabilitation funds	143 330	143 330	133 736	133 736
Derivative instruments	51 569	51 569	49 025	49 025
Accounts receivable	114 612	114 612	172 551	172 551
Cash and cash equivalents	140 894	140 894	331 820	331 820

23. FINANCIAL INSTRUMENTS (continued)

	2004 R'000 Carrying Amount	2004 R'000 Fair Value	2003 R'000 Carrying Amount	2003 R'000 Fair Value
Financial liabilities				
Long-term liabilities				
– long-term portion	(308 992)	(308 992)	(387 478)	(387 478)
– short-term portion	(58 450)	(58 450)	(142 435)	(142 435)
Derivative instruments	(83 406)	(83 406)	(244 423)	(244 423)
Account payable and accrued liabilities	(300 867)	(300 867)	(300 002)	(300 002)
Bank overdrafts	(11 473)	(11 473)	(29 110)	(29 110)

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and short term borrowings approximates their fair values due to the short term maturities of these assets and liabilities.

The fair value of listed investments has been determined by reference to the market value of the underlying investments. The investment in the environmental trusts is invested primarily in interest bearing securities, which approximate their fair value.

24. SEGMENT INFORMATION

The Group operates in one industry segment, being the extraction and production of gold and related by-products.

	2004 R'000 South African Operations ⁽¹⁾	2004 R'000 Australasian Operations ⁽²⁾	2004 R'000 Total
Revenue	1 541 059	651 083	2 192 142
Result			
Operating (loss)/profit from gold	(166 105)	136 650	(29 455)
Investment income	98 034	32 815	130 849
Finance costs	(41 637)	(298)	(41 935)
Taxation charge	(415 836)	(58 476)	(474 312)
Other	(207 417)	(94 114)	(301 531)
(Loss)/profit after tax	(732 961)	16 577	(716 384)
Balance Sheet			
Mining assets	531 513	424 538	956 051
Net current (liabilities)/assets	(199 042)	94 998	(104 044)
Other information			
Capital expenditure	101 789	101 455	203 244
Asset impairment and diminution in investments	101 699	7 071	108 770
Total number of employees including contractors	12 906	751	13 657

⁽¹⁾ Includes Blyvooruitzicht Mine and North West Operations.

⁽²⁾ Includes Tolukuma Gold Mine and 20% of the Porgera Joint Venture.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

	2003 R'000 South African Operations	2003 R'000 Australasian Operations	2003 R'000 Total
Revenue	2 195 041	213 557	2 408 598
Result			
Operating profit/(loss) from gold	122 368	(30 458)	91 910
Investment income	115 130	(15 132)	99 998
Finance costs	(33 931)	(5 567)	(39 498)
Taxation charge	(284)	(2 991)	(3 275)
Other	235 156	(13 386)	221 770
Profit/(loss) after tax	438 439	(67 534)	370 905
Balance Sheet			
Mining assets	484 062	94 466	578 528
Net current assets/(liabilities)	143 392	(124 423)	18 969
Other information			
Capital expenditure	97 091	24 392	121 483
Asset impairment and diminution in investments	133 001	–	133 001
Total number of employees including contractors	18 766	472	19 238

25. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associates (refer Note 11) and with its directors and senior management. Details of transactions with directors are set out on pages 52 to 54.

Prior to the awarding of a contract to a related party for the supply of goods and services the group procurements manager reviews both the pricing, quality and the reliability of that party. The contract terms are compared to similar suppliers of goods and services to ensure that the contract is on market related terms.

The Company's executive directors review the terms and conditions of all loans to ensure that the terms of the loans are similar to those offered by financial institutions.

Sale of 60% of subsidiary company

Effective 1 July 2002, we engaged in a transaction consistent with our black economic empowerment strategy, resulting in the disposal of 60% of our interest in Crown Gold Recoveries (Pty) Ltd (CGR) to Khumo Bathong Holdings (Pty) Ltd (KBH). As part of this transaction, KBH subscribed for 4 794 889 of our ordinary shares (representing 2.06% of our outstanding ordinary shares at 30 June 2004) for a cash subscription price of R68 million. The subscription agreement entered into by us and KBH places restrictions on KBH's ability to sell or otherwise dispose of these shares. The shares are subject to a put call derivative instrument with Investec and at 30 June 2004, the beneficial interest had been reduced to 3 196 593 shares. As at 25 August 2004, the beneficial interest had been reduced to 1 share.

Dr Paseka Ncholo, chairman of KBH, is also a non-executive director of DRDGOLD. Dr Ncholo earned R154 630 in board and other fees from DRDGOLD during the year ended 30 June 2004 (R150 000 for the year ended 30 June 2003).

25. RELATED PARTY TRANSACTIONS (continued)

Purchase of 100% of ERPM by CGR

In October 2002, CGR entered into an agreement to acquire 100% of the outstanding share capital of and loan accounts in East Rand Proprietary Mine Limited ("ERPM"), for R100 million. In connection with this transaction, we have provided ERPM with a loan of R10 million. In addition, an amount of R60 million was lent by DRDGOLD to CGR which CGR paid to the then shareholders of ERPM as an interest-free loan. CGR has received from the shareholders, as security for the loan, a pledge of the entire issued share capital of ERPM and a cession of the shareholders' claim to CGR. The South African competition authorities have approved the transaction and the R60 million loan is deemed to be part payment of the purchase price of R100 million by CGR for the acquisition of the shares and the claims of ERPM.

Transactions with associate companies

During the year ended 30 June 2004 we earned R7.1 million (year ended 30 June 2003: R11.6 million) in management fees from CGR and R14.0 million (year ended 30 June 2003: R12.7 million) in management fees from ERPM. At 30 June 2004 CGR owed the group R215.3 million (30 June 2003: R193.2 million), KBH owed the group R7.1 million (30 June 2003: R6.3 million), and ERPM owed the group R63.8 million (30 June 2003: R27.3 million). Interest amounting to R19.9 million (30 June 2003: R27.7 million) was earned by the group on the loans to CGR, R0.8 million (30 June 2003: R1.0 million) was earned by the Group on the loans to KBH, and R5.1 million (30 June 2003: R1.4 million) was earned by the Group on the loans to ERPM for the year ended 30 June 2004. No dividends were received from associates in 2004 (2003: Nil). Transactions with associates are priced on an arm's length basis.

Rand Refinery Agreement

We have entered into an agreement with Rand Refinery Limited (Rand Refinery) for the refining and sale of all of our gold produced in South Africa. Under the agreement, Rand Refinery performs the final refining of our gold and casts it into troy ounce bars. Then, Rand Refinery sells the gold on the same day as delivery, for the London afternoon fixed price on the day the gold is sold. In exchange for this service, we pay Rand Refinery a variable refining fee plus fixed marketing, loan and administration fees. Mr Koonin, our Divisional Director: Group Finance, is also a director of Rand Refinery and is a member of their Audit Committee. Also, Mr Graulich, our General Manager: Investor Relations, is an Alternate Director to Mr Koonin. We currently own 10.6% of Rand Refinery (which is jointly owned by South African mining companies).

During the year all gold produced in South Africa was refined by Rand Refinery and as at year-end no balances were owing by or to this entity.

Director's loan

During 2003 Mr Clifford Press loaned an amount of R156 661 (US\$24 946) to Net-Gold Services Limited. This loan is interest-free, unsecured and has no fixed terms of repayment. The funds were used for short-term working capital advances. As at year-end the full balance was still outstanding.

26. SUBSEQUENT EVENTS

Investec Bank Limited short-term loan facility

On 28 June 2004 we announced that it was our intention to close out a further 135 000 ounces of the Eskom gold-for-electricity hedge contract, in line with our policy of not hedging gold production (refer to Note 23 for the remaining hedge position).

To fund the closing out of the 135 000 ounces on the Eskom gold-for-electricity contract, we agreed a R100 million short-term loan facility with Investec Bank Limited, a South African bank. The loan is based on commercial terms and conditions and is repayable at our election, either in cash, in Durban Roodepoort Deep, Limited's shares or in a combination of both.

On 3 August 2004, 1 370 886 shares to the value of R20.0 million were issued to Investec Bank Limited in settlement of part of the draw downs that have been made.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2004

26. SUBSEQUENT EVENTS (continued)

Emperor offer

On 8 March 2004 the Company announced a conditional offer to acquire all the shares in Emperor Mines Limited ("Emperor") that were not yet owned by the Group. The scheduled closing date was revised several times from 14 May 2004 to an ultimate closing date of 30 July 2004.

On 10 June 2004 DRDGOLD announced an increase in the initial offer to five DRDGOLD shares for every 22 Emperor shares held and the waiving of all suspensive conditions, bar DRDGOLD obtaining at least a 90% interest in the shares of Emperor.

As at 30 June 2004 this condition had not yet been met.

On 6 July 2004 DRDGOLD announced that all conditions had been removed from its offer to acquire all the shares in Emperor. Accordingly the offer became unconditional at that date, allowing Emperor shareholders who accept the offer to receive their DRDGOLD shares within seven days of acceptance.

With effect from 30 July 2004 25.55% of the Emperor shareholders had accepted the offer, bringing the effective shareholding of the Group to 45.33%. Accordingly, 6 612 676 new DRDGOLD ordinary shares were issued in exchange for the 29 095 774 Emperor ordinary shares now owned by the Group with share issue and transaction costs amounting to R8.7 million. As the Emperor shares were converted within seven days of the acceptance of the offer, the following range of share prices applied to the transaction (the actual exercise prices are presented for days on which the offer was accepted):

Date	Share price
15 July 2004	R15.30
16 July 2004	R15.30
23 July 2004	R14.75
30 July 2004	R15.00
2 August 2004	R15.25

As the effective acquisition date is subsequent to year-end the effect of the acquisition and the fair value of the assets acquired are currently being evaluated, accordingly the fair value of the assets and liabilities and any resulting goodwill, income and expenses, if applicable, will be recognised in the 2005 financial year.

On 3 August 2004 Mark Wellesley-Wood (the Company's Executive Chairman) was appointed as the Managing Director of Emperor Mines Limited and Richard Johnson was appointed as a Non-Executive Director.

Singapore branch

On 27 July 2004, the Group established the DRD (Isle of Man) Limited (Singapore Branch) a branch of DRD (Isle of Man) Limited, registered in Singapore. The establishment of the branch would facilitate our further expansion in the Australasian region in line with the Group's growth strategy.

Review of operations

On 9 June 2004, and 28 June 2004 respectively, the Company entered into a 60-day review period on the North West and Blyvoor Operations (in South Africa) designed to restore the operations to profitability. The proposal has been submitted to all stakeholders, including organised labour, the Department of Labour and the Department of Minerals and Energy for their input. At the NWO's Buffels Mine agreement was reached with all the relevant parties early in August 2004 to close the Number 9 shaft, but to keep the Number 11 and 12 Shafts in operation. This agreement will lead to the retrenchment of approximately 500 employees at this mining operation. At the Blyvoor Mine the 60-day review was extended to 10 September 2004, when a formal agreement reached with all the stakeholders was announced concluding that up to 2 000 employees are to be retrenched at a cost of R30.0 million by 20 September 2004.