

COMPANY INCOME STATEMENT

for the year ended 30 June 2005

	Note	Continuing operations		Discontinued operations ⁽ⁱ⁾		Total operations	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Revenue	2	–	–			–	–
Cost of sales		(45 511)	(19 258)			(45 511)	(19 258)
Cash cost		(7 575)	(8 203)			(7 575)	(8 203)
Depreciation and amortisation		(22 265)	(11 264)			(22 265)	(11 264)
Retrenchment costs		(7 160)	–			(7 160)	–
Movement in provision for environmental rehabilitation	17	(8 511)	209			(8 511)	209
Operating loss from gold		(45 511)	(19 258)			(45 511)	(19 258)
Profit/(loss) on derivative instruments		1 163	(11 936)			1 163	(11 936)
Impairments	3	(4 131)	(357 370)	(418 910)	(340 904)	(423 041)	(698 274)
Administration and general costs		(56 965)	(49 628)			(56 965)	(49 628)
Loss from operations	3	(105 444)	(438 192)	(418 910)	(340 904)	(524 354)	(779 096)
Investment income	5	4 279	91 623			4 279	91 623
Finance costs		(27 659)	(34 295)			(27 659)	(34 295)
Loss before taxation		(128 824)	(380 864)	(418 910)	(340 904)	(547 734)	(721 768)
Taxation charge	6	–	–			–	–
Loss after taxation		(128 824)	(380 864)	(418 910)	(340 904)	(547 734)	(721 768)
Loss from discontinued operations ⁽ⁱ⁾	7	–	–	(45 203)		(45 203)	–
Loss for the year attributable to ordinary shareholders		(128 824)	(380 864)	(464 113)	(340 904)	(592 937)	(721 768)

⁽ⁱ⁾ Discontinued operations relates to Buffelsfontein Gold Mines Limited, which was liquidated on 22 March 2005.

GROUP INCOME STATEMENT

for the year ended 30 June 2005

	Note	Continuing operations		Discontinued operations ⁽ⁱ⁾		Total operations	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Revenue	2	1 151 901	1 273 337	516 661	918 805	1 668 562	2 192 142
Cost of sales		(998 217)	(1 193 207)	(651 852)	(1 028 390)	(1 650 069)	(2 221 597)
Cash cost		(858 916)	(995 757)	(635 855)	(949 367)	(1 494 771)	(1 945 124)
Depreciation and amortisation		(106 817)	(188 980)	(5 856)	(15 610)	(112 673)	(204 590)
Retrenchment costs		(26 141)	(6 204)	(1 391)	(48 742)	(27 532)	(54 946)
Movement in provision for environmental rehabilitation	17	(17 029)	(8 616)	(6 366)	(15 221)	(23 395)	(23 837)
Movement in gold in progress		10 686	6 350	(2 384)	550	8 302	6 900
Operating profit/(loss) from gold		153 684	80 130	(135 191)	(109 585)	18 493	(29 455)
Loss on derivative instruments		(1 250)	(21 432)	–	(857)	(1 250)	(22 289)
Impairments	3	(76 226)	(111 258)	(213 379)	2 488	(289 605)	(108 770)
Administration and general costs		(143 273)	(154 297)	(9 362)	(16 175)	(152 635)	(170 472)
Loss from operations	3	(67 065)	(206 857)	(357 932)	(124 129)	(424 997)	(330 986)
Investment income	5	(7 488)	124 773	1 992	6 076	(5 496)	130 849
Finance costs		(36 605)	(40 818)	(438)	(1 117)	(37 043)	(41 935)
Loss before taxation		(111 158)	(122 902)	(356 378)	(119 170)	(467 536)	(242 072)
Taxation charge	6	(35 853)	(98 707)	–	(375 605)	(35 853)	(474 312)
Loss after taxation		(147 011)	(221 609)	(356 378)	(494 775)	(503 389)	(716 384)
Share of results of associates	12	(77 749)	–	–	–	(77 749)	–
Gain from discontinued operations ⁽ⁱ⁾	7	–	–	65 243	–	65 243	–
Loss for the year		(224 760)	(221 609)	(291 135)	(494 775)	(515 895)	(716 384)
Minority interest		(11)	(46)	–	–	(11)	(46)
Loss for the year attributable to ordinary shareholders		(224 771)	(221 655)	(291 135)	(494 775)	(515 906)	(716 430)
Basic and diluted loss per ordinary share (cents)	8	(87)	(102)			(200)	(331)
Headline and diluted headline loss per ordinary share (cents)	8	(59)	(99)			(114)	(328)

⁽ⁱ⁾ Discontinued operations relates to Buffelsfontein Gold Mines Limited, which was liquidated on 22 March 2005.

BALANCE SHEETS

at 30 June 2005

Group			Company	
2004 R'000	2005 R'000	Note	2005 R'000	2004 R'000
		ASSETS		
1 444 179	1 164 943	Non-current assets	840 108	972 014
956 051	799 112	Mining assets	15 355	41 610
235 723	48 041	Non-current investments and other assets	15 195	14 082
		Investments in subsidiaries	809 558	916 322
–	103 212	Investments in associates	–	–
200 836	214 578	Non-current inventories	–	–
51 569	–	Derivative instruments	–	–
358 999	394 327	Current assets	106 681	18 546
103 493	103 298	Inventories	–	100
114 612	49 837	Accounts receivable	12 704	10 910
140 894	241 192	Cash and cash equivalents	93 977	7 536
1 803 178	1 559 270	TOTAL ASSETS	946 789	990 560
		EQUITY AND LIABILITIES		
569 890	620 676	Equity	531 954	569 890
564 057	614 832	Shareholders' equity	531 954	569 890
5 833	5 844	Minority shareholders' interest	–	–
770 245	609 780	Non-current liabilities	346 864	335 516
245 392	151 029	Provision for environmental rehabilitation	39 469	30 958
132 455	95 692	Deferred mining and income taxes	–	–
308 992	359 381	Long-term liabilities	303 717	292 108
83 406	3 678	Derivative instruments	3 678	12 450
463 043	328 814	Current liabilities	67 971	85 154
300 867	177 021	Accounts payable and accrued liabilities	35 985	33 564
58 450	64 685	Short-term liabilities	26 469	42 199
82 869	45 673	Provisions	4 282	6 571
9 384	32 281	Taxation	–	–
11 473	9 154	Bank overdraft	1 235	2 820
1 803 178	1 559 270	TOTAL EQUITY AND LIABILITIES	946 789	990 560

STATEMENTS OF SHAREHOLDERS' EQUITY

for the year ended 30 June 2005

	Number of ordinary shares	Number of cumulative preference shares	Share capital R'000	Cumulative preference share capital R'000	Non- distributable reserves ⁽¹⁾ R'000	Equity portion of convertible loan notes R'000	Accumu- lated loss R'000	Total R'000
GROUP								
Balance at 1 July 2003	184 222 073	5 000 000	2 184 437	500	5 070	155 023	(1 888 964)	456 066
Issued shares for cash	41 463 639		775 653					775 653
Staff options issued	978 053		8 733					8 733
Share issue expenses			(6 536)					(6 536)
Acquisition of joint venture	6 643 902		106 768					106 768
Issuance costs relating to equity component						(1 019)		(1 019)
Foreign exchange loss on translation					(59 178)			(59 178)
Loss for the year							(716 430)	(716 430)
Balance at 30 June 2004	233 307 667	5 000 000	3 069 055	500	(54 108)	154 004	(2 605 394)	564 057
Issued shares for cash	56 230 705		421 569					421 569
Staff options issued	55 000		378					378
Share issue expenses			(27 159)					(27 159)
Acquisition of associate	6 612 676		101 131					101 131
Foreign exchange gain on translation					70 762			70 762
Loss for the year							(515 906)	(515 906)
Balance at 30 June 2005	296 206 048	5 000 000	3 564 974	500	16 654	154 004	(3 121 300)	614 832
COMPANY								
Balance at 1 July 2003	184 222 073	5 000 000	2 184 437	500	35 961	155 023	(1 919 855)	456 066
Issued shares for cash	41 463 639		775 653					775 653
Staff options issued	978 053		8 733					8 733
Share issue expenses			(6 536)					(6 536)
Acquisition of joint venture	6 643 902		106 768					106 768
Issuance costs relating to equity component						(1 019)		(1 019)
Foreign exchange loss on translation					(48 007)			(48 007)
Loss for the year							(721 768)	(721 768)
Balance at 30 June 2004	233 307 667	5 000 000	3 069 055	500	(12 046)	154 004	(2 641 623)	569 890
Issued shares for cash	56 230 705		421 569					421 569
Staff options issued	55 000		378					378
Share issue expenses			(27 159)					(27 159)
Acquisition of associate	6 612 676		101 131					101 131
Foreign exchange gain on translation					59 082			59 082
Loss for the year							(592 937)	(592 937)
Balance at 30 June 2005	296 206 048	5 000 000	3 564 974	500	47 036	154 004	(3 234 560)	531 954

⁽¹⁾ Non-distributable reserves comprise foreign exchange differences arising on translation of foreign subsidiaries.

CASH FLOW STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000	Note	2005 R'000	2004 R'000
		CASH FLOWS FROM OPERATING ACTIVITIES		
2 192 142	1 668 562	Cash received from sales of precious metals	–	–
(2 168 839)	(1 658 791)	Cash paid to suppliers and employees	(63 544)	(56 364)
23 303	9 771	Cash generated by / (applied to) operations	(63 544)	(56 364)
34 238	11 821	Investment income	9 617	32 188
(29 646)	(44 216)	Finance costs paid	(34 831)	(32 030)
(28 128)	(57 388)	Taxation paid	–	–
(171 924)	(21 800)	Payment arising from derivative instruments	–	–
(172 157)	(101 812)	Net cash outflow from operating activities	(88 758)	(56 206)
		CASH FLOWS FROM INVESTING ACTIVITIES		
(66 686)	(7 999)	Net (purchase)/proceeds on sale of investments	3 000	(62 887)
(185 732)	(154 696)	Addition to mining assets	(179)	(30)
23 439	13 561	Proceeds on disposal of mining assets	38	–
		Decrease in amounts owing to/from subsidiaries	(158 310)	(881 118)
(430 940)	(47 178)	Cash flow on disposal/acquisition of subsidiary and joint venture, net of cash disposed of	(45 203)	–
–	(42 857)	Increase in investment in associate	–	–
(2 000)	–	Contributions to environmental rehabilitation trust fund	–	–
(661 919)	(239 169)	Net cash outflow from investing activities	(200 654)	(944 035)
		CASH FLOWS FROM FINANCING ACTIVITIES		
784 386	421 947	Proceeds from the issue of shares	421 947	784 386
(4 385)	–	Costs on the issue of the convertible loan notes	–	(4 385)
(112 760)	38 765	Advances/(repayment) of long-term liabilities	(17 350)	17 350
(6 536)	(27 159)	Share issue expenses	(27 159)	(6 536)
660 705	433 553	Net cash inflow from financing activities	377 438	790 815
		NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
(173 371)	92 572		88 026	(209 426)
302 710	129 421	Cash and cash equivalents at the beginning of the year	4 716	214 142
82	10 045	Foreign exchange movements	–	–
		CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
129 421	232 038		92 742	4 716

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		A. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED BY/(APPLIED TO) OPERATIONS		
(242 072)	(467 536)	Loss before taxation	(547 734)	(721 768)
		<i>Adjusted for:</i>		
23 837	23 395	Movement in provision for environmental rehabilitation	8 511	(209)
204 590	112 673	Depreciation and amortisation	22 265	11 264
41 325	37 766	Non-cash movement in provisions	1 333	2 442
7 902	7 465	Amortisation of convertible loan issuance costs	7 465	7 902
108 770	289 605	Asset impairment and diminution in investments	423 041	698 274
–	(8 103)	Movement in fair value of listed investments	–	–
382	(11)	(Profit)/loss on sale of mining assets	–	–
		Unrealised foreign exchange losses/(profits) on translation	6 076	(63 477)
(17 854)	33 292	(Profit)/loss on sale of investments	9 512	9
(434)	(3 000)	Finance costs	27 659	34 295
34 033	37 043	Unrealised hedging loss/(profit)	(1 163)	(1 132)
8 362	1 250	Investment income	(19 867)	(33 327)
(130 849)	(16 693)	Movement in gold in process	–	–
(6 900)	(8 302)	Provision for bad debts	3 710	250
584	3 710			
31 676	42 554	Operating profit/(loss) before working capital changes	(59 192)	(65 477)
(8 373)	(32 783)	<i>Working capital changes:</i>	(4 352)	9 113
44 638	34 720	Accounts receivable	(5 502)	21 228
31 460	2 937	Inventories	100	(84)
(84 471)	(70 440)	Accounts payable and accrued liabilities	1 050	(12 031)
23 303	9 771	Cash generated by / (applied to) operations	(63 544)	(56 364)
		B. CASHFLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY AND JOINT VENTURE, NET OF CASH		
		<i>Disposal of Buffelsfontein Gold Mines Limited</i>		
		With effect from 22 March 2005		
		Buffelsfontein Gold Mines Limited was liquidated.		
		The fair value of the assets disposed of were as follows:		
	116 178	Non-current investments		
	11 537	Inventories		
	16 460	Accounts receivable		
	1 975	Cash and cash equivalents		
	(122 257)	Provision for environmental rehabilitation		
	(134 339)	Accounts payable and provisions		
	(110 446)	Net book value at time of disposal		
	110 446	Fair value adjustment		
	–	Fair value at time of disposal		
	(45 203)	Costs on liquidation	(45 203)	
	(1 975)	Less cash and cash equivalents of subsidiary		
	(47 178)	Cash flow on disposal of subsidiary	(45 203)	

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		B. CASHFLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY AND JOINT VENTURE, NET OF CASH (continued)		
		<i>Acquisition of Net-Gold Services Limited</i>		
		With effect from 28 April 2004 the Group acquired 50.25% of the shares of Net-Gold Services Limited. This entity brokers the payment of purchases made by subscribers, through settlement in gold. Included in the acquisition is a call and put option to exchange Group's shareholding in Net-Gold Services Limited for 523.26 shares in G.M. Network Limited (GoldMoney.com). These options are valid up to 31 December 2007.		
		The fair value of the assets acquired was as follows:		
6 680		Inventories		
281		Accounts receivable		
8 901		Cash and cash equivalents		
(4 230)		Accounts payable and provisions		
11 632		Total fair value at time of acquisition		
5 845		50.25% thereof		
7 071		Goodwill arising on acquisition		
12 916		Consideration		
(8 901)		Less cash and cash equivalents of acquired entity		
4 015		Net consideration settled by way of cash and cash equivalents		
		<i>Acquisition of Porgera Joint Venture</i>		
		With effect from 14 October 2003 the Group acquired the shares in Orogen Minerals (Porgera) Limited, or OMP, and Mineral Resources Porgera Limited, or MRP. The transaction was affected through the amalgamation of OMP, MRP and the Company's wholly-owned subsidiary, Dome Resources (PNG) Limited. This resulted in the Company acquiring a 20% interest in the Porgera Joint Venture in Papua New Guinea.		
448 605		Mining assets – net book value		
195 619		Non-current inventories		
66 818		Inventories		
21 344		Accounts receivable		
8 571		Cash and cash equivalents		
13 194		Taxation receivable		
(25 888)		Provision for environmental rehabilitation		
(46 810)		Accounts payable and provisions		
(139 189)		Deferred mining and income tax		
542 264		Total fair value at time of acquisition		
(8 571)		Less cash and cash equivalents of acquired entity		
533 693		Net consideration		
106 768		Settled by way of shares issued		
426 925		Settled by way of cash and cash equivalents		

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		B. CASHFLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY AND JOINT VENTURE, NET OF CASH (continued)		
		<i>Acquisition of Fortis Limited</i>		
		With effect 21 May 2004 the Group acquired the shares in Fortis Limited, a company which provides worker compensation insurance to the Tolukuma Mine, in Papua New Guinea.		
4 470		Cash and cash equivalents		
4 470		Attributable net book value at time of acquisition		
(4 470)		Less cash and cash equivalents of acquired entity		
–		Net consideration		
		<i>Total net cash flow on disposal/acquisition of subsidiary and joint venture:</i>		
4 015	47 178	Buffelsfontein Gold Mines Limited	45 203	
426 925		Net-Gold Services Limited		
–		Porgera Joint Venture		
		Fortis Limited		
430 940	47 178		45 203	
		C. 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.		
140 894	241 192	Cash and cash equivalents	93 977	7 536
(11 473)	(9 154)	Bank overdrafts	(1 235)	(2 820)
129 421	232 038		92 742	4 716

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

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.

The financial statements are presented in Rands ('000) and cover the year ended 30 June 2005.

► 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 adoption of this statement did not have a material impact on the results of the Group for the current 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 a joint venture. The results of the subsidiaries and joint venture 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

The financial statements of foreign entities are translated into the reporting currency as follows:

- Assets and liabilities are translated at rates of exchange ruling at the financial year-end;
- Income and expenditure and cash flow items are translated at rates of exchange ruling at the date of the transaction; and
- Shareholders' equity is translated at historic rates.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

Exchange differences arising from the translation of foreign entities are taken directly to a foreign currency translation reserve (non-distributable reserve).

► Hedge of a net investment in a foreign entity

Where foreign currency loans hedge an investment in a foreign entity, the exchange differences arising on the loans are taken directly to equity to the extent that the hedge is determined to be effective.

► Integrated foreign operations

Where a foreign subsidiary is determined to be an integrated foreign operation, transactions and resulting non-monetary items are translated at the exchange rates ruling when the transactions occurred. Income statement items are translated at the appropriate weighted average exchange rates for the period. Monetary items are translated at the ruling exchange rates at the balance sheet dates. Translation gains and losses are taken to income for the period.

► 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 the excess paid over net asset value on acquisition. Adjustments for impairment in value are recorded when they occur.

► Investment in joint venture

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 was amortised using the straight-line method over its estimated useful life, not exceeding twenty years.

Goodwill arising before 31 March 2004 is now carried at cost less any accumulated amortisation and is no longer amortised. 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

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 2005 and 2004 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 2005, the Group's derivative instruments are deemed to be "held for 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 note holders 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 and 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 enacted, or substantially enacted, 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 current 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.

► **Operating leases**

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

► **Retirement and other employee benefits**

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

► **Equity compensation benefits**

The Group grants share options to certain employees under an employee share plan. Other than costs incurred in administering the scheme which are expensed as incurred, the scheme does not result in any expense to the Group.

► **Loss per share**

Loss per share is calculated based on the net loss after taxation for the year divided by the weighted average number of ordinary shares in issue during the year. Headline loss per share is calculated based on the loss after taxation but before certain items of a capital nature. Diluted loss per share is presented when the inclusion of ordinary shares that may be issued in the future has a dilutive effect on loss 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 payables 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 translated 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.

► **Discontinued operations**

A discontinued operation results from the sale or abandonment of an operation that represents a separate major line of business, or geographical area of operation and of which the assets, net profit or loss and activities can be distinguished physically, operationally and for financial reporting purposes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		2. REVENUE		
2 161 738	1 649 718	Gold revenue	–	–
30 404	18 844	By-product revenue	–	–
2 192 142	1 668 562	Total revenue	–	–
		3. LOSS FROM OPERATIONS INCLUDES THE FOLLOWING AMONGST OTHER:		
6 685	9 924	Auditors' remuneration	6 839	4 540
3 233	7 393	Audit fees – current year	4 173	1 737
1 684	2 157	Underprovision – prior year	2 501	1 588
1 768	374	Fees for other services	165	1 215
14 683	6 548	Management, technical, administrative and secretarial service fees	–	9 533
		Staff costs		
		Included in staff costs are:		
788 125	637 151	Salaries and wages	31 893	24 936
54 946	27 532	Retrenchment and restructuring costs	7 160	–
59 990	46 337	Pension fund contributions	1 046	–
		Income from subsidiaries		
		Administration and management fees	(26 539)	(50 100)
382	(11)	(Profit)/loss on sale of mining assets	–	–
108 770	289 605	Asset impairment and diminution in investments	423 041	698 274
(1 818)	217 509	Mining assets	4 131	–
(670)	–	Other assets	–	–
88 855	72 096	Investments in and loans to subsidiaries	418 910	611 667
15 332	–	Investments in and loans to associates	–	79 555
7 071	–	Other loans	–	7 052
		Goodwill	–	–
–	–	Operating lease	600	600

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		4. DIRECTORS' EMOLUMENTS		
		Executive directors		
		<i>Services rendered as directors of the Company</i>		
3 122	3 988	Salaries	3 988	3 122
602	1 676	Bonuses	1 676	602
382	300	Provident fund contributions	300	382
1 748	1 557	Change in terms of employment payments	1 557	1 748
		<i>Services rendered by directors as directors of subsidiaries</i>		
2 491	3 390	Salaries		
374	1 235	Bonuses		
		Non-executive directors		
		<i>Services rendered as directors of the Company</i>		
925	1 414	Directors' fees	1 414	925
–	119	Retirement package	119	–
		<i>Services rendered by directors as directors of subsidiaries</i>		
–	78	Directors' fees		
9 644	13 757	Included in administration and general costs	9 054	6 779
		Executive directors		
1 522	–	Share option gains	–	1 522
		Non-executive directors		
500	–	Share option gains	–	500
11 666	13 757	Total emoluments	9 054	8 801
		5. INVESTMENT INCOME		
1 539	–	Dividends from unlisted investments	–	104
298	–	Royalties received	–	298
766	143	Sundry income	–	–
31 201	11 678	Interest received	18 754	32 085
434	3 000	Profit/(loss) on realisation of listed and unlisted investments	(9 512)	–
7 594	4 872	Growth in environmental rehabilitation trust funds	1 113	1 139
58 634	(33 292)	Unrealised foreign exchange (loss)/gain	(6 076)	57 997
30 383	8 103	Write-up of investments to fair value	–	–
130 849	(5 496)		4 279	91 623

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		6. TAXATION CHARGE		
(474 312)	(36 004)	Mining tax	–	–
–	151	Non-mining tax	–	–
(474 312)	(35 853)		–	–
		<i>Comprising:</i>		
		South African		
(1 540)	(1 639)	Current tax – prior year	–	–
(414 295)	–	Deferred tax – current year	–	–
		Foreign		
(26 796)	(76 791)	Current tax – current year	–	–
(22 646)	319	– prior year	–	–
(9 035)	40 654	Deferred tax – current year	–	–
–	1 604	– prior year	–	–
(474 312)	(35 853)		–	–

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 29% (2004: 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% of the amount of income declared as a dividend. 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 to both mining and non-mining income.

In 2005 and 2004, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 45% (2004: 46%) and 37% (2004: 38%), respectively. During those same years the tax rates for companies that did not elect the STC exemption were 35% (2004: 37%) and 29% (2004: 30%), for taxable mining and non-mining income, respectively.

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 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 45% for mining income and 37% for non-mining income. The Company, having chosen not to be subject to the STC exemption, is subject to 35% (2004: 37%) tax on mining income and 29% (2004: 30%) for non-mining income. With the exception of Blyvoor, all of the South African subsidiaries elected the STC exemption. The tax rate for all the Australasian operations is 30%.		
		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 35% or 45% (2004: 37% or 46%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2004: 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 mining income taxation in the Company as it did not earn any taxable income in the current year.		
389 300	243 613	Unredeemed capex at year-end (available for deduction against future mining income)	132 523	132 293
1 436 618 (1 307 989)	646 258 (450 846)	Estimated tax losses at year-end (available to reduce future taxable income) Applied to reduce deferred tax	198 383 –	103 305 –
517 929	439 025	Tax losses and unredeemed capex carried forward	330 906	235 598
187 578	134 024	Estimated future tax relief at applicable statutory rates	95 963	70 679
		Tax reconciliation		
		Major items causing the Group's income tax provision to differ from the statutory rate were:		
97 658 (414 295)	198 366 –	Taxation benefit on net income at applicable statutory rates		
(131 693)	(69 506)	Reversal of deferred tax asset previously recognised		
–	(151 524)	Temporary difference for which deferred tax assets not recognised		
(4 911)	(19 601)	Effect of discontinued operations not recognised		
3 116	5 339	Disallowable expenditure		
(24 187)	(1 321)	Exempt income		
–	2 394	Additional tax expense relating to the prior year		
		Other		
(474 312)	(35 853)	Taxation charge		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		7. GAIN/(LOSS) FROM DISCONTINUED OPERATIONS		
		On 9 March 2005, the North West Operations suffered the effects of an earthquake of 5.3 on the Richter scale. As a consequence of the extensive damage caused by the earthquake, the No. 5 Shaft of the North West Operations was closed. There was continuing seismic activity in the area and on 16 March 2005, the Company closed the No. 2 Shaft because of concerns for the safety of the employees. On 22 March 2005, application was made to the High Court of South Africa for the provisional liquidation of Buffelsfontein Gold Mines Limited, or Buffelsfontein (which owns the North West Operations), which order was granted on the same day. The Company committed to pay the wages at Buffelsfontein's operations until the end of March 2005, amounting to R27.9 million, and to continue essential services at the mine until such time as the liquidator had taken control of the mine, amounting to R5.1 million. The Company recognised a provision of R9.0 million for a social plan for employees, which includes counseling and reskilling programmes and the company incurred legal and other costs of R3.2 million.		
	(45 203)	Costs on liquidation of subsidiary before tax	(45 203)	
	110 446	Gain on remeasuring the liquidated subsidiary to fair value	–	
	–	Tax effect	–	
	65 243	Gain/(loss) from discontinued operations	(45 203)	
		8. LOSS PER SHARE		
		Basic		
		The calculation of loss per ordinary share is based on the following:		
(716 430)	(515 906)	Basic loss attributable to ordinary shareholders		
(221 655)	(224 771)	Basic loss from continuing operations attributable to ordinary shareholders		
216 509 843	257 695 796	Weighted average number of ordinary shares in issue		
		Headline		
		The basic loss has been adjusted by the following to arrive at a headline loss:		
(716 430)	(515 906)	Basic loss attributable to ordinary shareholders		
5 253	289 605	Impairment of investment in associate, mining assets and goodwill		
382	(11)	(Profit)/loss on sale of mining assets		
–	(3 000)	Profit on sale of investment		
–	(65 243)	Gain from discontinued operations		
(710 795)	(294 555)	Headline loss attributable to ordinary shareholders		

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		8. LOSS PER SHARE (continued)		
		Diluted		
(716 430)	(515 906)	Basic loss attributable to ordinary shareholders		
33 587	27 303	Interest paid on convertible loan notes		
(682 843)	(488 603)	Diluted basic loss		
5 635	221 351	Headline earnings adjustments		
(677 208)	(267 252)	Diluted headline loss		
Number	Number	Reconciliation of weighted average ordinary shares to diluted weighted average ordinary shares		
216 509 843	257 695 796	Weighted average number of ordinary shares in issue		
621 713	–	Number of staff options allocated		
17 600 000	17 600 000	Convertible loan notes		
234 731 556	275 295 796	Diluted weighted average number of ordinary shares		
(331)	(200)	Basic and diluted loss per ordinary share (cents)		
(102)	(87)	Basic and diluted loss from continuing operations per ordinary share (cents)		
(328)	(114)	Headline and diluted headline loss per ordinary share (cents)		
(99)	(59)	Headline and diluted loss from continuing operations per ordinary share (cents)		
		There is no dilution in loss per share for 2005 and 2004 as the effect of dilutive securities in issue would be anti-dilutive, as the Group recorded a loss for the year.		
		9. MINING ASSETS		
		Mining properties, mineral rights, mine development and mine plant facilities		
2 032 368	1 910 960	Cost	419 184	419 043
1 650 865	2 032 368	Opening balance	419 043	419 013
422 716	–	Acquired through purchase of subsidiaries	–	–
185 732	154 696	Additions	179	30
(24 013)	(13 550)	Disposals	(38)	–
–	(377 541)	Disposed through liquidation of subsidiary	–	–
(202 932)	114 987	Foreign exchange movement	–	–
1 115 383	1 147 329	Accumulated depreciation and amortisation	403 829	377 433
1 077 126	1 115 383	Opening balance	377 433	366 169
(1 818)	217 509	Impairment of assets	4 131	–
199 427	107 183	Current depreciation and amortisation	22 265	11 264
(626)	–	Disposals	–	–
–	(377 541)	Disposed through liquidation of subsidiary	–	–
(158 726)	84 795	Foreign exchange movement	–	–
916 985	763 631	Net book value	15 355	41 610

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		9. MINING ASSETS (continued)		
		Decommissioning asset		
		Cost	7 951	7 951
132 412	79 595	Opening balance	7 951	7 951
93 742	132 412	Acquired through purchase of subsidiaries	–	–
25 888	–	Additions	–	–
17 512	–	Disposed through liquidation of subsidiary	–	–
–	(55 785)	Foreign exchange movement	–	–
(4 730)	2 968	Accumulated amortisation	7 951	7 951
93 346	44 114	Opening balance	7 951	7 951
88 953	93 346	Current amortisation	–	–
5 163	5 490	Disposed through liquidation of subsidiary	–	–
–	(55 785)	Foreign exchange movement	–	–
(770)	1 063	Net book value	–	–
39 066	35 481	Total net book value	15 356	41 610
956 051	799 112			

Included in net book value is an amount of R Nil (2004: R22 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 has been written down in full in the current year.

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

In assessing the recoverability of the above 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 of R97 644 per kilogram of gold (US\$453 per ounce) in year one, escalating at an average of 6.5% per annum, and a base exchange rate of R6.69 = 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 2005, 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	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		10. NON-CURRENT INVESTMENTS AND OTHER ASSETS		
77 387	678	Listed investments (see below)	–	–
59 213	77 387	Opening balance	–	–
(12 209)	19 656	Foreign exchange movement	–	–
–	95 459	Additions	–	–
–	(199 927)	Transfer to investments in associates	–	–
30 383	8 103	Marked-to-market adjustment	–	–
15 006	4 478	Unlisted investments	1 107	1 107
143 330	42 885	Investments in environmental rehabilitation trust funds	14 088	12 975
133 736	143 330	Opening balance	12 975	9 836
–	(105 316)	Disposed through liquidation of subsidiary	–	–
2,000	–	Contributions	–	2 000
7 594	4 872	Growth in environmental rehabilitation trust funds	1 113	1 139
–	(1)	Rehabilitation payments from fund	–	–
235 723	48 041	Total non-current investments and other assets	15 195	14 082
15 006	4 478	Directors' valuation of unlisted investments	1 107	1 107

	% held	Number of shares	Market value 2005 R'000	Carrying value 2005 R'000	Carrying value 2004 R'000
Drillsearch Energy Limited	#	1 820 000	616	616	433
Emperor Mines Limited ⁽ⁱ⁾	45.33%	–	–	–	76 901
Startrack Communications Limited	#	1 125 000	52	52	44
Cape Tel Limited	#	100 000	10	10	9
			678	678	77 387

⁽ⁱ⁾ Emperor Mines Limited has been accounted for as an investment in associate from 1 August 2004.

Represents a less than 1% shareholding.

The monies in the environmental rehabilitation trust funds are invested primarily in interest-bearing debt 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 a temporary nature, in the value of the investments has occurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group		Company	
2004 R'000	2005 R'000	2005 R'000	2004 R'000
		11. INVESTMENTS IN SUBSIDIARIES	
		289 862	488 747
		519 696	427 575
		Amounts owing by subsidiaries, less provision for diminution	651 082
		Amounts owing to subsidiaries	(223 507)
		Net investment in subsidiaries	916 322
		The interest of the Company in the (loss)/profit after taxation of its subsidiaries is:	
		Aggregate losses	(141 601)
		Aggregate profits	222 241
		A schedule showing the Company's financial interest in each subsidiary is given in the Directors' Report on page 60.	
		12. INVESTMENTS IN ASSOCIATES	
–	–	Opening carrying amount	–
–	199 927	Transfer from listed investments	–
–	42 857	Acquired during the year	–
–	(77 749)	Net share of losses in associates	–
–	(72 096)	Impairment	–
–	4 828	Other movements	–
–	5 445	Foreign exchange movement	–
–	103 212	Closing carrying amount	–
–	–	Directors' valuation – Crown Gold Recoveries (Pty) Ltd	–
–	83 717	Market valuation – Emperor Mines Limited at 30 June 2005	–
		Country of incorporation	% interest held
		South Africa	40.0%
		Australia	45.3%
		The associates are: Crown Gold Recoveries (Pty) Limited Emperor Mines Limited	
		On 30 July 2004, the Company's offer to the shareholders of Emperor Mines Limited (Emperor), an Australian listed gold mining company, closed with the Company having received acceptances from Emperor's shareholders representing approximately 25.5% of Emperor's issued share capital, thereby increasing the Company's shareholding in Emperor from 19.8% to 45.3%. Due to its cumulative ownership of 45.3% and the fact that the Company exercises significant influence over Emperor, the Company has accounted for its investment in Emperor under the equity method of accounting from 1 August 2004.	

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		12. INVESTMENT IN ASSOCIATES (continued)		
		The Group's effective share of income, expenses, assets and liabilities of the associates, is as follows:		
		Income statement		
257 444 (260 114)	374 861 (396 232)	Revenue		
		Cost of sales		
(2 670) (97 248)	(21 371) (76 836)	Operating loss from gold		
		Other income, administration and general costs		
(99 918)	(98 207)	Loss before taxation		
		Balance sheet		
43 430	155 736	Non-current assets		
21 369	67 883	Current assets		
64 799	223 619	Total assets		
(238 798)	(203 315)	Shareholders' equity		
215 550	267 872	Non-current liabilities		
88 047	159 062	Current liabilities		
64 799	223 619	Total equity and liabilities		
			2005 percentage held	2004 percentage held
		13. 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	20.0%	20.0%
		The Group acquired a 20% interest in the Porgera Joint Venture in Papua New Guinea on 14 October 2003.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		13. INVESTMENT IN JOINT VENTURE (continued)		
		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		
418 032 (211 048)	517 556 (233 173)	Revenue Cost of sales		
206 984 (44 688)	284 383 (24 134)	Operating profit from gold Administration and general costs		
162 296	260 249	Profit before taxation		
		Balance sheet		
796 922	931 101	Non-current assets		
64 511	83 393	Current assets		
861 433	1 014 494	Total assets		
828 156	956 773	Shareholders' equity		
4 118	5 014	Non-current liabilities		
29 159	52 707	Current liabilities		
861 433	1 014 494	Total equity and liabilities		
		Cash flow statement		
201 551 (200 281)	227 200 (100 235)	Cash flows from operating activities Cash flows from investing activities		
–	(113 519)	Cash flows from financing activities		
1 270	13 446	Net increase in cash and cash equivalents		
		14. GOODWILL		
7 071 (7 071)	– –	Goodwill arising on acquisition of Net-Gold Services Ltd Impairment of goodwill		
–	–			
		15. INVENTORIES		
20 445	27 902	Gold in process	–	–
83 048	75 396	Consumable stores	–	100
200 836	214 578	Ore stock piles	–	–
304 329 (200 836)	317 876 (214 578)	<i>Less: Non-current inventories</i>	–	100
103 493	103 298		–	100
		The following assumptions were used to assess the net realisable value of the ore stock piles:		
		– sales price of US\$437 per ounce at 30 June 2005;		
		– an exchange rate of Kina 3.12 = US\$1.00;		
		– overheads of US\$1.28 per ton; and		
		– processing costs of US\$16.28 per ton.		

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		16. SHAREHOLDERS' EQUITY		
		Details of shareholders' equity are provided in the Statement of Shareholders' Equity on page 66.		
		Share capital		
		Authorised		
		600 000 000 (2004: 300 000 000) ordinary shares of no par value		
		5 000 000 (2004: 5 000 000) cumulative preference shares of 10 cents each		
500	500		500	500
		Issued		
		296 206 048 (2004: 233 307 667) ordinary shares of no par value		
		5 000 000 (2004: 5 000 000) cumulative preference shares of 10 cents each		
3 069 055	3 564 974		3 564 974	3 069 055
500	500		500	500
3 069 555	3 565 474		3 565 474	3 069 555
		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 4.4% 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 \$66 million convertible loan notes (refer to Note 19). The notes are convertible into ordinary shares, or American Depositary Receipts, 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 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		16. SHAREHOLDERS' EQUITY (continued)		
		Cumulative preference shares		
		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.		
		Option instruments		
		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.		
		17. PROVISION FOR ENVIRONMENTAL REHABILITATION		
		Provision for decommissioning		
126 623	138 912	Opening balance	9 868	9 868
(1 331)	762	Foreign exchange movement	–	–
–	(89 730)	Disposed through liquidation of subsidiary	–	–
13 620	130	Charge to the income statement	–	–
138 912	50 074	Closing balance	9 868	9 868
		Provision for restoration		
57 342	106 480	Opening balance	21 090	21 299
(4 479)	3 737	Foreign exchange movement	–	–
25 888	(32 527)	(Disposed)/acquired through (liquidation)/purchase of subsidiaries	–	–
17 512	–	Additional restoration asset raised	–	–
10 217	23 265	Charge to the income statement	8 511	(209)
106 480	100 955	Closing balance	29 601	21 090
245 392	151 029	Provision for environmental rehabilitation	39 469	30 958
		Amounts have been contributed to irrevocable trusts (refer to Note 10).		
		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	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		18. DEFERRED MINING AND INCOME TAXES		
		Balances arose from the following temporary differences:		
		<i>Deferred mining and income tax liability</i>		
(84 602)	(118 514)	Mining assets	–	–
(60 251)	(8 784)	Inventories	–	–
12 398	30 801	Provisions, including rehabilitation provision	–	–
–	(1 344)	Estimated assessed losses	–	–
–	(539)	Other	–	–
(132 455)	(95 692)		–	–
		<i>Deferred mining and income tax asset</i>		
(84 670)	(40 619)	Mining assets	34 034	27 205
(1 392)	–	Inventories	–	–
49 071	26 886	Provisions, including rehabilitation provision	16 162	7 366
600 052	212 467	Estimated assessed losses	54 671	30 991
7 126	1 814	Other temporary differences	1 814	–
(131 042)	(200 548)	Deferred mining and income tax asset not recognised	(106 681)	(65 562)
(439 145)	–	Deferred mining and income tax asset of the discontinued operation not recognised	–	–
–	–		–	–
(132 455)	(95 692)	Net deferred mining and income tax liability	–	–
		Reconciliation between deferred taxation opening and closing balances:		
414 295	(132 455)	Opening balance	–	–
15 769	(5 495)	Foreign exchange movement	–	–
(139 189)	–	Deferred tax of subsidiaries acquired	–	–
(423 330)	42 258	Income statement credit in current year	–	–
(132 455)	(95 692)	Closing balance	–	–
		19. LONG-TERM LIABILITIES		
		Secured		
33 135	26 904	a) Industrial Development Corporation	–	–
–	66 976	b) Investec Bank (Mauritius) Limited	–	–
		Unsecured		
17 350	–	c) Investec Bank Limited	–	17 350
316 957	330 186	d) Convertible loan notes	330 186	316 957
367 442	424 066		330 186	334 307
(58 450)	(64 685)	Less: Payable within one year shown under current liabilities	(26 469)	(42 199)
308 992	359 381		303 717	292 108
		Long-term liability repayment schedule for capital amounts payable in the twelve months to:		
58 450	–	30 June 2005	–	42 199
41 099	64 685	30 June 2006	26 469	24 849
267 893	352 588	30 June 2007	303 717	267 259
–	6 793	30 June 2008	–	–
367 442	424 066		330 186	334 307

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		19. LONG-TERM LIABILITIES (continued)		
		Analysis of gross long-term liabilities by currency:		
316 957	397 162	United States Dollar	330 186	316 957
50 485	26 904	South African Rand	–	17 350
367 442	424 066		330 186	334 307
		Effective interest rates:		
		Secured liabilities		
10.50%	9.50%	Industrial Development Corporation	–	–
–	6.50%	Investec Bank (Mauritius) Limited	–	–
		Unsecured liabilities		
10.95%	9.95%	Investec Bank Limited	9.95%	10.95%
8.74%	8.74%	Convertible loan notes	8.74%	8.74%
		Undrawn committed borrowing facilities:		
18 074	–	Industrial Development Corporation	–	–
82 650	40 000	Investec Bank Limited	40 000	82 650
–	33 595	Investec Bank (Mauritius) Limited	–	–
100 724	73 595		40 000	82 650
		a) On 18 July 2002, Blyvoor entered into a loan agreement with the 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 2005, the interest rate on this loan stood at 9.5% per annum and R26.9 million was outstanding. 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 the Company from disposing of or further encumbering the assets covered by the special notarial bond and places restrictions over its ability to change the business of Blyvoor.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		19. LONG-TERM LIABILITIES (continued)		
		d) On 12 November 2002, the Company issued \$66 000 000 of 6% senior convertible loan notes due November 2006, in a private placement. The Company 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 the Company's ordinary shares, or, under certain conditions, American Depositary Receipts, or ADRs, at a conversion price of \$3.75 per share or ADR, subject to adjustments in certain events.		
		The Company is entitled to redeem the notes at their accreted value plus accrued interest, if any, subject to certain prescribed conditions being fulfilled, after 12 November 2005. The Company 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.		
		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 notes. The equity conversion component is determined on issue of the notes and is not changed in subsequent periods.		
		Liability component of the convertible loan notes		
374 558	316 957	Opening balance	316 957	374 558
(3 366)	–	Issuance costs capitalised to the liability during the year	–	(3 366)
7 902	7 465	Issuance costs amortised during the year	7 465	7 902
29 715	27 303	Interest expense	27 303	29 715
(27 451)	(24 613)	Interest paid	(24 613)	(27 451)
(64 401)	3 074	Foreign exchange movement	3 074	(64 401)
316 957	330 186	Closing balance	330 186	316 957

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		19. LONG-TERM LIABILITIES (continued)		
		Borrowing powers		
		In terms of the Articles of Association of the Company, the borrowing powers of the Company and its subsidiaries 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.		
3 069 055	3 564 974	Issued and paid up share capital		
–	47 036	Non-distributable reserves in credit balance		
3 069 055	3 612 010			
367 442	424 066	Currently utilised		
		20. DERIVATIVE INSTRUMENTS		
(19 387)	–	a) Gold for electricity contract	–	–
(12 450)	(3 678)	b) Interest rate swap agreement	(3 678)	(12 450)
(31 837)	(3 678)		(3 678)	(12 450)
51 569	–	Disclosed under non-current assets	–	–
(83 406)	(3 678)	Disclosed under non-current liabilities	(3 678)	(12 450)
(31 837)	(3 678)		(3 678)	(12 450)
		a) This amount comprised the fair value of the gold for electricity contract entered into by the Company. Changes in fair value were recorded in the Income Statement. The fair value represented the difference between the contract price that was agreed on the date of the transaction and the forward price on 30 June 2004. The negative R19.4 million reflected 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. This contract was closed out on 28 April 2005 for R21.8 million.		
		b) 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 notes. 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, or 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 2005, the six month JIBAR rate was 6.929%. Refer to Note 24 for further details of quantities and the timing of settlement.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

21. PROVISIONS

2005	Opening balance	Disposed through liquidation of subsidiary	Additional provision made	Amounts used (incurred and charged to provision)	Amounts unused reversed	Foreign exchange movement	Closing balance
Group (R'ooo)							
Leave pay	75 427	(29 361)	37 460	(42 811)	–	1 681	42 396
Royalties	240	–	306	–	–	51	597
Mining Levy	4 817	–	–	(4 449)	–	153	521
Directors' benefits	1 836	–	–	–	–	323	2 159
Retrenchments	549	–	–	(549)	–	–	–
	82 869	(29 361)	37 766	(47 809)	–	2 208	45 673
Company (R'ooo)							
Leave pay provision	6 571	–	1 333	(3 622)	–	–	4 282

2004	Opening balance	Acquired through purchase of subsidiaries	Additional provision made	Amounts used (incurred and charged to provision)	Amounts unused reversed	Foreign exchange movement	Closing balance
Group (R'ooo)							
Leave pay	67 994	6 554	235 000	(35 648)	(196 727)	(1 746)	75 427
Royalties	399	–	–	(94)	–	(65)	240
Mining Levy	1 367	–	3 863	110	–	(523)	4 817
Directors' benefits	2 112	–	–	–	–	(276)	1 836
Retrenchments	1 360	–	105 664	–	(106 475)	–	549
	73 232	6 554	344 527	(35 632)	(303 202)	(2 610)	82 869
Company (R'ooo)							
Leave pay provision	7 222	–	2 440	(3 091)	–	–	6 571

Group			Company	
2004 R'000	2005 R'000		2005 R'000	2004 R'000
		22. COMMITMENTS AND CONTINGENT LIABILITIES		
		Capital commitments		
		Contracted but not provided for in the annual financial statements	754	–
10 483	1 830	Authorised by the directors but not contracted for	–	–
76 351	22 676			
86 834	24 506		754	–
		This expenditure will be financed from existing cash resources.		
		Operating lease commitments		
		The Company leases its office building in terms of an operating lease. The Company does not have an option to acquire the building at the termination of the lease. There is an escalation of 10% per annum imposed by the lease.		
		The future minimum lease payments under non-cancellable operating leases are as follows:		
–	837	Not later than 1 year	837	–
–	4 277	Between 1 and 5 years	4 277	–
–	–	Later than 5 years	–	–

Contingent liabilities

Environmental

At **Durban Deep mine** rehabilitation and environmental closure continues in pursuit of the objectives of the mine's Environmental Management Programme. A total of 39 hectares of additional vegetation was established on 2L24 Dump and, with the exception of Circular Shaft, all previously operational shafts have now been closed and capped. Circular Shaft is not dismantled in order to retain an access route into underground areas should a changed environment ever present new mining opportunities.

West Wits mine, a division of West Witwatersrand Gold Mines Limited, has entered into an agreement with Randfontein Estates Gold Mines Limited (represented by Harmony Gold) and Atomaer (Pty) Limited, for the establishment of a regional underground water management vehicle. The ultimate objective of this initiative is to collectively collect, process and report environmentally sensitive information relating to the impact of underground water seepage on to surface, to the Department of Water Affairs and Forestry, or DWAF. It has set itself the objective of putting in place the requisite infrastructure and technology to establish a commercially self-sustainable entity to extract underground water, treat the same and to dispose of it either for commercial or agricultural use. Representations to DWAF to allow the treatment and disposal of water on commercial terms were favourably received.

An integrated water management process for this area is important, both from the perspective of optimising natural water resources, considering the predominantly dry climate of South Africa, and also from an environmental perspective – a programme that captures and treats underground water before it decants into the Tweelopiesspruit area and the Krugersdorp Game Reserve (which is just upstream from the Sterkfontein Caves system) is considered a high priority. If the aforementioned initiatives fail and the ingress of water and the subsequent flooding into sensitive areas occur, and to the extent that liability is attributed to the Company, and not only to West Witwatersrand Gold Mines Limited, the amounts involved could be significant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 million litres per day. Most of this water is discharged into the Wonderfontein Spruit, which is a local stream. Several other neighboring mining operations also discharge water into this area. The surrounding area comprises agricultural land and mining towns.

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 Ashanti 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 calendar 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.

On 22 March 2005, Buffelsfontein Gold Mines Limited (which owns the North West Operations), or **Buffelsfontein**, was placed under provisional liquidation after an earthquake damaged its No. 5 Shaft. Buffelsfontein had up until the date of provisional liquidation maintained the underground water levels in the area by pumping water from underground to surface at three of its own shafts, as well as at the Margaret Shaft of the neighbouring Stilfontein Gold Mines Limited (Stilfontein). The latter arrangement occurred in terms of an agreement entered into in 1992 between Stilfontein and Hartebeestfontein Gold Mines Limited (Hartebeestfontein). Hartebeestfontein became a wholly owned subsidiary of Buffelsfontein when Buffelsfontein subsequently acquired Hartebeestfontein.

When pumping operations ceased, AngloGold Ashanti brought urgent proceedings before the High Court of South Africa for an order to compel DRDGOLD to continue with the pumping operations previously conducted by Buffelsfontein. Relief was also sought against the relevant government departments to either assume responsibility for, or contribute to the pumping of underground water. These proceedings were postponed after the DWAF issued various directives under Section 19 of the Water Affairs Act against DRDGOLD, the provisional liquidators of Buffelsfontein, Harmony Gold, AngloGold Ashanti and Stilfontein to continue with pumping operations and to contribute to pumping costs in equal shares. A total of three directives have been issued, the last of which will expire on 31 October 2005, when the DWAF proposes to issue final directives allocating proportionate responsibility to each of the surrounding mines. The apportionments are to be made with regard to the mines' respective past contributions to underground water management and the future benefit they will derive from keeping underground workings dry.

In the meantime, AngloGold Ashanti is also pursuing its relief, but no longer on an urgent basis. DRDGOLD envisages a possible obligation to contribute to the costs of the pumping of underground water in the region in terms of DWAF directives and an amount not exceeding one quarter of the total pumping costs (approximately R1.2 million per month).

If AngloGold Ashanti is successful in its legal proceedings against DRDGOLD, however, DRDGOLD may be held responsible for the entire costs of pumping underground water which were formally conducted by Buffelsfontein.

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

DRDGOLD has since entered into an Agreement of Sale with Simmer & Jack Limited, or S&J, in terms of which S&J purchases DRDGOLD's entire shareholding in Buffelsfontein on condition that a scheme of arrangement proposed under Section 311 of the Companies Act is adopted by the High Court of South Africa and approved by Buffelsfontein's major creditors. DRDGOLD agreed to sell these shares for a nominal amount of one Rand on condition that S&J also assume full responsibility for any liability that may result from directives issued by the DWAF, as well as any obligation resulting from an order or award given by the High Court of South Africa pursuant to the proceedings instituted by AngloGold Ashanti. The proposed scheme of arrangement is also conditional upon DWAF agreeing to substitute DRDGOLD with S&J to the extent that DWAF envisaged imposing further responsibility on DRDGOLD.

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; and
- 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. 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 been 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 the Company believes 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, the Company increased its environmental management systems in response to this study.

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 program has been undertaken in accordance with the Company's approved Environmental Management and Monitoring Program, or 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 licence.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 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 2005, PEAK's terms of reference were reviewed and expanded to include the review of issues of sustainability as the mine moves towards closure.

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 of 2002, 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 came 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 program 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 program must be submitted. Where the Company holds unused rights however, it will have one year to apply for new prospecting rights or mining rights.

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.

The Company has lodged an application for a prospecting right in respect of the Argonaut area. ERPM also lodged an application for a prospecting right over the Sallies area. Both these applications are pending at the Department of Minerals and Energy. The Company is in the process of preparing applications in respect of the Group's mining rights.

22. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Royalty Bill

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.

Securities class action

On 13 June 2005, a securities class action was filed in the United States District Court for the Southern District of New York against the Company and two of its officers. Since then, four nearly identical securities class action complaints have been filed against the Company and the same officers. The cases have been consolidated in the Southern District of New York. The Company expects that a consolidated amended complaint will be filed on behalf of a group of lead plaintiffs selected by the Court to represent the putative class of plaintiffs alleged in the complaints. The Company anticipates that a response to such a complaint will be required some time in early 2006. To date, neither the Company nor the individual defendants have been formally served with any complaint regarding these matters.

The actions are allegedly filed on behalf of purchasers of the Company's shares during two purported class periods spanning from 23 October 2003 to 25 February 2005. The complaints allege generally that the Company and the individual defendants made false and misleading public statements regarding, among other things:

- the Company's restructuring of its North West Operations in South Africa;
- the Company's ability to reduce the negative impact of the increasing value of the South African Rand; and
- the strength of the Company's balance sheet.

Based on the Company's review of the complaints, management believes the lawsuits are without merit and intends to vigorously defend the Company and its officers named in the complaints.

23. EMPLOYEE CONTRIBUTION PLANS

Pension and provident funds

In South Africa, the Group participates in a number of multi-employer 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 2005 amounted to R46.3 million (2004: R60.0 million).

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 2005

23. EMPLOYEE CONTRIBUTION PLANS (continued)

Share option scheme

(a) Details of the scheme

The Company operates a share option scheme, DRDGOLD (1996) Share Scheme, or the 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 the Company's issued share capital at that time. The number of issued and exercisable share options is approximately 4.4% 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 Limited, as confirmed by the Company's 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 the Company's Directors, but primarily according to the following schedule over a maximum of a three year period:

Percentage vested in each period grant	Period after the original date of the option
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 DRDGOLD (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 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	18.81	3 342 479	18.32
Granted	5 794 784	7.21		
Exercised	(66 000)	6.50		
Forfeited/lapsed	(1 022 361)	14.82		
Balance at 30 June 2005	13 051 786	14.04	6 507 374	17.52

Utilising a Black Scholes valuation model, and based upon certain assumptions made by management, the fair value expense attributable to the DRDGOLD (1996) Share Scheme would have been R16.9 million (2004: R25.4 million).

24. 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, the Group enters into transactions, which make use of derivative instruments to economically hedge certain exposures. The decision to use these types of transactions is based on the Group's 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 the Group's results of operations and its ability to pay dividends and undertake capital expenditures, and the market price of the Company's ordinary shares. Historically, gold prices have fluctuated widely and are affected by numerous industry factors over which the Group has no control. The aggregate effect of these factors on the gold price is impossible for the Group to predict. The price of gold may not remain at a level allowing the Group to economically exploit its reserves. It is not the Group's policy to hedge this commodity price risk.

Gold for electricity contract

In October 2000, the Group entered into a five year contract to buy electricity from Eskom. Under the terms of the agreement, the Group pays Eskom standard electricity tariff for all energy it consumes, 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. In terms of the provisions of AC133: "Financial Instruments: Recognition and Measurement", the Eskom contract is deemed to be 'held for trading' and is measured at fair value, with the resultant gains and losses being charged to the income statement for the period.

This contract was closed out on 28 April 2005 at a cost of R21.8 million.

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 20 to the financial statements, the fair value of the interest rate swap agreement was a liability of R3.7 million (2004: liability of R12.5million).

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 Australasia, 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.

In addition, the Group's South African operations all deliver their gold to Rand Refinery Limited, or 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

24. FINANCIAL INSTRUMENTS (continued)

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 at 30 June:

	2005 R'000 Carrying Amount	2005 R'000 Fair Value	2004 R'000 Carrying Amount	2004 R'000 Fair Value
Financial assets				
Listed investments	678	678	77 387	77 387
Unlisted investments	4 478	4 478	15 006	15 006
Investments in environmental rehabilitation trust funds	42 885	42 885	143 330	143 330
Derivative instruments	–	–	51 569	51 569
Accounts receivable	49 837	49 837	114 612	114 612
Cash and cash equivalents	241 192	241 192	140 894	140 894
Financial liabilities				
Long-term liabilities				
– long-term portion	(359 381)	(359 381)	(308 992)	(308 992)
– short-term portion	(64 685)	(64 685)	(58 450)	(58 450)
Derivative instruments	(3 678)	(3 678)	(83 406)	(83 406)
Accounts payable and accrued liabilities	(177 020)	(177 020)	(300 867)	(300 867)
Bank overdrafts	(9 154)	(9 154)	(11 473)	(11 473)

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.

25. SEGMENT INFORMATION

The Group operates in one business segment, being the extraction and production of gold and related by-products, therefore the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis by origin. Geographical analysis by origin is as follows:

2005	South African Operations ⁽¹⁾	Australasian Operations ⁽²⁾	Total
Revenue	942 931	725 631	1 668 562
Result			
Operating (loss)/profit from gold	(222 733)	241 226	18 493
Investment income	(1 065)	(4 431)	(5 496)
Finance costs	(31 874)	(5 169)	(37 043)
Share of results of associates	–	(77 749)	(77 749)
Taxation charge	(1 640)	(34 213)	(35 853)
Other	(234 185)	(144 062)	(378 247)
Loss for the year	(491 497)	(24 398)	(515 895)
Assets			
Mining assets	307 291	491 821	799 112
Investment in associates	–	103 212	103 212
Other assets	191 193	465 753	656 946
Total assets	498 484	1 060 786	1 559 270
Liabilities			
Liabilities excluding taxation and deferred taxation	561 827	248 794	810 621
Taxation and deferred taxation	(818)	128 791	127 973
Total liabilities	561 009	377 585	938 594
Other information			
Capital expenditure	26 691	128 005	154 696
Depreciation and amortisation	26 477	86 196	112 673
Impairments	217 509	72 096	289 605
Total number of employees including contractors	3 481	824	4 305

⁽¹⁾ Includes Blyvooruitzicht Mine and the North West Operations until 22 March 2005

⁽²⁾ Includes Tolukuma Gold Mine, 20% of the Porgera Joint Venture and 45.33% of Emperor

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

25. SEGMENT INFORMATION (continued)

2004	South African Operations ⁽¹⁾	Australasian Operations ⁽²⁾	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 for the year	(732 961)	16 577	(716 384)
Assets			
Mining assets	531 513	424 538	956 051
Other assets	381 431	465 696	847 127
Total assets	912 944	890 234	1 803 178
Liabilities			
Liabilities excluding taxation and deferred taxation	961 945	129 504	1 091 449
Taxation and deferred taxation	(818)	142 657	141 839
Total liabilities	961 127	272 161	1 233 288
Other information			
Capital expenditure	101 789	101 455	203 244
Depreciation and amortisation	45 739	158 851	204 590
Impairments	101 699	7 071	108 770
Total number of employees including contractors	12 906	751	13 657

⁽¹⁾ Includes Blyvooruitzicht Mine and the North West Operations

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

26. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associates (refer Note 12) and with its Directors and senior management. 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.

Transactions with Director

Dr Paseka Ncholo, chairman of Khumo Bathong Holdings (Pty) Limited, or KBH, is also a Non-Executive Director of the Company. Dr Ncholo earned R307 610 in board and other fees from the Company during the year ended 30 June 2005 (R154 630 for the year ended 30 June 2004).

Transactions with associate companies

During the year ended 30 June 2005, the Company earned R3.0 million (year ended 30 June 2004: R7.1 million) in management fees from Crown Gold Recoveries (Pty) Limited, or CGR, and R3.0 million (year ended 30 June 2004: R12.7 million) in management fees from East Rand Proprietary Mines Limited, or ERPM. No dividends were received from associates in 2005 (2004: Nil). Transactions with associates are priced on an arm's length basis.

Rand Refinery Agreement

The Group has entered into an agreement with Rand Refinery Limited, or Rand Refinery, for the refining and sale of all of its gold produced in South Africa. Under the agreement, Rand Refinery performs the final refining of the Group's 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, the Group pays Rand Refinery a variable refining fee plus fixed marketing, loan and administration fees. Mr Pretorius, the Group Legal Counsel, is also a Director of Rand Refinery and is a member of their Audit Committee. Also, Mr Graulich, the Group's General Manager: Investor Relations, is Alternate Director to Mr Pretorius. The Group currently owns 3% 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2005

27. SUBSEQUENT EVENTS

Simmer and Jack Mines Limited's, or Simmer and Jack, acquisition of Buffelsfontein Gold Mines Limited, or Buffelsfontein

The Company has concluded an agreement with Simmer and Jack for the sale of its shareholding in Buffelsfontein (in provisional liquidation). The agreement is conditional upon:

- the acceptance by the High Court of South Africa and the majority of Buffelsfontein's creditors of a scheme of arrangement proposed by Simmer and Jack;
- approval by the Competition Commission; and
- the Department of Water Affairs and Forestry agreeing to substitute the Company with Simmer and Jack in the underground water pumping directives that currently regulate the proportionate contribution of the surrounding mines to the costs and maintenance of pumping.

Buffelsfontein, known as the Company's North West Operations, or NWO, was placed in provisional liquidation on 22 March 2005, following continued financial losses and a massive earthquake on 9 March 2005 which caused irreparable damage to No. 5 Shaft.

Simmer and Jack's scheme of arrangement involves the payment of R45 million to the provisional liquidators and the fresh appointment of employees without assumption of any accumulated pre-liquidation employee benefits.

Simmer and Jack currently manages NWO, pays its holding costs in terms of an interim agreement with the provisional liquidators and conducts limited mining of surface dumps. It may offset up to R20 million of its contribution to holding costs against the proposed payment to the provisional liquidators of R45 million.

In exchange for the transfer of its holdings in Buffelsfontein, Simmer and Jack will pay the Company one Rand, and will indemnify the Company against any liabilities or obligations which could arise against it in connection with the environmental rehabilitation of Buffelsfontein, as well as the management and pumping of underground water. Simmer and Jack will have the benefit, however, of drawing down against the rehabilitation trust fund which was transferred to the Department of Minerals and Energy upon the provisional liquidation of Buffelsfontein.

The Company remains committed to the R9 million social fund established to help any NWO employees who may be retrenched as a result of the liquidation. In total, DRDGOLD has paid an amount of R47.9 million, post-liquidation to assist the NWO's liquidators, most of which was used to pay workers' wages. The Company remains Buffelsfontein's largest creditor with approximately R1 billion owing.

The provisional liquidators of Buffelsfontein are pursuing a valid, but as yet unquantified insurance claim for damage and losses incurred in the March 2005 earthquake. The proceeds of this claim are not included in the scheme proposed by Simmer and Jack.

Capital development projects at Blyvooruitzicht Gold Mining Company Limited, or Blyvoor

Two projects at Blyvoor, with a total capital cost of R82.8 million (the re-establishment of mining operations from the No. 2 Sub-Shaft in two phases costing R80.5 million and a R2.3 million expansion of the Slimes Dam Project) were approved by the Company's Board of Directors on 24 August 2005.

27. SUBSEQUENT EVENTS (continued)

In total, the No. 2 Sub-Shaft project is expected to yield some 770 491 ounces (24 772 kilograms) of gold from 2.4 million tons of ore with an average delivered grade of 8.16 g/t, restoring Blyvoor's life to 17 years.

Black Economic Empowerment, or BEE, deal with Khumo Bathong Holdings (Pty) Limited, or KBH

The Company and black-owned KBH have signed a Memorandum of Understanding, or MOU, regarding the acquisition by KBH of a 15% stake in the Company's South African operations.

The transaction comprises the exchange of 75% of KBH's 60% stake in Crown Gold Recoveries (Pty) Limited, or CGR, and East Rand Proprietary Mines Limited, or ERPM, for 15% of the Company's wholly-owned Blyvooruitzicht Gold Mining Company Limited. The effect would be the ownership by KBH of 15% of the total of the Company's South African operations. The Company intends to facilitate the BEE transaction through vendor financing.

The MOU includes an option for KBH to lead a broad-based consortium in the acquisition of a further 11% in the Company's South African operations. The intention of the transaction is to bring the Company into full compliance with the 10-year, 26% BEE equity requirement contained in the Mining Charter.

Due to the fact that KBH's Chairman, Dr Paseka Ncholo, is also Non-executive Chairman of the Company, the BEE transaction will be a related party transaction. It will therefore be subject to regulatory approvals and to confirmation by an appointed, independent expert that it is fair and reasonable to the Company's shareholders.

In addition, on 20 July 2005, the Company acquired, from the Industrial Development Corporation, all of its CGR and ERPM debt through the issue of 4 451 219 shares in the Company.

Financing and operating assistance for Emperor Mines Limited, or Emperor

The Company has initiated a financing and operating assistance package to 45.33% owned Emperor. This follows a complete review by the Company of Emperor's operations.

To assist Emperor with its restructuring plan, the Company has agreed to provide a A\$10 million Convertible Loan Facility to Emperor as part of a re-financing package, which includes an agreement with ANZ Bank to restructure Emperor's existing debt servicing obligations.

ANZ Bank has given its consent to the granting of the Convertible Loan Facility and the related security to the Company. Further the Australian Stock Exchange has also granted a waiver of listing rules to permit Emperor to grant such security to the Company on the terms incorporated in the Convertible Loan Facility.

The Convertible Loan Facility, which was negotiated on behalf of Emperor by its independent directors, carries an interest rate of 9% per annum and is secured by a first ranking charge over Emperor's 100% interest in the Tuvatu Gold Prospect in Fiji.

The Convertible Loan Facility is repayable upon either receipt of the proceeds expected from the sale of Emperor's interest in the Tuvatu Gold Prospect, or by 31 December 2007. Emperor has previously announced a conditional sale agreement in relation to the Tuvatu Gold Prospect and expects to receive consideration of approximately A\$10 million on completion of that transaction.

The Convertible Loan Facility is convertible, at the Company's election, into ordinary fully paid shares of Emperor at a conversion price equal to the lower of A\$0.30 per Emperor share or the 45 day volume weighted average price of Emperor shares on Australian Stock Exchange prior to the date of conversion.

The Convertible Loan Facility was approved by the shareholders of Emperor, other than the Company, on 29 August 2005.

In terms of an operational support agreement, also negotiated on behalf of Emperor by its independent directors, the Company will provide Emperor with management and technical services.