



Contents

ANNUAL FINANCIAL STATEMENTS

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Directors' responsibility for the annual financial statements

The Board of Directors ("Board") are responsible for the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of the group and the company at the end of the financial year, the income and cash flow for that period and other related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The board has ultimate responsibility for the system of internal controls and reviews its operation, primarily through the Audit and Risk committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties; are monitored by management; and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, the group internal audit function conducts operational, financial and specific audits. The external auditors are responsible for reporting on the financial statements.

The annual financial statements have been prepared in accordance with the provisions of the South African Companies Act and comply with International Financial Reporting Standards. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the group annual financial statements.

It is the responsibility of the independent auditors to express an opinion on the annual financial statements. This report to the members of the company is set out on page 45.

The annual financial statements for the year ended 30 June 2007 set out on pages 46 to 109 were approved by the Board of Directors on 21 September 2007 and are signed on its behalf by:



R P Hume

Chairman: Audit Committee



J H Dissel

Acting Chief Financial Officer

Company secretary's report

I certify, in accordance with Section 285G(d) of the Companies Act 61, 1973 as amended, that to the best of my knowledge and belief, that the company has lodged with the Registrar of Companies for the financial year ended 30 June 2007 all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



T J Gwebu

Company Secretary

Report of the independent auditor

To the members of DRDGOLD Limited

We have audited the group annual financial statements and the annual financial statements of DRDGOLD Limited, which comprise the balance sheets at 30 June 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of DRDGOLD Limited at 30 June 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditor



Per J Holtzhausen

Chartered Accountant (SA)

Registered Auditor

Director

21 September 2007

KPMG Crescent

85 Empire Road

Parktown

Johannesburg

Directors' report

NATURE OF BUSINESS

DRDGOLD Limited was incorporated on 16 February 1895, and has operating gold mines in South Africa and Papua New Guinea. The company does not have a major or controlling shareholder and its directors provide strategic direction on behalf of its shareholders.

DRDGOLD is a public company with its primary listing on the Johannesburg stock exchange, the JSE Limited, and secondary listing on the Nasdaq Capital Market. The company's shares are also traded on the Marche Libre in Paris, the Regulated Unofficial Market of the Frankfurt Stock Exchange and the Berlin and Stuttgart OTC markets as well as on Euronext Brussels in the form of International Depositary Receipts.

MINING RIGHTS AND PROPERTY

A schedule detailing the group's mining rights and property is available at the group's registered address.

SHARE CAPITAL

Full details of authorised, issued and unissued share capital of the company as at 30 June 2007 are set out in the notes to the financial statements on pages 84 – 86 of this report.

The control over the unissued shares of the company is vested in the directors, in specific terms with regard to allotments in terms of the DRDGOLD (1996) Share Option Scheme (as amended) and the allotment of shares for cash, and in general terms with respect to all other allotments.

The authorities granted to directors in respect of control over unissued shares expire on the date of the annual general meeting of members to be held on 30 November 2007. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the directors the then remaining unissued ordinary shares not required for purposes of the share option scheme.

During the financial year, a total of 174 328 new ordinary no par value shares were issued as a result of employees exercising their options under the DRDGOLD (1996) Share Option Scheme.

SHARES ISSUED

	2007			2006		
	NUMBER OF SHARES	R'000	AVERAGE ISSUE PRICE	NUMBER OF SHARES	R'000	AVERAGE ISSUE PRICE
At 1 July	320 035 078			296 206 048		
Repayment of loans from:						
Investec Bank Limited	50 132 575	314 594	6.28	17 815 945	163 020	9.15
Industrial Development Corporation	–	–	–	4 451 219	28 933	6.50
Specific share issue to:						
DRDGOLD (1996) Share Option Scheme	174 328	973	5.58	629 009	3 468	5.51
Other*	–	–	–	932 857	7 917	8.49
At 30 June	370 341 981			320 035 078		

* Shares issued for services rendered

DIRECTORATE

The following changes have been made to the Board of Directors since 1 July 2006:

Appointments

J H Dissel
D J Pretorius

Date

1 January 2007
3 November 2006

Resignations

M M Wellesley-Wood
D J Pretorius

Date

31 December 2006
31 December 2006

In accordance with the provisions of the company's Articles of Association, Mr J H Dissel will be elected as a director and Mr R P Hume and Mr J Turk will retire at the forthcoming annual general meeting. They are eligible and have offered themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

The interest of the directors in the ordinary share capital of the company as at 30 June 2007 were as follows:

	30 JUNE 2007			30 JUNE 2006		
	BENEFICIAL DIRECT	BENEFICIAL INDIRECT	NON-BENEFICIAL	BENEFICIAL DIRECT	BENEFICIAL INDIRECT	NON-BENEFICIAL
Executive directors						
M M Wellesley-Wood ⁽¹⁾	–	–	–	260 797	–	–
J W C Sayers	–	–	–	–	–	–
	–	–	–	260 797	–	–
Non-executive directors						
G C Campbell	60 000	–	–	20 000	–	–
R P Hume	15 000	30 000	–	5 000	20 000	–
D J M Blackmur	20 000	–	–	20 000	–	–
J Turk	–	28 000	–	–	13 000	–
	95 000	58 000	–	45 000	33 000	–
Alternate directors						
J H Dissel ⁽²⁾	1 500	–	–	–	–	–
D J Pretorius ⁽³⁾	–	–	–	–	–	–
Total	96 500	58 000	–	305 797	33 000	–

⁽¹⁾ Retired on 31 December 2006

⁽²⁾ Appointed as an alternate director on 1 January 2007

⁽³⁾ Resigned as an alternate director on 31 December 2006

There have been no changes in the directors' interest in share capital between 30 June 2007 and 21 September 2007.

DIRECTORS' EMOLUMENTS – FOR THE YEAR ENDED 30 JUNE 2007

	BOARD FEES R	SALARY R	BONUSES & PERFORMANCE-RELATED PAYMENTS R	PENSION/PROVIDENT SCHEME CONTRIBUTIONS R	END OF CONTRACT PAYMENT R	TOTAL R
Executive directors						
M M Wellesley-Wood ⁽¹⁾	–	2 554 944	3 756 368	–	1 905 134	8 216 446
J W C Sayers	–	2 852 369	562 500	–	–	3 414 869
	–	5 407 313	4 318 868	–	1 905 134	11 631 315
Non-executive directors						
G C Campbell ⁽²⁾	2 067 536	–	251 997	–	–	2 319 533
R P Hume	257 595	–	134 923	–	–	392 518
D J M Blackmur	349 298	–	185 601	–	–	534 899
J Turk	234 226	–	139 008	–	–	373 234
	2 908 655	–	711 529	–	–	3 620 184
Alternate directors						
J H Dissel ⁽³⁾	–	942 885	–	69 967	–	1 012 852
D J Pretorius ⁽⁴⁾	–	397 064	431 250	–	–	828 314
	–	1 339 949	431 250	69 967	–	1 841 166
Total	2 908 655	6 747 262	5 461 647	69 967	1 905 134	17 092 665

⁽¹⁾ Retired on 31 December 2006

⁽²⁾ Board fees include R1 005 233 paid by Emperor Mines Limited as chairman of the Board

⁽³⁾ Appointed as an alternate director on 1 January 2007

⁽⁴⁾ Resigned as an alternate director on 31 December 2006

Directors' report *continued*

DIRECTORS' EMOLUMENTS – FOR THE YEAR ENDED 30 JUNE 2006

	BOARD FEES R	SALARY R	BONUSES & PERFOR- MANCE- RELATED PAYMENTS R	PENSION/ PROVIDENT SCHEME CONTRI- BUTIONS R	END OF CONTRACT PAYMENT R	TOTAL R
Executive directors						
M M Wellesley-Wood	–	3 640 378	4 660 915	–	1 759 803	10 061 096
J W C Sayers ⁽¹⁾	–	1 691 550	–	–	–	1 691 550
I L Murray ⁽¹⁾	–	1 740 573	800 920	50 000	1 440 972	4 032 465
	–	7 072 501	5 461 835	50 000	3 200 775	15 785 111
Non-executive directors						
G C Campbell	535 577	–	227 210	–	–	762 787
R P Hume	209 170	–	93 968	–	–	303 138
M P Ncholo	123 747	–	216 000	–	–	339 747
D J M Blackmur	231 192	–	101 799	–	–	332 991
J Turk	172 407	–	171 320	–	–	343 727
	1 272 093	–	810 297	–	–	2 082 390
Total	1 272 093	7 072 501	6 272 132	50 000	3 200 775	17 867 501

⁽¹⁾ I L Murray relinquished his position as Chief Financial Officer on 5 September 2005 to J W C Sayers

DIRECTORS' SERVICE CONTRACTS

Service contracts have been concluded with the executive as well as non-executive directors. Details of the contracts are set out in the table below.

There were no conflicting interests of the directors during the year under review and up to the date of notice of the annual general meeting.

DIRECTOR	TITLE	DATE OF APPOINTMENT	TERM	UNEXPIRED TERM OF DIRECTOR'S SERVICE CONTRACT
J W C Sayers	Chief Executive Officer	1/1/2007	2 years	18 months
J H Dissel	Acting Chief Financial Officer	1/1/2007	–	–
R P Hume	Non-executive director	1/10/2006	2 years	15 months
G C Campbell	Non-executive Chairman	1/11/2005	2 years	4 months
D J M Blackmur	Senior independent non-executive director	1/11/2005	2 years	4 months
J Turk	Non-executive director	1/11/2006	2 years	16 months

SHARE OPTION SCHEME

The DRDGOLD (1996) Share Option Scheme (the scheme) is used as an incentive tool for executive and senior employees whose skills and experience are recognised as being essential to the company's performance. 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.

In the past financial year, the directors have exercised nil (2006: nil) share options. Over the same period the directors' gains on share options exercised were Rnil, compared with Rnil in the previous financial year. Details of share options held by directors are listed below.

The directors have granted 2 086 500 options in terms of the scheme in the current financial year compared with 3 090 944 options in the previous financial year.

SHARE OPTIONS

	EXECUTIVE	NON-EXECUTIVE				OTHER PARTICIPANTS	TOTAL
	J W C SAYERS	G C CAMPBELL	R P HUME	J TURK	D J M BLACKMUR		
Balance at 1 July 2006							
Number	–	57 994	77 907	–	–	14 439 355	14 575 256
Ave strike price	–	19.35	16.92	–	–	12.81	12.86
Granted during year	–	–	–	–	–	–	–
Number	–	–	–	–	–	2 086 500	2 086 500
Ave strike price	–	–	–	–	–	9.08	9.08
Exercised during year	–	–	–	–	–	–	–
Number	–	–	–	–	–	(123 426)	(123 426)
Ave strike price	–	–	–	–	–	5.47	5.47
Lapsed during year	–	–	–	–	–	–	–
Number	–	–	–	–	–	(283 556)	(283 556)
Ave strike price	–	–	–	–	–	10.01	10.01
Balance at 30 June 2007							
Number	–	57 994	77 907	–	–	16 118 873	16 254 774
Ave strike price	–	19.35	16.92	–	–	12.43	12.48
Share gain for the year – R000	–	–	–	–	–	464	464
Ave price exercised – R per share	–	–	–	–	–	9.23	9.23

SHARE OPTIONS AVAILABLE FOR ALLOCATION

	2007	2006
Balance of options available for allocation as at the beginning of the financial year	48 005 262	44 430 907
Number of options granted during the current financial year	(2 086 500)	(3 090 944)
Number of options lapsed during the financial year	283 556	887 563
Number of options exercised during the current financial year and available for re-allotment	123 426	679 911
Additional options available as a result of an increase in issued share capital during the current financial year	9 225 553	5 097 825
Balance of options available for allocation as at the end of the financial year	55 551 297	48 005 262

FINANCIAL STATEMENTS, RESULTS AND GOING CONCERN

The group financial statements include the financial position, results and cash flows of the company and its subsidiaries and joint venture from the effective dates of acquisition.

The financial position, results of operations and cash flow information of the company and group are presented in the attached financial statements. The annual financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and the Companies Act in South Africa. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgement and estimates. The annual financial statements have been prepared on a going-concern basis and the directors are of the opinion that the company's and group's assets will realise at least the values at which they are stated in the balance sheet.

REVIEW OF OPERATIONS

The performance of the various operations is comprehensively reviewed on pages 6 to 9.

CHANGE IN BUSINESS

Purchase of Top Star dump

On 28 August 2006, DRDGOLD concluded an agreement with AngloGold Ashanti Limited (AngloGold Ashanti) to purchase the remaining extent of Erf 1 Park Central Township, better known as 'The Top Star dump' in central Johannesburg for an amount of R8.0 million. In addition, a further R24.0 million is expected to be spent on the infrastructure that will enable DRDGOLD to process the dump. In November 2006, the Provincial Heritage Resources Authority of Gauteng initiated a protection order against the removal of the dump. DRDGOLD is currently contesting the protection order.

Directors' report *continued*

6% Senior Convertible Notes repaid in full

On 15 November 2006, DRDGOLD repaid, in full, its outstanding 6% Senior Convertible Notes which matured on 12 November 2006. DRDGOLD paid a total of R492.8 million (\$69.6 million) to the holders of the Senior Convertible Notes, which included the aggregate principal amount of the Senior Convertible Notes of R469.8 million (\$66.0 million), plus all accrued original issue discount and interest. The repayment was funded from available cash resources and borrowing facilities. DRDGOLD's obligations under the Senior Convertible Notes have now been satisfied and discharged.

Disposal of the Vatukoula mine

On 5 December 2006, after an extensive three-month review of the Vatukoula mine, DRDGOLD determined that continued mining operations at the mine were no longer economically viable and that the mine would therefore cease production. After completion of a strategic review to optimise the value of the Vatukoula mine and other Fijian land holdings, the mine was placed on a care and maintenance programme. This resulted in an impairment of Vatukoula's mining assets, amounting to R807.1 million, in the second quarter of fiscal 2007. On 28 March 2007 the Vatukoula mine was sold to Westech Gold (Pty) Ltd for A\$1.00.

Shares issued by DRDGOLD South African Operations (Pty) Limited, or DRDGOLD SA

On 11 December 2006, Khumo Gold SPV (Pty) Limited, or Khumo Gold, exercised the option granted by DRDGOLD in terms of the option agreement concluded between the parties in October 2005. Khumo Gold acquired from the company a further 50 000 ordinary shares in DRDGOLD SA for R4.3 million. After exercising the option Khumo Gold's shareholding in DRDGOLD SA increased by 5% to 20%.

In addition, Khumo Gold, as promoter for an employee trust, exercised the option for an employee trust to acquire from DRDGOLD 60 000 ordinary shares in DRDGOLD SA for a consideration of R5.1 million. After exercising the option, the trust's shareholding in DRDGOLD SA is 6%.

West Rand gold and uranium joint venture

On 26 April 2007, DRDGOLD and Mintails Limited (Mintails) announced the formation of a joint venture company (the JV) to explore, evaluate and potentially mine gold and uranium by opencast and underground mining methods in the Western Rand Goldfield of South Africa's Witwatersrand Basin.

Following discussions initiated during the fourth quarter of 2006, the JV stakeholders DRDGOLD, Mintails SA (Pty) Limited (Mintails SA), a wholly owned subsidiary of Mintails Limited, and Mineral and Mining Reclamation Services (Pty) Ltd (MMRS) have agreed to consolidate their West Rand Goldfield projects comprising Rand Leases, Durban Roodepoort Deep, East Champ D'Or, Luipaardsvlei and West Rand Consolidated (including West Wits).

The JV's goal is to re-evaluate and re-start mining on the West Rand goldfield, which forms part of the Witwatersrand Basin in South Africa's Gauteng province. Initially, DRDGOLD and Mintails SA will hold 45% each in the JV and MMRS the remaining 10%. It is intended that the JV will be listed on the Australian Stock Exchange to raise a minimum of R42.5 million (\$6.0 million) as an initial public offering, and subsequently on the JSE Limited.

The Witwatersrand is arguably one of the greatest gold- and uranium-producing regions in the world. The JV's lease consolidation provides a package of tenements with a continuous strike of over 20 kilometres, covering significant gold- and uranium-producing, historical mines over the western margin of the Witwatersrand. Gold production in the West Rand goldfield began in the late 1880s with the focus on the Main and South reefs. Discovery of further reefs was quick to follow. The known reef groups on the JV's consolidated lease area include the Main, Johnstone, Bird and Kimberley, with less extensive reefs such as the Black Reef located in pockets.

Historical production on the constituent leases exceeds 30 million ounces of gold and 17 000 tonnes of U3O8. Fluctuating gold and uranium commodity prices during the 20th century saw the closure and re-opening of mines and changes in mining focus between gold and uranium. The JV's objective for the first two years is to aggressively delineate gold and uranium resources and reserves, and progress into advanced stages of commissioning or start mining on the consolidated lease area. Modern mining techniques will be used and all activities conducted will be to a world-class standard.

Exploration targets are in the process of being generated across the consolidated lease area. The intention is to begin exploration for surface resources and reserves, while concurrently delineating remaining pillar reserves and areas that have never been mined. Deeper exploration programmes will be designed later in 2008. To achieve the JV's goals, various exploration techniques will be utilised, including but not limited to surface reverse circulation and diamond drilling, underground diamond drilling and channel sampling of underground pillars. In the creation of the exploration programme, the Witwatersrand reefs are being evaluated and prioritised. The uranium- and gold-producing Bird Reef Group found across the JV's consolidated lease area is the initial primary target for open-cut and underground mining. Other gold-producing reef groups such as the Main and Kimberley will be targeted subsequently.

A programme of data compilation and cataloguing has begun and early results are encouraging. Given the disbursement of information and possible losses over the past 100 years of mining, the data collection programme will be ongoing.

East Rand gold tailings treatment joint venture

On 7 June 2007, DRDGOLD and Mintails announced the formation of a new joint venture (the JV) between Mintails SA and DRDGOLD SA. The JV has acquired from AngloGold Ashanti significant gold-bearing tailings materials created from historical gold production and remaining infrastructure surrounding Ergo, a surface reclamation operation on South Africa's East Rand goldfields which was discontinued by AngloGold Ashanti in 2004.

It is envisaged that the JV, together with the additional tailings resources and infrastructure acquired from AngloGold Ashanti, will create significant potential for the processing of surface gold tailings on the East Rand goldfields. Over its 25-year history, Ergo processed more than 890 million tonnes of tailings material on the East Rand and produced approximately 8.2 million ounces of gold through two plants, Brakpan and East Daggafontein. These two plants were purchased by Mintails SA in 2006.

Following discussions initiated in the first quarter of 2007, the JV parties agreed to pursue a strategy to consolidate certain of their assets on the East Rand. Mintails SA will contribute one fully refurbished carbon-in-leach (CIL) circuit at the Brakpan plant and DRDGOLD SA will contribute the Elsburg tailings complex, comprising approximately 180 million tonnes of tailings.

Mintails SA and DRDGOLD SA will each own 50% of the JV. The JV will be managed by Crown Gold Recoveries (Pty) Limited (Crown), a subsidiary of DRDGOLD SA, which has treated more than 200 million tonnes of sand and slime and produced approximately 2.8 million ounces of gold through its plants.

The initial phase of the project envisages the refurbishment of one CIL circuit at the Brakpan plant which will have the capacity to treat an estimated 1.25 million tonnes of tailings per month. The outcome of the current drilling and testing evaluation will determine the way forward. Depending on the results of the feasibility study, it is possible that the first gold production could start within 24 months. The process will involve the treatment of tailings from the Elsburg tailings complex through the Brakpan plant with residue being deposited on the East Daggafontein deposition site.

The JV has entered into a sale of assets agreement with AngloGold Ashanti in terms of which the JV will acquire the remaining moveable and immovable assets of Ergo. These assets will be operated by the JV for its own account, under the AngloGold Ashanti authorisations, until new order mining rights have been obtained and transferred to the JV. These assets, comprising servitudes (access agreements), infrastructure, piping, equipment and the right to an additional 15 million tonnes of tailings material, provide a platform to consolidate these tailings assets with the Elsburg tailings.

Commissioning of the 3/L/2 mine dump

On 13 June 2007, Crown began reclaiming the 7.64-million-tonne 3/L/2 mine dump south of Johannesburg's central business district to recover an estimated 115 000 ounces of gold. The 3/L/2 mine dump project provides breathing space for Crown, pending the outcome of its application to the Department of Minerals and Energy to recover the Top Star mine dump. About 270 000 tonnes of material a month from the 3/L/2 mine dump will be treated through the Crown plant over an estimated 24-month period. The average anticipated yield is 0.290g/t. The 3/L/2 mine dump project, costing R11 million, was commissioned on schedule and while new pipes and pumps were being installed, the bulk of the equipment was relocated from other depleted reclamation sites and refurbished.

Disposal of a 20% interest in the Porgera Joint Venture

On 27 July 2007, DRDGOLD shareholders at a general meeting approved the disposal by Emperor Mines Limited (Emperor) of its 20% interest in the Porgera Joint Venture to a subsidiary of Barrick Gold Corporation (Barrick) for a purchase consideration of R1.8 billion (\$250.0 million) and the grant of an option to Barrick or its nominee to subscribe for 153 325 943 shares in Emperor.

Emperor shareholders also approved the disposal and a capital distribution of A\$0.05 per Emperor share to Emperor shareholders by way of a capital return out of the surplus cash to be realised from the disposal, at a general meeting held on 30 July 2007.

The sale transaction was completed on 17 August 2007 for a final cash consideration of R1.8 billion (\$255.0 million), which includes interest, and subsequently Emperor retired all its debt facilities, leaving the DRDGOLD group debt and hedge free. The capital distribution was completed on 3 September 2007. After the capital distribution the group has cash and cash equivalents of approximately R1.0 billion.

Directors' report *continued*

SUBSIDIARIES

The following information relates to the company's financial interest in its subsidiaries at 30 June 2007:

	ISSUED ORDINARY SHARE CAPITAL		SHARES AT COST R'000	EFFECTIVE	INDEBTEDNESS R'000
	NUMBER OF SHARES	% HELD			
South Africa					
Argonaut Financial Services (Pty) Limited	100	100	–	1 Oct 1997	(1 055)
Crown Consolidated Gold Recoveries Limited	51 300 000	100	–	14 Sep 1998	(143 268)
DRDGOLD South African Operations (Pty) Limited ⁽¹⁾	1 000 000	74	113 177	14 Nov 2005	67 736
East Champ d'Or Gold Mine Limited	7	100	–	1 Apr 1996	–
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	118 505 000	100	–	1 Jan 1996	(42 092)
Roodepoort Gold Mine (Pty) Limited	1	100	–	1 Jan 1996	–
West Witwatersrand Gold Holdings Limited	99 900 000	100	–	1 Apr 1996	(22 996)
Australasia/International					
Dome Resources NL	142 619 074	100	–	1 Apr 2000	–
DRD Australia APS	130	100	–	26 Jan 1999	–
DRD Australasia (Pty) Limited	100	100	–	15 Nov 1999	–
DRD International APS	125	100	–	28 Apr 1999	–
DRD (Offshore) Limited ⁽¹⁾⁽²⁾	5	100	852 294	4 Nov 2005	(119 274)
Total			965 471		(260 949)

⁽¹⁾ DRDGOLD South African Operations (Pty) Limited holds the following investments: 100% of Blyvooruitzicht Gold Mining Company Limited, 100% of East Rand Proprietary Mines Limited and 100% of Crown Gold Recoveries (Pty) Limited.

⁽²⁾ DRD (Offshore) Limited holds the following investments: 79% of Emperor Mines Limited, which in turn holds 100% of DRD (IOM) Limited, which in turn owns 100% of DRD (Porgera) Ltd (holds 20% of the unincorporated Porgera Joint Venture), 100% of Tolukuma Gold Mines Limited, 100% of DRD Australia Services Company (Pty) Limited and 100% of Fortis (Pty) Limited and 50% of NetGold Services Limited.

GOLD PRODUCTION – METRIC

	YEAR ENDED JUNE 2007			YEAR ENDED JUNE 2006		
	CON-TINUING OPERATIONS	DISCON-TINUED OPERATION ⁽³⁾	TOTAL GROUP	CON-TINUING OPERATIONS	DISCON-TINUED OPERATION	TOTAL GROUP
South Africa ⁽¹⁾						
<i>Underground</i>						
Ore milled – t'000	959	–	959	900	–	900
Gold produced – Kg	5 242	–	5 242	5 604	–	5 604
Yield – g/tonne	5.47	–	5.47	6.23	–	6.23
<i>Surface treatment</i>						
Ore milled – t'000	13 852	–	13 852	11 397	–	11 397
Gold produced – Kg	5 162	–	5 162	4 224	–	4 224
Yield – g/tonne	0.37	–	0.37	0.37	–	0.37
Australasia ⁽²⁾						
Ore milled – t'000	899	117	1 016	1 451	–	1 451
Gold produced – Kg	3 599	836	4 435	6 578	–	6 578
Yield – g/tonne	4.00	7.15	4.37	4.53	–	4.53
Total attributable						
Ore milled – t'000	15 710	117	15 827	13 748	–	13 748
Gold produced – Kg	14 003	836	14 839	16 406	–	16 406
Yield – g/tonne	0.89	7.15	0.94	1.19	–	1.19

⁽¹⁾ For FY06, Crown and ERPM were consolidated from 1 December 2005 (40% attributable portion previously).

⁽²⁾ For FY06 these figures include (for the nine months July 2005 to March 2006) 100% of Tolukuma, the group's 20% attributable portion of Porgera Joint Venture and 39.52% attributable production of Emperor. From April 2006, Emperor, which included Tolukuma and Porgera, is consolidated 100%.

⁽³⁾ The discontinued operation relates to Vatukoula, which was sold on 28 March 2007.

GOLD PRODUCTION – IMPERIAL

	YEAR ENDED JUNE 2007			YEAR ENDED JUNE 2006		
	CON-TINUING OPERATIONS	DISCON-TINUED OPERATION ⁽³⁾	TOTAL GROUP	CON-TINUING OPERATIONS	DISCON-TINUED OPERATION	TOTAL GROUP
South Africa ⁽¹⁾						
<i>Underground</i>						
Ore milled – t'000	1 059	–	1 059	990	–	990
Gold produced – troy ounces	168 534	–	168 534	180 177	–	180 177
Yield – ounces/tonne	0.159	–	0.159	0.182	–	0.182
<i>Surface treatment</i>						
Ore milled – t'000	15 268	–	15 268	12 561	–	12 561
Gold produced – troy ounces	165 962	–	165 962	135 799	–	135 799
Yield – ounces/tonne	0.011	–	0.011	0.011	–	0.011
Australasia ⁽²⁾						
Ore milled – t'000	993	130	1 123	1 599	–	1 599
Gold produced – troy ounces	115 751	26 910	142 661	211 425	–	211 425
Yield – ounces/tonne	0.117	0.207	0.127	0.132	–	0.132
Total attributable						
Ore milled – t'000	17 320	130	17 450	15 150	–	15 150
Gold produced – troy ounces	450 247	26 910	477 157	527 401	–	527 401
Yield – ounces/tonne	0.026	0.207	0.027	0.035	–	0.035

⁽¹⁾ For FY06, Crown and ERPM were consolidated from 1 December 2005 (40% attributable portion previously).

⁽²⁾ For FY06 these figures include (for the nine months July 2005 to March 2006) 100% of Tolukuma, the group's 20% attributable portion of Porgera Joint Venture and 39.52% attributable production of Emperor. From April 2006, Emperor, which included Tolukuma and Porgera, is consolidated 100%.

⁽³⁾ The discontinued operation relates to Vatukoula, which was sold on 28 March 2007.

Group income statement

for the year ended 30 June 2007

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS ⁽¹⁾		TOTAL OPERATIONS	
		2007	2006	2007	2006	2007	2006
		R'000	R'000	R'000	R'000	R'000	R'000
Revenue	2	2 087 743	1 584 193	121 962	15 801	2 209 705	1 599 994
Cost of sales		(1 978 296)	(1 511 139)	(265 900)	(63 771)	(2 244 196)	(1 574 910)
Cash costs		(1 858 504)	(1 324 005)	(176 618)	(59 084)	(2 035 122)	(1 383 089)
Depreciation	9	(133 522)	(143 445)	(45 410)	(7 187)	(178 932)	(150 632)
Retrenchment costs	3	(4 955)	(982)	(22 490)	(4 644)	(27 445)	(5 626)
Movement in provision for environmental rehabilitation	18	(19 952)	(38 925)	–	(144)	(19 952)	(39 069)
Movement in gold in progress		38 637	(3 782)	(21 382)	7 288	17 255	3 506
Gross (loss)/profit		109 447	73 054	(143 938)	(47 970)	(34 491)	25 084
(Loss)/profit on derivative financial instruments		(13 954)	7 656	(36 898)	26 958	(50 852)	34 614
Impairments	3	(70 886)	44 050	(807 160)	74 488	(878 046)	118 538
Administration expenses and general costs		(203 099)	(122 860)	(6 887)	(8 523)	(209 986)	(131 383)
Share of loss of associates	12	–	–	–	(151 963)	–	(151 963)
Operating loss before investment income and finance expenses	3	(178 492)	1 900	(994 883)	(107 010)	(1 173 375)	(105 110)
Investment income	5	25 649	39 076	37	3 985	25 686	43 061
Finance expenses		(74 940)	(42 638)	(27 606)	(3 701)	(102 546)	(46 339)
Loss before taxation		(227 783)	(1 662)	(1 022 452)	(106 726)	(1 250 235)	(108 388)
Income tax expense	6	(5 733)	(26 041)	–	1 649	(5 733)	(24 392)
Loss after taxation		(233 516)	(27 703)	(1 022 452)	(105 077)	(1 255 968)	(132 780)
Profit from discontinued operations	7	–	–	90 938	18 322	90 938	18 322
Loss for the year		(233 516)	(27 703)	(931 514)	(86 755)	(1 165 030)	(114 458)
Attributable to:							
Ordinary shareholders of the company		(191 187)	(29 161)	(733 279)	(80 928)	(924 466)	(110 089)
Minority interest		(42 329)	1 458	(198 235)	(5 827)	(240 564)	(4 369)
Loss for the year		(233 516)	(27 703)	(931 514)	(86 755)	(1 165 030)	(114 458)
Loss per share for loss attributable to ordinary shareholders of the company							
Basic and diluted loss per share (cents)	8	(56)	(9)	(215)	(26)	(271)	(35)

⁽¹⁾ The discontinued operations relate to Vatukoula, which was sold on 28 March 2007 and Buffelsfontein Gold Mines Limited, which was liquidated on 22 March 2005.

Company income statement

for the year ended 30 June 2007

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATION ⁽¹⁾		TOTAL OPERATIONS	
		2007	2006	2007	2006	2007	2006
		R'000	R'000	R'000	R'000	R'000	R'000
Revenue	2	–	–			–	–
Cost of sales		(17 480)	(19 286)			(17 480)	(19 286)
Cash costs		(10 063)	(8 756)			(10 063)	(8 756)
Depreciation	9	(454)	(303)			(454)	(303)
Retrenchment costs	3	(865)	(983)			(865)	(983)
Movement in provision for environmental rehabilitation	18	(6 098)	(9 244)			(6 098)	(9 244)
Gross loss		(17 480)	(19 286)			(17 480)	(19 286)
Profit/(loss) on derivative financial instruments		144 550	(144 513)			144 550	(144 513)
Impairments	3	(622 564)	(184 126)			(622 564)	(184 126)
Administration expenses and general costs		(22 747)	(17 584)			(22 747)	(17 584)
Operating loss before investment income and finance expenses	3	(518 241)	(365 509)			(518 241)	(365 509)
Investment income	5	20 421	640 685			20 421	640 685
Finance expenses		(12 694)	(29 688)			(12 694)	(29 688)
(Loss)/profit before taxation		(510 514)	245 488			(510 514)	245 488
Income tax expense	6	–	–			–	–
(Loss)/profit after taxation		(510 514)	245 488			(510 514)	245 488
Profit from discontinued operation	7	–	–	43	18 322	43	18 322
(Loss)/profit for the year attributable to ordinary shareholders		(510 514)	245 488	43	18 322	(510 471)	263 810

⁽¹⁾ The discontinued operation related to Buffelsfontein Gold Mines Limited, which was liquidated on 22 March 2005.

Balance sheets

at 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000	Note	2007 R'000	2006 R'000
2 174 486	785 302	ASSETS		
		Non-current assets	771 809	1 534 233
1 850 596	649 770	Property, plant and equipment	775	1 107
99 308	135 532	Non-current investments and other assets	66 512	47 940
		Investments in subsidiaries	704 522	1 485 186
219 258	–	Non-current inventories	–	–
5 324	–	Deferred mining and income taxes	–	–
835 588	1 161 861	Current assets	29 168	71 541
208 759	108 741	Inventories	44	40
102 098	63 416	Trade and other receivables	8 261	30 497
20 770	5 982	Financial assets	–	–
–	1 565	Taxation receivable	–	–
488 961	135 268	Cash and cash equivalents	5 863	26 004
15 000	846 889	Assets classified as held for sale	15 000	15 000
3 010 074	1 947 163	TOTAL ASSETS	800 977	1 605 774
		EQUITY AND LIABILITIES		
1 015 272	143 456	Equity	703 142	898 326
782 147	141 171	Shareholders' equity	703 142	898 326
233 125	2 285	Minority shareholders' interest	–	–
847 001	462 118	Non-current liabilities	55 906	194 358
322 308	282 580	Provision for environmental rehabilitation	55 906	49 808
24 389	26 019	Post-retirement and other employee benefits	–	–
97 338	104 334	Deferred mining and income taxes	–	–
402 966	49 185	Long-term liabilities	–	–
–	–	Financial liabilities	–	144 550
1 147 801	1 341 589	Current liabilities	41 929	513 090
370 633	299 167	Trade and other payables	16 732	21 022
556 943	790 343	Short-term liabilities	–	490 115
2 515	4 679	Provisions	–	–
183 370	–	Financial liabilities	–	–
31 930	310	Taxation payable	–	–
2 410	117 849	Bank overdraft	25 197	1 953
–	129 241	Liabilities classified as held for sale	–	–
3 010 074	1 947 163	TOTAL EQUITY AND LIABILITIES	800 977	1 605 774

Statements of changes in equity

for the year ended 30 June 2007

	NUMBER OF ORDINARY SHARES	NUMBER OF CUMULATIVE PREFERENCE SHARES	SHARE CAPITAL AND SHARE PREMIUM R'000	CUMULATIVE PREFERENCE SHARE CAPITAL R'000	REVALUATION AND OTHER RESERVES ⁽¹⁾ R'000	ACCUMU- LATED LOSS R'000	TOTAL SHARE- HOLDERS' EQUITY R'000	MINORITY INTEREST R'000	TOTAL EQUITY R'000
GROUP									
Balance at 1 July 2005	296 206 048	5 000 000	3 564 974	500	62 134	(3 150 358)	477 250	5 844	483 094
Issued shares for cash	23 200 021		199 870				199 870		199 870
Staff options issued	629 009		3 468				3 468		3 468
Share issue expenses			(6 944)				(6 944)		(6 944)
Share-based payments					13 341		13 341		13 341
Acquisition of subsidiaries					126 489		126 489	200 526	327 015
Foreign exchange gain on translation					78 762		78 762	31 124	109 886
Loss for the year						(110 089)	(110 089)	(4 369)	(114 458)
Balance at 30 June 2006	320 035 078	5 000 000	3 761 368	500	280 726	(3 260 447)	782 147	233 125	1 015 272
Issued shares for cash	50 132 575		314 594				314 594		314 594
Staff options issued	174 328		973				973		973
Share issue expenses			(7 839)				(7 839)		(7 839)
Share-based payments					12 686		12 686		12 686
Partial disposal of subsidiary								18 515	18 515
Foreign exchange loss on translation					(36 924)		(36 924)	(8 791)	(45 715)
Loss for the year						(924 466)	(924 466)	(240 564)	(1 165 030)
Balance at 30 June 2007	370 341 981	5 000 000	4 069 096	500	256 488	(4 184 913)	141 171	2 285	143 456
COMPANY									
Balance at 1 July 2005	296 206 048	5 000 000	3 564 974	500	16 555	(3 157 248)	424 781		424 781
Issued shares for cash	23 200 021		199 870				199 870		199 870
Staff options issued	629 009		3 468				3 468		3 468
Share issue expenses			(6 944)				(6 944)		(6 944)
Share-based payments					13 341		13 341		13 341
Profit for the year						263 810	263 810		263 810
Balance at 30 June 2006	320 035 078	5 000 000	3 761 368	500	29 896	(2 893 438)	898 326		898 326
Issued shares for cash	50 132 575		314 594				314 594		314 594
Staff options issued	174 328		973				973		973
Share issue expenses			(7 839)				(7 839)		(7 839)
Share-based payments					7 559		7 559		7 559
Loss for the year						(510 471)	(510 471)		(510 471)
Balance at 30 June 2007	370 341 981	5 000 000	4 069 096	500	37 455	(3 403 909)	703 142		703 142

⁽¹⁾ Revaluation and other reserves comprise foreign exchange differences arising on translation of foreign subsidiaries, share-based payment reserves and asset revaluation reserves (refer note 17).

Cash flow statements

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000	Note	2007 R'000	2006 R'000
		CASH FLOWS FROM OPERATING ACTIVITIES		
1 599 994	2 209 705	Cash received from sales of precious metals	–	–
(1 547 850)	(2 153 063)	Cash paid to suppliers and employees	(4 870)	(38 919)
52 144	56 642	Cash generated by/(applied to) operations A	(4 870)	(38 919)
32 841	15 925	Investment income	4 346	3 456
–	3 829	Dividends received	2 991	–
(42 109)	(58 842)	Finance expenses	(15 268)	(31 380)
(27 002)	(17 268)	Income tax paid	–	–
(37 375)	–	Payment arising from derivative financial instruments	–	–
(21 501)	286	Net cash inflow/(outflow) from operating activities	(12 801)	(66 843)
		CASH FLOWS FROM INVESTING ACTIVITIES		
(50 862)	(7 498)	Purchase of investments	–	(31 803)
385	3 774	Proceeds on sale of investments	3 774	–
(263 286)	(313 034)	Additions to property, plant and equipment	(122)	(1 056)
7 162	981	Proceeds on disposal of property, plant and equipment	–	18
45 343	–	Decrease/(increase) in amounts owing to/from subsidiaries	150 821	(187 726)
22 325	(558)	Purchase of subsidiaries net of cash acquired B	–	–
		Disposal of subsidiaries net of cash disposed of B	43	22 325
(238 933)	(316 335)	Net cash (outflow)/inflow from investing activities	154 516	(198 242)
		CASH FLOWS FROM FINANCING ACTIVITIES		
203 338	315 567	Proceeds from the issue of shares	315 567	203 338
332 694	111 576	Advances from long-term liabilities	–	–
(76 778)	(518 046)	Repayments of long-term liabilities	(492 828)	–
(6 944)	(7 839)	Share issue expenses	(7 839)	(6 944)
452 310	(98 742)	Net cash (outflow)/inflow from financing activities	(185 100)	196 394
		NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
191 876	(414 791)	Cash and cash equivalents at the beginning of the year	(43 385)	(68 691)
232 038	486 551	Foreign exchange movements	24 051	92 742
62 637	(54 341)			
486 551	17 419	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR C	(19 334)	24 051

Notes to the cash flow statements

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		A RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED BY/(APPLIED TO) OPERATIONS		
(108 388)	(1 250 235)	(Loss)/profit before taxation	(510 514)	245 488
		Adjusted for		
150 632	178 932	Depreciation	454	303
39 069	19 952	Movement in provision for environmental rehabilitation	6 098	9 244
(3 506)	(17 255)	Movement in gold in progress	–	–
(34 614)	50 852	Loss/(profit) on derivative financial instruments	(144 550)	144 513
(118 538)	878 046	Impairments	622 564	184 126
(6 537)	301	Loss/(profit) on sale of property, plant and equipment	–	(18)
13 341	12 686	Share-based payments	7 559	13 341
9 937	5 088	Amortisation of convertible loan issuance costs	5 088	9 937
241	1 730	Non-cash movement in provisions	–	–
(472)	2 331	Impairment loss on trade receivables	964	2 916
6 523	180	Actuarial losses on post-retirement end employee benefits	–	–
151 963	–	Share of loss of associates	–	–
(43 061)	(25 686)	Investment income	(20 421)	(640 685)
46 339	102 546	Finance expenses	12 694	29 688
102 929	(40 532)	Operating (loss)/profit before working capital changes	(20 064)	(1 147)
(50 785)	97 174	Working capital changes	15 194	(37 772)
(39 568)	21 717	Accounts receivable	21 273	(20 709)
(5 818)	57 733	Inventories	(4)	(40)
(4 673)	(1 577)	Accounts payable and accrued liabilities	(6 075)	(17 023)
(726)	19 301	Post-retirement and other employee benefits	–	–
52 144	56 642	Cash generated by/(applied to) operations	(4 870)	(38 919)
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH		
		Disposal of Buffelsfontein Gold Mines Limited		
		With effect from 22 March 2005 Buffelsfontein Gold Mines Limited was liquidated.		
18 322	43	Costs on liquidation	43	18 322
18 322	43	Cash flow on disposal of subsidiary	43	18 322
		Acquisition of Crown Gold Recoveries (Pty) Limited		
		With effect from 30 November 2005 the group acquired an additional 60% of the shares of Crown Gold Recoveries (Pty) Limited from Khumo Bathong Holdings (Pty) Limited. In 2006, the acquired business contributed revenues of R206.5 million and profit of R24.1 million.		

Notes to the cash flow statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH (continued)		
		The fair value of the assets acquired were as follows:		
132 918		Property, plant and equipment		
8 656		Non-current investments and other assets		
16 972		Inventories		
9 683		Accounts receivable		
11 175		Cash and cash equivalents		
(90 375)		Provision for environmental rehabilitation		
(14 765)		Post retirement and employee benefits		
(26 020)		Amounts owing to group companies		
(48 104)		Accounts payable and provisions		
(140)		Taxation payable		
–		Total fair value at time of acquisition		
–		Total consideration		
11 175		Add: cash and cash equivalents of acquired entity		
11 175		Cash flow on acquisition of subsidiary net of cash acquired		
		Acquisition of East Rand Proprietary Mines Limited		
		With effect from 30 November 2005 the group acquired 100% of the shares of East Rand Proprietary Mines Limited from Khumo Bathong Holdings (Pty) Limited. In 2006, the acquired business contributed revenues of R225.2 million and profit of R1.2 million.		
		The fair value of the assets acquired were as follows:		
119 088		Property, plant and equipment		
2 784		Non-current investments and other assets		
6 527		Inventories		
14 950		Accounts receivable		
9 313		Cash and cash equivalents		
(41 215)		Provision for environmental rehabilitation		
(46 364)		Amounts owing to group companies		
(65 083)		Accounts payable and provisions		
–		Total fair value at time of acquisition		
–		Total consideration		
9 313		Add: cash and cash equivalents of acquired entity		
9 313		Cash flow on acquisition of subsidiary net of cash acquired		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH (continued)		
		Acquisition of Emperor Mines Limited/disposal of the Vatukoula mine		
		With effect from 6 April 2006 the group acquired an additional 48.75% holding in the shares of Emperor Mines Limited. In 2006, the acquired business contributed revenues of R15.8 million and profit of R12.8 million since 6 April 2006.		
		On 28 March 2007, Emperor Mines Limited disposed of the Vatukoula mine to Westech Gold (Pty) Ltd.		
		The fair value of the assets acquired/disposed of were as follows:		
630 236	–	Property, plant and equipment		
2 695	–	Deferred mining and income taxes asset		
39 071	–	Inventories		
5 075	–	Accounts receivable		
24 855	601	Cash and cash equivalents		
(5 885)	(11 325)	Provision for environmental rehabilitation		
(3 247)	–	Post retirement and employee benefits		
(31)	–	Deferred mining and income taxes liability		
(83 694)	–	Long-term liabilities		
(215 301)	–	Financial liabilities		
(47 794)	–	Amounts owing to group companies		
(60 622)	(80 171)	Accounts payable and provisions		
(2 571)	–	Taxation payable		
–	90 895	Profit on disposal		
282 787	–	Total fair value at time of acquisition/disposal		
(282 787)	–	Total consideration		
24 855	(601)	Add: cash and cash equivalents of (disposed)/acquired of entity		
24 855	(601)	Cash flow on (disposal)/acquisition of subsidiary net of cash acquired		
		Disposal of Stand 752 (Pty) Limited		
		With effect from 30 September 2005 Stand 752, Parktown Extension (Pty) Limited was sold.		
		The fair value of the assets disposed of were as follows:		
3 340		Property, plant and equipment		3 340
(11)		Accounts payable and provisions		(11)
3 329		Net book value at time of disposal		3 329
674		Fair value adjustment		674
4 003		Fair value at time of disposal		4 003
–		Less cash and cash equivalents of subsidiary		–
4 003		Cash flow on disposal of subsidiary		4 003

Notes to the cash flow statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH (continued)		
		Total net cash flow on disposal/acquisition of subsidiaries		
18 322	43	Buffelsfontein Gold Mines Limited	43	18 322
11 175		Crown Gold Recoveries (Pty) Limited		
9 313		East Rand Proprietary Mines Limited		
24 855	(601)	Emperor Mines Limited		
4 003		Stand 752, Parktown Extension (Pty) Limited		4 003
67 668	(558)		43	22 325
		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.		
488 961	135 268	Cash and cash equivalents	5 863	26 004
457 062	105 420	Cash on hand	5 863	26 004
31 899	29 848	Metals on consignment		
(2 410)	(117 849)	Bank overdrafts	(25 197)	(1 953)
486 551	17 419		(19 334)	24 051
		CASH FLOWS FROM DISCONTINUED OPERATION		
(91 714)	(37 911)	Net cash from operating activities		
(14 743)	(66 164)	Net cash from investing activities		
101 193	93 112	Net cash from financing activities		

Notes to the annual financial statements

for the year ended 30 June 2007

1 ACCOUNTING POLICIES

DRDGOLD Limited is a company domiciled South Africa. The consolidated financial statements of the company for the year ended 30 June 2007 comprise the company and its subsidiaries, together referred to as the group, and its interests in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 21 September 2007.

BASIS OF PREPARATION

The financial statements are presented in South African rands, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

The accounting policies set out below have been applied consistently by all entities in the group to all periods presented in these consolidated financial statements.

New accounting standards and IFRIC interpretations

Certain new accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations have been published that are mandatory for accounting periods beginning on or after 1 November 2007. These new standards and interpretations have not been early adopted by the group and a reliable estimate of the impact of the adoption thereof for the group cannot yet be determined for all of them, as management is still in the process of determining the impact of these standards and interpretations on future financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

STANDARD/ INTERPRETATION		EFFECTIVE DATE
IAS 23	Borrowing Costs	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IFRS 7	Financial Instruments: Disclosures (including amendments to IAS 1, Presentation of Financial Statements: Capital Disclosures)	Annual periods commencing on or after 1 January 2007 ⁽¹⁾
IFRS 8	Operating Segments	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IFRIC 10	Interim Financial Reporting and Impairment	Annual periods commencing on or after 1 November 2006 ⁽¹⁾
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	Annual periods commencing on or after 1 March 2007 ⁽¹⁾
IFRIC 12	Service Concession Arrangements	Annual periods commencing on or after 1 January 2008 ⁽²⁾
IFRIC 13	Customer Loyalty Programmes	Annual periods commencing on or after 1 July 2008 ⁽²⁾
IFRIC 14	IAS – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods commencing on or after 1 January 2008 ⁽¹⁾

⁽¹⁾ Not yet assessed

⁽²⁾ Assessed: not applicable

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries are recognised at cost less impairment losses in the company's separate accounts.

Subsidiaries with a year-end on a date other than 30 June are included in the consolidated financial statements using the most recent financial results with no more than a three month difference. Adjustments are made for material transactions and events between the group and subsidiary in the intervening period.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures

Joint ventures are those entities over the activities of which the group has joint control, established by contractual agreement. The consolidated financial statements include the group's proportionate share of the entities' assets, liabilities, revenue and expenses, with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY

Functional currency

It is a requirement under IFRS for each business entity to determine its functional currency. This is determined by all companies in the group by analysing all sources and influences of various currencies on their respective financial position and performance, in order to establish the currency with the most dominant influence, as its functional currency.

Each entity in the group has determined its own functional currency in accordance with the above process. The functional currency of the company is the rand.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rands at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated

at fair value, are translated to rands at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rands at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, namely the foreign currency translation reserve.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to a translation reserve. They are released into the income statement upon disposal.

FINANCIAL INSTRUMENTS

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

Financial instruments are initially recognised at fair value and include transaction costs except those financial instruments measured at fair value through profit or loss.

Investments

Investments are managed and their performance evaluated on a fair value basis in accordance with the group's investment strategy.

Investments comprise investments in listed and unlisted companies, which are classified as 'financial assets at fair value through profit or loss' and are stated at fair value or at cost less impairment losses, where fair value cannot be reliably measured. Realised and unrealised investment gains and losses are recognised in the income statement.

The investments in Class A, B and C cumulative participating compulsorily redeemable preference shares are classified as an investment in an unlisted entity, and measured at fair value through profit or loss.

Derivative financial instruments

The group uses derivative financial instruments as economic hedges to hedge its exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are

stated at fair value. The gain or loss is recognised immediately in profit or loss.

Trade and other receivables

Trade and other receivables are initially stated at amortised cost less impairment losses (see below on impairment), whereafter it is measured at fair value.

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 value of cash and cash equivalents is stated at fair value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Convertible loan notes

Convertible loan notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible loan notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

Where the conversion feature in convertible loan notes is denominated in a foreign currency with a conversion option to convert a fixed amount of notes into a fixed number of shares denominated in the functional currency, the convertible loan notes are classified entirely as a liability.

Trade and other payables

Trade and other payables are initially stated at amortised cost, using the effective interest rate method, whereafter it is measured at fair value.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

The group's property, plant and equipment consists mainly of mining assets which comprise mining properties, mineral rights,

development costs and mine plant facilities. Development costs which are capitalised, consist primarily of expenditure that gives access to proven and probable ore reserves. Mine development costs to maintain production and exploration costs, are expensed as incurred.

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that have been revalued to fair value on or prior to 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment with costs that are significant in relation to the total cost of the item, have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments in terms of finance leases, are apportioned between finance charge and the reduction of the outstanding liability. Assets held under finance leases are accounted for in the same manner as owned property, plant and equipment. These assets are recognised at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation of mining properties, mineral rights and development costs are computed using 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 basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

The current estimated useful lives are:

- **mining properties**
units-of-production method
- **mine plant facilities**
2 – 10 years
- **mine development**
units-of-production method
- **equipment and vehicles**
5 years

The residual value, estimated useful lives and depreciation method are re-assessed annually.

IMPAIRMENT

The carrying amounts of the group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of units), and then, to reduce the carrying amount of the other assets in the unit, (group of units) on a pro-rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amounts

The recoverable amount of the group's investments in held-to-maturity securities and receivables, carried at amortised cost, is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or

receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and indicators suggest that the impairment loss may have reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Consumable stores are stated at the lower of cost and net realisable value. Cost of consumables is based on the weighted average cost principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred taxation is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of

deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, at balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends, such as secondary tax on companies, are recognised at the same time as the liability to pay the related dividend.

SHARE CAPITAL

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholder or if dividend payments are not discretionary.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

EMPLOYEE BENEFITS

Defined contribution plans

Pension plans, which are multi-employer plans in the nature of defined contribution plans, are funded through monthly contributions to these defined contribution plans. Obligations for contributions are recognised as an expense in the income statement as incurred.

Long-service benefits

The group makes long-service bonus payments (long-service awards) for certain eligible employees, under the Chamber of Mines of South Africa Long Service Award Scheme. The amount of the award is based on both the employee's skill level and years of service with qualified gold mining companies. The obligation is accrued over the service life of the employees and is calculated using a projected unit credit method.

Share-based payment transactions

The group grants share options to certain employees under an employee share plan to acquire shares of the company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount

recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions such as share prices not achieving the threshold for vesting.

Post-retirement medical benefits

Post-retirement medical benefits in respect of qualifying employees are recognised as an expense over the expected remaining service lives of relevant employees. The group has an obligation to provide medical benefits to certain of its pensioners and dependants of ex-employees. These liabilities are provided in full, calculated on an actuarial basis and discounted using the projected unit credit method. Periodic valuation of these obligations is carried out by independent actuaries using appropriate mortality tables, long-term estimates of increases in medical costs and appropriate discount rates. Actuarial gains and losses are recognised in the income statement.

PROVISIONS

A provision is recognised in the balance sheet when the group has present legal or constructive obligations resulting from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Environmental rehabilitation

Based on the group's interpretation of current environmental and regulatory requirements, as well as present obligations as environmental damage is incurred, the costs of rehabilitation and restoration are estimated and accrued, with the corresponding recognition being part of the cost of an item of property, plant and equipment.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. As a result of potential changes in regulations or cost estimates, there is a probability that estimates of the ultimate rehabilitation liabilities could change.

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.

REVENUE RECOGNITION

Gold bullion and by-products

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. In the case of gold bullion, this occurs when it is delivered to the relevant refinery. For revenue from related by-products, risk and reward transference takes place on delivery to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

Dividends and interest

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.

Government grants

Grants that compensate the group for expenses incurred are deferred and recognised in the income statement as a deduction against the related expense in the period in which the grant becomes receivable.

Investment income

Investment income includes dividends received, interest received, foreign exchange gains and losses, growth in the environmental rehabilitation trust funds and other profits and losses arising on disposal of investments.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance expenses

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, unwinding of discounting of provision for environmental rehabilitation and interest on finance leases.

Finance costs capitalised

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.

SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A held for sale asset is classified as such if it is a non-current asset, or group of assets, to be disposed of, by sale or otherwise. On initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value, less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

A discontinued operation in the group is a component of the group's business that represents a separate major line of business, or geographical area of operations which has been disposed of or is held for sale, or is a subsidiary acquired exclusively for resale.

An operation is recognised as being discontinued on disposal or the date it meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify. When an operation is classified as a discontinued operation, the comparative income statement is restated.

EARNINGS OR LOSS PER SHARE

Earnings or loss per share are calculated based on the net profit or loss after taxation for the year attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. Headline earnings or loss per share are calculated based on the profit or loss after taxation but before certain items of a capital nature. Diluted earnings or loss per share and headline earnings or loss per share are presented when the inclusion of ordinary shares that may be issued in the future, has a dilutive effect on earnings or loss per share and headline earnings or loss per share.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

In absence of the more specific guidance, the group consistently applied the book value measurement method to all common control transactions.

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		2 REVENUE		
		Revenue consists of the following principal categories:		
1 576 883	2 160 800	Gold revenue	–	–
23 111	48 905	By-product revenue	–	–
1 599 994	2 209 705	Total revenue	–	–
		3 OPERATING LOSS BEFORE INVESTMENT INCOME AND FINANCE EXPENSES INCLUDES THE FOLLOWING:		
(13 606)	(15 418)	Auditors' remuneration	(5 425)	(6 799)
(9 595)	(11 555)	Audit fees – current year	(4 654)	(4 504)
(951)	(2 291)	Underprovision – prior year	(771)	(417)
(3 060)	(1 572)	Fees for other services	–	(1 878)
(15 476)	(11 811)	Management, technical, administrative and secretarial service fees	(6 532)	(9 296)
(487 058)	(795 926)	Staff costs	(22 401)	(34 218)
		Included in staff costs are:		
(440 525)	(706 663)	Salaries and wages	(13 612)	(19 480)
(13 341)	(12 686)	Share-based payments	(7 559)	(13 341)
(5 626)	(27 445)	Retrenchment and restructuring costs	(865)	(983)
(27 566)	(49 132)	Pension fund contributions	(365)	(414)
6 537	(301)	Income from subsidiaries	40 656	61 704
		Administration and management fees		
118 538	(878 046)	(Loss)/profit on sale of property, plant and equipment	–	18
		Impairments	(622 564)	(184 126)
–	(872 133)	Property, plant and equipment	–	–
67 728	–	Investments in and loans to subsidiaries	(616 675)	(160 469)
74 488	–	Investments in and loans to associates	–	–
(23 678)	(5 913)	Other loans	(5 889)	(23 657)
		During the year ended 30 June 2007 an impairment, amounting to R872.1 million, was recorded against property, plant and equipment at the Emperor Mines Limited group. R65.0 million relates to an impairment of Tolumkuma Gold Mines Limited property, plant and equipment and R807.1 million relates to an impairment of the Vatukoula mine's property, plant and equipment. The impairment was due to recoverable amount being less than the carrying amount.		
		An impairment of R3.5 million was recorded during the current year against the preference shares held by the company in its black economic empowerment partner, Khumo Gold SPV (Pty) Limited. A further impairment of R2.4 million was raised against the loan to the DRDGOLD SA Staff Share Trust, which currently holds 6% of DRDGOLD SA. The impairment was due to recoverable amount being less than the carrying amount.		

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		<p>3 OPERATING LOSS BEFORE INVESTMENT INCOME AND FINANCE EXPENSES INCLUDES THE FOLLOWING: (continued)</p> <p>During the year ended 30 June 2006, the group reversed R67.7 million of the R160.4 million impairment recorded in 2004 and 2005 against loans advanced to East Rand Proprietary Mines Limited (ERPM). The ability of ERPM to repay the loans was reassessed based on the discounted cash flows of that operation. The discounted cash flows were calculated using the updated mine plan, a gold price of R131 094 per kilogram and a discount rate of 13%. Accordingly, a decision was made to reverse a portion of the previously recorded impairments.</p> <p>The R74.5 million impairment recorded in 2005 on the group's investment in Emperor Mines Limited (Emperor) was reversed during the year ended 30 June 2006, based on the market price of Emperor's shares on the Australian Stock Exchange. The investment was impaired the previous year down to A\$0.28 per share. As at 30 June 2006, Emperor's share price closed at A\$0.40 per share.</p> <p>On 1 July 2005, an agreement was signed between the company and the Industrial Development Corporation of South Africa (IDC) in terms of which the company acquired all the IDC loans, including the rights securing payment of such loans, to Crown Gold Recoveries (Pty) Limited and East Rand Proprietary Mines Limited for a purchase consideration of R28.9 million. As uncertainty on the repayment of the loans existed at 30 June 2006, an impairment of R28.9 million was charged against income.</p> <p>On 12 June 2002, the company entered into a loan agreement with Khumo Bathong Holdings (Pty) Limited (KBH) for an amount of R5.3 million. This amount was impaired in 2004 and the impairment reversed during the year ended 30 June 2006 as the loan was repaid.</p>		
(1 631)	(3 428)	Operating lease	(1 790)	(1 631)
6 096	19 599	Pumping subsidy received	–	–

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		4 DIRECTORS' EMOLUMENTS		
		Executive directors		
		<i>Services rendered as directors of the company</i>		
(3 422)	(2 852)	Salaries	(2 852)	(3 422)
(2 065)	(1 184)	Bonuses	(1 184)	(2 065)
(50)	–	Pension/provident fund contributions	–	(50)
(950)	–	End-of-contract payments	–	(950)
		<i>Services rendered by directors as directors of subsidiaries</i>		
(3 651)	(2 556)	Salaries		
(3 397)	(3 134)	Bonuses		
(2 251)	(1 905)	End-of-contract payments		
		Non-executive directors		
		<i>Services rendered as directors of the company</i>		
(2 082)	(2 473)	Directors' fees and bonuses	(2 473)	(2 082)
		<i>Services rendered by directors as directors of subsidiaries</i>		
–	(1 147)	Directors' fees and bonuses		
		Alternate directors		
		<i>Services rendered as directors of the company</i>		
–	(943)	Salaries	(943)	–
–	(70)	Pension/provident fund contributions	(70)	–
		<i>Services rendered by directors as directors of subsidiaries</i>		
–	(398)	Salaries		
–	(431)	Bonuses		
(17 868)	(17 093)	Included in administration expenses and general costs	(7 522)	(8 569)
		5 INVESTMENT INCOME		
–	3 829	Dividends received	2 991	–
–	1 960	Royalties received	1 960	–
87	1 123	Sundry investment income	–	58
8 206	12 998	Interest received	6 894	6 937
455	1 152	Profit/(loss) on realisation of listed and unlisted investments	1 323	(51)
674	(8 896)	(Loss)/profit on disposal of subsidiaries	(7 205)	701 811
88 361	–	Profit arising on rights issue by subsidiary	–	–
5 515	8 061	Growth in environmental rehabilitation trust funds	1 294	993
(43 608)	14 012	Unrealised foreign exchange gain/(loss)	12 854	(69 063)
(16 629)	(8 553)	Fair value adjustments to financial instruments	310	–
43 061	25 686		20 421	640 685

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		6 INCOME TAX EXPENSE		
(23 069)	(204)	Mining tax	–	–
(1 323)	(5 068)	Non-mining tax	–	–
–	(461)	Secondary tax on companies	–	–
(24 392)	(5 733)		–	–
		Comprising:		
		South African		
289	(276)	Current tax – current year	–	–
(1 612)	–	– prior year	–	–
–	(461)	Secondary tax on companies	–	–
		Foreign		
(14 436)	(4 792)	Current tax – current year	–	–
(8 633)	(204)	Deferred tax – current year	–	–
(24 392)	(5 733)		–	–
		<p>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% (2006: 29%).</p> <p>The tax rates applicable to mining and non-mining income of a gold mining company depend on whether the company has elected to be exempt from Secondary Tax on Companies (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.</p> <p>In 2007 and 2006, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 45% (2006: 45%) and 37% (2006: 37%), respectively. During those same years the tax rates for companies that did not elect the STC exemption were 35% (2006: 35%) and 29% (2006: 29%), for taxable mining and non-mining income respectively.</p>		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		6 INCOME TAX EXPENSE (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% (2006: 35%) tax on mining income and 29% (2006: 29%) for non-mining income. With the exception of Crown, all of the South African subsidiaries elected not to be exempt from STC. The tax rate for all the Australasian operations is 30%.		
		South African deferred tax is provided at the estimated effective mining tax rate applicable in terms of the mining tax formula to the relevant operations at either 35% or 45% (2006: 35% or 45%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2006: 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.		
1 536 421	1 724 708	Unredeemed capital expenditure at year-end (available for deduction against future mining income)	131 504	131 504
653 683	892 363	Estimated tax losses at year-end (available to reduce future taxable income)	162 037	104 535
2 190 104	2 617 071	Tax losses and unredeemed capital expenditure carried forward	293 541	236 039
765 221	879 635	Estimated future tax relief at applicable statutory rates	85 127	68 451
		Tax reconciliation		
		Major items causing the group's income tax provision to differ from the statutory rate were:		
42 656	451 071	Taxation benefit on net loss at applicable statutory rates		
(5 933)	(516 926)	Temporary difference for which deferred tax assets not recognised		
(68 678)	(78 930)	Disallowable expenditure		
6 554	139 705	Exempt income		
(1 612)	–	Additional tax expense relating to the prior year		
–	3 107	Tax incentives		
–	(461)	Secondary tax on companies		
2 621	(3 299)	Other		
(24 392)	(5 733)	Taxation charge	–	–

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		<p>7 PROFIT FROM DISCONTINUED OPERATIONS</p> <p>An extensive three-month review of the Vatukoula mine was completed in early December 2006. The results of the review concluded that continuation of the current mine plan was no longer economically viable. On 5 December 2006 mining ceased, and the mine was closed and placed on care and maintenance.</p> <p>As a result of the permanent cessation of the Fijian operations by Emperor, the Vatukoula mine was classified as discontinued in December 2006. In June 2006 the Vatukoula operation was not a discontinued operation and the comparative income statement has been re-presented to show the discontinued operation separately from the continuing operations.</p> <p>On 9 March 2005, the North West Operations suffered the effects of an earthquake measuring 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.</p>		
–	90 895	Profit on disposal of the Vatukoula mine		
18 322	43	Costs recovered on liquidation of the North West Operations	43	18 322
18 322	90 938	Profit from discontinued operations	43	18 322

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		8 LOSS PER SHARE		
		Basic		
		The calculation of loss per ordinary share is based on the following:		
(110 089)	(924 466)	Basic loss attributable to ordinary shareholders		
(29 161)	(191 187)	Basic loss from continuing operations attributable to ordinary shareholders		
310 565 826	340 928 374	Weighted average number of ordinary shares in issue		
		Headline		
		The basic loss has been adjusted by the following to arrive at a headline loss:		
(110 089)	(924 466)	Basic loss attributable to ordinary shareholders		
(118 538)	878 046	Impairments		
(6 537)	301	Loss/(profit) on sale of mining assets		
(89 491)	7 744	Loss/(profit) on sale of investments		
(18 322)	(90 938)	Profit on disposal of discontinued operations		
-	(166 330)	Minority interest in headline earnings adjustments		
(342 977)	(295 643)	Headline loss attributable to ordinary shareholders		
		Diluted		
(110 089)	(924 466)	Basic loss attributable to ordinary shareholders		
28 548	-	Interest paid on convertible loan notes		
(81 541)	(924 466)	Diluted basic loss		
(232 888)	628 823	Headline earnings adjustments		
(314 429)	(295 643)	Diluted headline loss		
		Reconciliation of weighted average ordinary shares to diluted weighted average ordinary shares		
310 565 826	340 928 374	Weighted average number of ordinary shares in issue		
17 600 000	-	Convertible loan notes		
328 165 826	340 928 374	Diluted weighted average number of ordinary shares		
(35)	(271)	Basic and diluted loss per ordinary share (cents)		
(9)	(56)	Basic and diluted loss from continuing operations per ordinary share (cents)		
(110)	(87)	Headline and diluted headline loss per ordinary share (cents)		
(55)	(37)	Headline and diluted headline loss from continuing operations per ordinary share (cents)		
		There is no dilution in loss per share for 2006 as the effect of dilutive securities in issue would be anti-dilutive, because the group recorded a loss. There is no dilution for 2007 as the group recorded a loss and there were no dilutive securities in issue.		

Notes to the annual financial statements continued

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9 PROPERTY, PLANT AND EQUIPMENT		
		Total		
3 768 207	2 783 736	Cost	2 667	2 545
2 801 559	3 768 207	Opening balance	2 545	427 134
930 824	–	Acquired through purchase of subsidiaries	–	–
263 286	313 034	Additions	122	1 056
(643)	(2 082)	Disposals	–	(18)
(7 237)	–	Disposed through disposal of subsidiary	–	–
(425 627)	(1 377 786)	Transferred to non-current assets held for sale	–	(425 627)
206 045	82 363	Foreign exchange movement	–	–
(1 917 611)	(2 133 966)	Accumulated depreciation and impairment losses	(1 892)	(1 438)
(2 069 969)	(1 917 611)	Opening balance	(1 438)	(411 780)
(150 632)	(178 932)	Current depreciation	(454)	(303)
–	(872 133)	Impairment of assets	–	–
18	800	Disposals	–	18
3 897	–	Disposed through disposal of subsidiary	–	–
410 627	892 086	Transferred to non-current assets held for sale	–	410 627
(111 552)	(58 176)	Foreign exchange movement	–	–
1 850 596	649 770	Net book value	775	1 107
		Mining properties		
1 018 311	926 485	Cost	–	–
824 799	1 018 311	Opening balance	–	425 627
539 188	–	Acquired through purchase of subsidiaries	–	–
24 867	19 402	Additions	–	–
(380)	–	Disposals	–	–
(5 470)	–	Disposed through disposal of subsidiary	–	–
(425 627)	(195 941)	Transferred to non-current assets held for sale	–	(425 627)
60 934	84 713	Foreign exchange movement	–	–
(250 601)	(869 977)	Accumulated depreciation and impairment losses	–	–
(619 235)	(250 601)	Opening balance	–	(410 627)
(30 022)	(41 366)	Current depreciation	–	–
–	(596 323)	Impairment of assets	–	–
2 915	–	Disposed through disposal of subsidiary	–	–
410 627	91 294	Transferred to non-current assets held for sale	–	410 627
(14 886)	(72 981)	Foreign exchange movement	–	–
767 710	56 508	Net book value	–	–

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		Mine development		
1 525 030	895 907	Cost	-	-
1 153 613	1 525 030	Opening balance	-	-
137 589	-	Acquired through purchase of subsidiaries	-	-
165 338	180 089	Additions	-	-
-	(51)	Disposals	-	-
-	(798 176)	Transferred to non-current assets held for sale	-	-
68 490	(10 985)	Foreign exchange movement	-	-
(892 199)	(521 911)	Accumulated depreciation and impairment losses	-	-
(777 822)	(892 199)	Opening balance	-	-
(66 397)	(74 680)	Current depreciation	-	-
-	(37 128)	Impairment of assets	-	-
-	473 553	Transferred to non-current assets held for sale	-	-
(47 980)	8 543	Foreign exchange movement	-	-
632 831	373 996	Net book value	-	-
		Mine plant facilities		
977 440	719 930	Cost	-	-
632 243	977 440	Opening balance	-	-
252 366	-	Acquired through purchase of subsidiaries	-	-
47 446	81 528	Additions	-	-
(245)	(267)	Disposals	-	-
-	(355 254)	Transferred to non-current assets held for sale	-	-
45 630	16 483	Foreign exchange movement	-	-
(599 186)	(530 577)	Accumulated depreciation and impairment losses	-	-
(538 704)	(599 186)	Opening balance	-	-
(33 178)	(39 507)	Current depreciation	-	-
-	(210 939)	Impairment of assets	-	-
-	321 222	Transferred to non-current assets held for sale	-	-
(27 304)	(2 167)	Foreign exchange movement	-	-
378 254	189 353	Net book value	-	-

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		Equipment and vehicles		
		Cost	2 667	2 545
204 851	220 027			
150 545	204 851	Opening balance	2 545	1 507
1 180	–	Acquired through purchase of subsidiaries	–	–
25 635	24 053	Additions	122	1 056
(18)	(1 764)	Disposals	–	(18)
(1 767)	–	Disposed through disposal of subsidiary	–	–
29 276	(7 113)	Foreign exchange movement	–	–
(151 067)	(192 165)	Accumulated depreciation and impairment losses	(1 892)	(1 438)
(111 421)	(151 067)	Opening balance	(1 438)	(1 153)
(18 412)	(22 428)	Current depreciation	(454)	(303)
–	(27 743)	Impairment of assets	–	–
18	800	Disposals	–	18
982	–	Disposed through disposal of subsidiary	–	–
(22 234)	8 273	Foreign exchange movement	–	–
53 784	27 862	Net book value	775	1 107
		Decommissioning asset		
		Cost	–	–
42 575	21 387			
40 359	42 575	Opening balance	–	–
501	–	Acquired through purchase of subsidiaries	–	–
–	7 962	Additions	–	–
–	(28 415)	Transferred to non-current assets held for sale	–	–
1 715	(735)	Foreign exchange movement	–	–
(24 558)	(19 336)	Accumulated depreciation and impairment losses	–	–
(22 787)	(24 558)	Opening balance	–	–
(2 623)	(951)	Current depreciation	–	–
–	6 017	Transferred to non-current assets held for sale	–	–
852	156	Foreign exchange movement	–	–
18 017	2 051	Net book value	–	–
		Certain assets have been encumbered as security for specified liabilities (refer note 21).		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		In assessing the recoverability of the above assets, where there are indicators of possible impairment, the estimated cash flows have been calculated using the following estimates: <ul style="list-style-type: none"> – recoverable proven and probable ore reserves; – gold price estimates are based on a gold price of R150 000 per kilogram of gold (US\$660 per ounce) in year one, escalating at an average of 7.89% per annum, and a base exchange rate of R7.12 = US\$1.00, with the rand weakening in future years based on the expected differential between the local South African interest rates in those years over the United States interest rates in those years; – working cost estimates are based on current working costs per kilogram at 30 June 2007, escalated for expected South African inflationary increases of approximately 7.5% per annum; and – capital cost estimates are based on current estimates of future development costs to mine the current proven and probable ore reserves, escalated for expected South African inflationary increases of approximately 7.5% per annum. 		
		10 NON-CURRENT INVESTMENTS AND OTHER ASSETS		
1 514	2 042	Listed investments (see below)	–	–
678	1 514	Opening balance	–	–
105	218	Foreign exchange movement	–	–
731	310	Fair value adjustment	–	–
37 411	46 463	Unlisted investments	38 856	32 835
–	11 257	Loan to DRDGOLD SA Staff Share Trust	11 257	–
60 383	75 770	Investments in environmental rehabilitation trust funds	16 399	15 105
42 885	60 383	Opening balance	15 105	14 088
8 276	–	Acquired through the purchase of subsidiaries	–	–
3 707	7 326	Contributions	–	24
5 515	8 061	Growth in environmental rehabilitation trust funds	1 294	993
99 308	135 532	Total non-current investments and other assets	66 512	47 940
37 411	46 463	Directors' valuation of unlisted investments	38 856	32 835

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

10 NON-CURRENT INVESTMENTS AND OTHER ASSETS (continued)

Listed investments consist of:

	% HELD	NUMBER OF SHARES	MARKET VALUE 2007 R'000	CARRYING VALUE 2007 R'000	CARRYING VALUE 2006 R'000
Drillsearch Energy Limited	#	1 820 000	2 022	2 022	1 473
Konekt Limited	#	22 500	20	20	41
			2 042	2 042	1 514

Represents a less than 1% shareholding.

The monies in the environmental rehabilitation trust funds are invested primarily in interest-bearing debt securities and equity-linked unit trusts and may be used only for environmental rehabilitation purposes. Unlisted investments comprise investments in various unlisted companies in South Africa. The valuations are based on the net asset value of these investments.

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		11 INVESTMENTS IN SUBSIDIARIES		
		Shares at cost, less impairment loss	965 471	1 603 949
		Net indebtedness, less impairment loss	(260 949)	(118 763)
		Amounts owing by subsidiaries, less impairment loss	79 080	106 942
		Amounts owing to subsidiaries	(340 029)	(225 705)
		Net investment in subsidiaries	704 522	1 485 186
		The interest of the company in the (loss)/profit after taxation of its subsidiaries is:		
		Aggregate losses	(2 444 878)	(164 005)
		Aggregate profits	141 859	228 014
		A schedule showing the company's financial interest in each subsidiary is given in the Directors' Report on pages 46 to 53.		
		12 INVESTMENTS IN ASSOCIATES		
103 212	–	Opening carrying amount	–	–
(151 963)	–	Net share of results of associates	–	–
48 751	–	Other movements	–	–
–	–	Closing carrying amount	–	–

12 INVESTMENTS IN ASSOCIATES (continued)

	COUNTRY OF INCORPORATION	% INTEREST HELD
The associates were:		
Crown Gold Recoveries (Pty) Limited	South Africa	40.0%
Emperor Mines Limited	Australia	45.3%

In terms of a black economic empowerment (BEE) transaction between the company and Khumo Gold SPV (Pty) Ltd effective from 30 November 2005, the company held 85% (currently 74%) of Crown Gold Recoveries (Pty) Limited (Crown). Accordingly, the results of Crown were consolidated with effect from the above date.

Due to its cumulative ownership of 45.3% of Emperor Mines Limited (Emperor) and the fact that the company exercised significant influence over Emperor, the company accounted for its investment in Emperor under the equity method of accounting as from the date of acquiring its stake in Emperor on 1 August 2004.

On 6 April 2006, a transaction was concluded between Emperor and the company, whereby DRDGOLD's offshore assets were sold to Emperor, resulting in the company's shareholding in Emperor increasing to 88.3% with effect from the above date. As a result, Emperor became a subsidiary with effect from that date and its results are accordingly now consolidated.

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		13 INVESTMENT IN JOINT VENTURE		
		The joint venture for which the income statement and balance sheet have been proportionately consolidated is as follows:		
		Porgera Joint Venture – percentage held	20.0%	20.0%
		The group acquired a 20% interest in the Porgera Joint Venture in Papua New Guinea on 14 October 2003. On 17 August 2007, the company completed the disposal of its 20% interest in the Porgera Joint Venture to a subsidiary of Barrick Gold Corporation (Barrick) for a purchase consideration of R1.8 billion (\$250.0 million). (Refer note 29)		
		The group's effective share of income, expenses, assets, liabilities and cash flows of the joint venture for the 9 months ended 31 March 2007, which is included in the consolidated financial statements, is as follows:		
		Income statement		
		Revenue		
		Cost of sales		
418 718 (246 620)	327 611 (200 394)			
172 098 (17 892)	127 217 (44 723)	Operating profit		
		Other income, administration and general costs		
154 206	82 494	Profit before taxation		

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		13 INVESTMENT IN JOINT VENTURE (continued)		
		Balance sheet		
1 012 739	888 594	Non-current assets		
90 706	118 476	Current assets		
1 103 445	1 007 070	Total assets		
1 040 663	949 739	Shareholders' equity		
5 454	5 967	Non-current liabilities		
57 328	51 364	Current liabilities		
1 103 445	1 007 070	Total equity and liabilities		
		14 INVENTORIES		
		Current		
124 634	31 875	Gold in process	–	–
84 125	76 866	Consumable stores	44	40
208 759	108 741		44	40
		Non-current		
219 258	–	Ore stock pile	–	–
428 017	108 741	Total inventories	44	40
		The following assumptions were used to assess the net realisable value of the ore stock piles:		
		– sales price of US\$650 per ounce at 30 June 2007 (2006: US\$613) per ounce;		
		– an exchange rate of kina 3.03 = US\$1,00 (2006: kina 3.11 = US\$1,00);		
		– overheads of US\$1.47 per tonne (2006: US\$1.47 per tonne); and		
		– processing costs of US\$15.22 per tonne (2006: US\$15.22 per tonne).		
		15 TRADE AND OTHER RECEIVABLES		
428	556	Receivables from related parties	96	79
6 492	21 550	Prepayments	–	–
95 178	41 310	Other receivables	8 165	30 418
102 098	63 416		8 261	30 497

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		<p>16 ASSETS CLASSIFIED AS HELD FOR SALE</p> <p>In April 2007, the group announced the sale of its 20% interest in the Porgera Joint Venture to Barrick. Total consideration for the transaction is R1.8 billion (\$250.0 million) plus an additional adjustment amount of R35.4 million (\$5.0 million), to be paid in cash. The effective date of the transaction was 1 April 2007.</p> <p>Emperor's consolidated loss includes nine months (1 July 2006 to 31 March 2007) of operating results from its 20% interest in the Porgera Joint Venture and excludes all Porgera Joint Venture operational transactions post 31 March 2007.</p> <p>The sale was approved by the company's shareholders and Emperor shareholders at the extraordinary general meetings held on 27 July and 30 July 2007 respectively. The transaction was subsequently completed on 17 August 2007.</p> <p>At 30 June 2007, as the sale was announced and not completed, the group's 20% interest in the Porgera Joint Venture has been disclosed as held for sale, comprising assets held for sale of R831.9 million and liabilities held for sale of R129.2 million.</p> <p>Mining property of R15.0 million, being the DRDGOLD mine village, is presented as held for sale following the decision of the group's management on 13 January 2006 to sell this disposal group as part of the closure of the old Durban Deep mine. A sale was expected by 30 June 2007, however, due to circumstances beyond the company's control the sale has been postponed and is expected to be completed by 30 June 2008. The company remains committed to its plan to sell this disposal group.</p> <p>The disposal groups are carried at the lower of carrying amount or fair value less costs to sell.</p> <p>Assets classified as held for sale</p>		
15 000	500 698	Property, plant and equipment	15 000	15 000
–	326 167	Inventories	–	–
–	17 616	Accounts receivable	–	–
–	2 408	Cash and cash equivalents	–	–
15 000	846 889		15 000	15 000
		<p>Liabilities classified as held for sale</p>		
–	48 133	Accounts payable and accrued liabilities	–	–
–	81 108	Provisions	–	–
–	129 241		–	–

Notes to the annual financial statements continued

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		17 SHAREHOLDERS' EQUITY		
		Details of shareholders' equity are provided in the Statements of changes in equity on page 57.		
		Authorised share capital 600 000 000 (2006: 600 000 000) ordinary shares of no par value 5 000 000 (2006: 5 000 000) cumulative preference shares of 10 cents each	500	500
3 761 368	4 069 096	Issued share capital 370 341 981 (2006: 320 035 078) ordinary shares of no par value 5 000 000 (2006: 5 000 000) cumulative preference shares of 10 cents each	4 069 096	3 761 368
500	500		500	500
3 761 868	4 069 596		4 069 596	3 761 868
		Share capital		
		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 thereunder 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 4.4% of the issued ordinary share capital which is within the internationally accepted guideline of 3 to 5% for such schemes.		
		In addition, the participants in the scheme are fully taxed at their marginal tax rate on any gains realised on the exercise of their options.		
		On 12 November 2002, the company issued \$66 million 6% Senior Convertible Notes (refer to note 21). The notes were convertible into ordinary shares, or American Depositary Receipts, at a conversion price of US\$3.75 per share at the company's election, subject to adjustment in certain events. On 15 November 2006, the company repaid, in full, its outstanding 6% Senior Convertible Notes which matured on 12 November 2006. The company's obligations under the Senior Convertible Notes have now been satisfied and discharged.		
		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.		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		17 SHAREHOLDERS' EQUITY (continued)		
		Cumulative preference shares		
		The terms of issue of the cumulative preference shares are that they carried 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 and Exploration Company Limited in September 1997. In 2005, the Argonaut mineral rights reverted to the South African Government after no application for conversion was lodged within the stipulated period of one year, under the provisions of the Mineral and Petroleum Resource Development Act (MPRDA).		
		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.		
		Revaluation and other reserves		
119 341	82 417	Foreign exchange translation reserve (a)	–	–
131 489	131 489	Asset revaluation reserve (b)	–	–
29 896	42 582	Share-based payments reserve (c)	37 455	29 896
280 726	256 488		37 455	29 896
		(a) The foreign exchange translation reserve represents the cumulative translation effect arising on the translation of the financial statements of the company's foreign operations.		
		(b) Certain items of property, plant and equipment that have been revalued to fair value on or prior to 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation. The revaluation adjustment of R5.0 million has been recognised in the asset revaluation reserve.		
		On the acquisition of Emperor an amount of R126.5 million was taken to the asset revaluation reserve. This amount represents that part of the increase in the fair value of Emperor's net assets after the acquisition of the group's initial interest which is attributable to that initial interest.		

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		17 SHAREHOLDERS' EQUITY (continued)		
		(c) The company issues equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to vest eventually. During 2007, a deferred share-based compensation expense of R12.7 million (2006: R13.3 million) was charged to the income statement (refer to note 3).		
		18 PROVISION FOR ENVIRONMENTAL REHABILITATION		
138 582	322 308	Opening balance	49 808	39 469
(311)	(580)	Foreign exchange movement	–	–
137 951	(756)	(Disposed)/acquired through (disposal)/purchase of subsidiaries	–	–
7 017	3 250	Interest charge	–	1 095
39 069	19 952	Charge to the income statement	6 098	9 244
–	(61 594)	Transferred to non-current liabilities held for sale	–	–
322 308	282 580	Closing balance	55 906	49 808
		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.		
		19 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS		
16 762	19 009	Liability for post-retirement medical benefits	–	–
3 800	1 322	Liability for long service awards	–	–
3 827	5 688	Liability for leave pay	–	–
24 389	26 019		–	–
		Retirement funds		
		In South Africa, the group participates in a number of multi-employer defined contribution 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.		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		19 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)		
		Retirement funds (continued)		
		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 member's 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 (the Act). According to the Act, the group has to contribute 7% of employee's earnings to a local superfund (NASFUND), while the employees contribute 5% of their gross salaries and wages. Payments are made to the fund on a monthly basis.		
		Amounts recognised in the income statement are as follows:		
(27 566)	(49 132)	Current service cost	(365)	(414)
		Post-retirement medical benefits		
		The group has an obligation to fund a portion of the medical aid contributions of certain of its employees after they have retired. A provision for post-retirement medical benefits has been raised, based on the latest calculations using a projected unit credit method, of independent actuaries performed as at 30 June 2006. Post-retirement medical benefits are actuarially valued every three years. The obligation is unfunded.		
		Amounts recognised in the balance sheet are as follows:		
–	16 762	Opening balance	–	–
13 839	–	Acquired through purchase of subsidiaries	–	–
2 923	2 247	Actuarial loss	–	–
16 762	19 009	Closing balance	–	–
		Amounts recognised in the income statement are as follows:		
(2 923)	(2 247)	Actuarial loss	–	–

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

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GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		19 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)		
		Principal actuarial assumptions at the balance sheet date:		
5.8%	5.8%	Health care cost inflation		
7.8%	7.8%	Discount rate		
1.9%	1.9%	Real discount rate		
50.0%	50.0%	Income at retirement (as % of final salary)		
62.5/63/65	62.5/63/65	Normal retirement age		
61.6/62.0/63.5	61.6/62.0/63.5	Expected average retirement age		
3 years	3 years	Spouse age gap		
85	85	Continuation at retirement		
85	85	Proportion married at retirement		
		Long service awards		
		The group participates in the Chamber of Mines of South Africa Long Service Awards Scheme (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 (Teba), 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 the employee 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 qualifying gold mining companies.		
		Amounts recognised in the balance sheet are as follows:		
–	3 800	Opening balance	–	–
4 526	(2 067)	Actuarial (gain)/loss	–	–
(726)	(411)	Benefits paid	–	–
3 800	1 322	Closing balance	–	–
		Amounts recognised in the income statement are as follows:		
(4 526)	2 067	Actuarial gain/(loss)	–	–

19 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)

Share option scheme

a) Details of the scheme

The company operates a share option scheme, DRDGOLD (1996) Share Scheme, (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 of the company is reserved for issuance thereunder 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 internationally 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 10 years after the date of grant, subject to the terms of the option plan. Options granted under a 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 10 years from the original date of the option 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 2005	13 051 786	14.04	6 507 374	17.52
Granted	3 090 944	5.94		
Exercised	(679 911)	5.54		
Forfeited/lapsed	(887 563)	11.64		
Balance at 30 June 2006	14 575 256	12.86	9 257 847	15.64
Granted	2 086 500	9.08		
Exercised	(123 426)	5.47		
Forfeited/lapsed	(283 556)	10.01		
Balance at 30 June 2007	16 254 774	12.48	12 163 058	14.18

Options to acquire the company's ordinary shares that were granted post 7 November 2002 and which remain unvested at 1 January 2005, are measured at fair value at grant date. This fair value is recognised as an employee expense over the vesting period, adjusted to reflect actual levels of vesting, with the corresponding credit to a share-based payments reserve, which is part of equity.

The fair value of the options granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted.

Notes to the annual financial statements continued

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		19 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)		
		c) The fair value of the options determined using the Black-Scholes option valuation model.		
		Significant inputs into the model were:		
		Market price at date of grant (rand per share)		
		1 November 2004 option grant	10.93	10.93
		15 April 2005 option grant	5.13	5.13
		17 June 2005 option grant	5.50	5.50
		25 October 2005 option grant	5.94	5.94
		30 October 2006 option grant	9.93	
		Vesting periods (years)		
		1 November 2004 option grant	3	3
		15 April 2005 option grant	3	3
		17 June 2005 option grant	3	3
		25 October 2005 option grant	3	3
		30 October 2006 option grant	3	
		Option strike price (rand per share)		
		1 November 2004 option grant	11.70	11.70
		15 April 2005 option grant	4.84	4.84
		17 June 2005 option grant	7.10	7.10
		25 October 2005 option grant	8.78	8.78
		30 October 2006 option grant	9.08	
		Risk-free rate		
		1 November 2004 option grant	8.56%	8.56%
		15 April 2005 option grant	7.81%	7.81%
		17 June 2005 option grant	7.58%	7.58%
		25 October 2005 option grant	7.94%	7.94%
		30 October 2006 option grant	8.39%	
		Volatility		
		1 November 2004 option grant	29%	29%
		15 April 2005 option grant	37%	37%
		17 June 2005 option grant	38%	38%
		25 October 2005 option grant	36%	36%
		30 October 2006 option grant *	44%	
		Dividend yield		
		1 November 2004 option grant	–	–
		15 April 2005 option grant	–	–
		17 June 2005 option grant	–	–
		25 October 2005 option grant	–	–
		30 October 2006 option grant	–	–

* The volatility is measured at the standard deviation of the expected share price returns and is based on statistical analysis of daily share prices over the last three years.

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		20 DEFERRED MINING AND INCOME TAXES		
		Balances arose from the following temporary differences:		
		Deferred mining and income tax asset		
323 592	309 733	Property, plant and equipment	38 136	33 863
103 389	79 451	Provisions, including rehabilitation provision	–	14 990
222 539	205 167	Estimated assessed losses	46 138	30 315
68 969	853	Other temporary differences	853	69 287
(713 165)	(595 204)	Deferred mining and income tax asset not recognised	(85 127)	(148 455)
5 324	–		–	–
		Deferred mining and income tax liability		
(109 180)	(111 650)	Property, plant and equipment	–	–
(17 431)	(17 862)	Inventories	–	–
27 878	25 178	Provisions, including rehabilitation provision	–	–
1 395	–	Other temporary differences	–	–
(97 338)	(104 334)		–	–
(92 014)	(104 334)	Net deferred mining and income tax liability	–	–
		Reconciliation between deferred taxation opening and closing balances		
(82 732)	(92 014)	Opening balance	–	–
(3 528)	(12 116)	Foreign exchange movement	–	–
2 879	–	Deferred tax of subsidiary acquired	–	–
(8 633)	(204)	Income statement charge	–	–
(92 014)	(104 334)	Closing balance	–	–
		21 LONG-TERM LIABILITIES		
		Secured		
19 376	1 424	Industrial Development Corporation (a)	–	–
–	27 771	Investec Bank (Mauritius) Limited (b)	–	–
407 235	759 034	ANZ Banking Group Limited (c)	–	–
5 552	2 114	Finance lease agreements (d)	–	–
		Unsecured		
490 115	–	Convertible loan notes (e)	–	490 115
27 864	49 185	Preference shares held by Khumo Gold SPV (Pty) Limited (f)	–	–
9 767	–	Withholding tax (g)	–	–
959 909	839 528		–	490 115
(556 943)	(790 343)	Less: Payable within one year included under current liabilities	–	(490 115)
402 966	49 185		–	–

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

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GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		21 LONG-TERM LIABILITIES (continued)		
		Long-term liability repayment schedule for capital amounts payable in the twelve months to:		
556 943	–	30 June 2007	–	490 115
77 350	790 343	30 June 2008	–	–
74 652	–	30 June 2009	–	–
50 426	–	30 June 2010	–	–
33 207	–	30 June 2011	–	–
33 207	–	30 June 2012	–	–
134 124	–	30 June 2013	–	–
–	49 185	Thereafter	–	–
959 909	839 528		–	490 115
		Analysis of gross long-term liabilities by currency:		
490 115	27 771	United States dollar	–	490 115
47 240	50 609	South African rand	–	–
422 554	761 148	Australian dollar	–	–
959 909	839 528		–	490 115
		Effective interest rates:		
		Secured liabilities		
10.0%	12.0%	Industrial Development Corporation	–	–
–	8.3%	Investec Bank (Mauritius) Limited	–	–
7.7%	7.9%	ANZ Banking Group Limited	–	–
		Unsecured liabilities		
8.74%	–	Convertible loan notes	–	8.74%
		Undrawn committed borrowing facilities:		
–	219 887	Investec Bank (Mauritius) Limited	–	–
		(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 Ltd on overdraft. As of 30 June 2007 the interest rate on this loan stood at 12% per annum and R1.4 million was outstanding. The loan is repayable in 48 monthly instalments starting from September 2003. The loan is secured by a special notarial bond over the Blyvoor metallurgical plant to the value of R73.0 million. The loan agreement prohibits the company from disposing of or further encumbering the assets covered by the notarial bond and places restrictions over its ability to change the business of Blyvoor.		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		<p>21 LONG-TERM LIABILITIES (continued)</p> <p>(b) On 13 September 2006, a facility of R257.1 million (\$35.0 million) was entered into with Investec (Mauritius). The company had drawn down R242.4 million (\$33.0 million) under this facility for the purpose of repaying the Senior Convertible Notes. At 30 June 2007, the company had repaid a portion of this amount by issuing 39,518,327 ordinary shares to the value of R214.6 million (\$29.9 million). The facility bears interest at the three-month London Interbank Offered Rate (LIBOR) plus 3% and is secured by DRD (Offshore)'s shares in Emperor Mines Limited. The loan agreement prohibits the company from disposing of or further encumbering the secured assets and the facility is renewable. The loan is repayable within 12 months after year end and disclosed as a current liability.</p> <p>(c) There are five loan facilities from the ANZ Banking Group Limited (ANZ Bank), which comprise the Vatukoula loan facility (R71.8 million), project loan facilities (R422.9 million), a property loan (R8.9 million), a gold call option facility (R13.4 million) and a hedge book facility (R242.0 million).</p> <p>The Vatukoula loan facility from ANZ Bank, secured over the assets and mining rights of Emperor Gold Mining Company Limited (Fiji), was novated to Emperor Mines Limited (Emperor) on 28 March 2007 following the completion of the sale of the Vatukoula mine to Westech Gold (Pty) Ltd. The sale included the transfer of all the assets and liabilities (other than the ANZ Bank loan, lease liability and the gold hedge book) to Westech on 28 March 2007 and security over the Fijian assets was subsequently released by ANZ Bank. An agreement was reached with the ANZ Bank prior to 30 June 2007 to defer principal repayments in relation to all facilities provided by the bank to Emperor and its subsidiaries until the successful completion of the sale of Emperor's 20% interest in the Porgera Joint Venture. The loan bears interest at LIBOR plus 2.5%. This facility was repaid on 17 August 2007 and disclosed as a current liability.</p> <p>The project loan facilities agreement was signed on 21 March 2006 between ANZ Bank and Emperor for R305.3 million (\$42.0 million). These facilities comprise a R254.4 million (\$35.0 million) senior facility with a 59-month tenor and a R50.9 million (\$7.0 million) revolving working capital facility, which are secured by the Papua New Guinea gold assets and an Emperor guarantee. On 22 January 2007 Emperor signed documentation with ANZ Bank to increase the revolving working capital facility from \$7.0 million to \$22.0 million to fund the restructure of the Emperor assets which provided working capital for the Papua New Guinea operations and exit costs associated with the Vatukoula mine sale. The additional facility bears interest at LIBOR plus 4.0%. This facility was repaid on 17 August 2007 and disclosed as a current liability.</p>		

Notes to the annual financial statements continued

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		<p>21 LONG-TERM LIABILITIES (continued)</p> <p>The property loan represents a mortgage over a property purchased in Brisbane during May 2006. The loan attracts interest payments only for the first five years of the mortgage at a rate of 6.79% per annum. A First Registered Mortgage by Emperor over the property situated at 45 Milman St, Clayfield, Queensland, Australia will be held by ANZ Bank as security for this loan. The loan was repaid on 17 August 2007 and disclosed as a current liability.</p> <p>The gold call option facility was implemented to purchase gold call options from ANZ Bank. The term of the facility is 12 months from 6 April 2006 and the loan bears interest at LIBOR plus 2.1%. The settlement of this facility would have coincided with the closing out of the call options for which the facility was implemented, however this facility was repaid on 17 August 2007 and disclosed as a current liability.</p> <p>A hedge book facility with ANZ Bank was entered into by Emperor to close out its gold forward hedge book of 165,695 ounces on 16 May 2007 at a spot price of \$670/oz. The hedge book was closed out at an amount of \$34.2 million and ANZ Bank agreed to defer the settlement of this amount until 31 December 2007 or earlier following receipt of funds from the sale of Emperor's 20% interest in the Porgera Joint Venture. The deferral facility bears interest at LIBOR plus 3.7%. This facility was repaid on 17 August 2007 and disclosed as a current liability.</p> <p>(d) Finance leases were effectively secured over vehicles owned by the Vatukoula mine, however security over these assets was released by ANZ Bank after the disposal of the Vatukoula mine. This facility was repaid on 17 August 2007.</p> <p>(e) On 12 November 2002, the company issued \$66 000 000 of 6% senior convertible loan notes which were due November 2006, in a private placement. The company issued the notes at a purchase price of 100% of the principal amount. If not converted or previously redeemed, the notes were to 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 were convertible into the company's ordinary shares, or, under certain conditions, American Depositary Receipts (ADRs) at a conversion price of \$3.75 per share or ADR, subject to adjustments in certain events.</p>		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		21 LONG-TERM LIABILITIES (continued)		
		<p>The company was entitled to redeem the notes at their accredited value plus accrued interest, if any, subject to certain prescribed conditions being fulfilled, after 12 November 2005. The company offered the notes only to qualified institutional buyers in reliance on Rule 144A of the Securities Act of 1933, (as amended) (the Securities Act) and to non-U.S. persons in reliance on Regulation S under the Securities Act.</p> <p>On 15 November 2006, the company repaid, in full, its outstanding 6% Senior Convertible Notes which matured on 12 November 2006. The company paid a total of R492.8 million (\$69.6 million) to the holders of the Senior Convertible Notes, which included the aggregate principal amount of the Senior Convertible Notes of R469.8 million (\$66.0 million), plus all accrued original issue discount and interest. The company's obligations under the Senior Convertible Notes have now been satisfied and discharged.</p>		
		Convertible loan notes		
437 359	490 115	Opening balance	490 115	437 359
9 937	5 088	Issuance costs amortised during the year	5 088	9 937
28 548	11 795	Interest expense	11 795	28 548
(25 474)	(14 402)	Interest paid	(14 402)	(25 474)
39 745	231	Foreign exchange movement	231	39 745
–	(492 827)	Loan repayment	(492 827)	–
490 115	–	Closing balance	–	490 115
		(f) On 18 November 2005, the group issued class A cumulative participating preference shares to Khumo Gold SPV (Pty) Limited (Khumo Gold), for a subscription price of R10.6 million. Class B and Class C cumulative participating preference shares, for a subscription price of R7.1 million and R8.6 million, were issued to Khumo Gold and the DRDGOLD SA Empowerment Trust respectively on 30 November 2006. The preference shares entitle Khumo Gold and the employee trust to receive a dividend of R0.26 for every R0.74 paid by Crown, ERPM and Blyvoor to the company towards capital and interest on their outstanding intra-group loans as at 30 November 2005. The preference shares have been revalued to fair value at 30 June 2007.		

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		21 LONG-TERM LIABILITIES (continued)		
		(g) Due to a change in Fijian tax legislation, a withholding tax was payable on interest on intra-group loans.		
		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 credit balances of all distributable and non-distributable reserves, which is as follows:		
3 761 368	4 069 096	Issued and paid up share capital		
29 896	37 455	Non-distributable reserves in credit balance		
3 791 264	4 106 551			
959 909	839 528	Currently utilised		
		22 FINANCIAL ASSETS AND LIABILITIES		
		Derivative financial instruments		
759	264	Interest rate swap agreement (a)	–	–
(184 129)	–	Forward sale commodity contracts (b)	–	–
20 770	5 718	Option contracts (c)	–	–
–	–	KBH option (d)	–	(144 550)
(162 600)	5 982		–	(144 550)
20 770	5 982	Disclosed under current assets	–	–
(183 370)	–	Disclosed under current liabilities	–	–
–	–	Disclosed under non-current liabilities	–	(144 550)
(162 600)	5 982		–	(144 550)
		(a) The Vatukoula loan facility currently bears interest at an average variable rate of LIBOR plus 2.5%. In order to minimise fluctuation in interest rates, 64% of the loan has been covered by entering into interest rate swap contracts under which Emperor is obliged to receive interest at variable rates and pay interest at fixed rates until October 2008 (the Vatukoula loan facility was settled on 17 August 2007). The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in derivative financial instruments. The fixed interest rate payable was 4.34%.		

GROUP			COMPANY																											
2006 R'000	2007 R'000		2007 R'000	2006 R'000																										
		<p>22 FINANCIAL ASSETS AND LIABILITIES (continued)</p> <p>(b) This liability represented gold forward contracts in Emperor, which did not qualify for hedge accounting. As these financial instruments did not meet the definition of a hedge within IFRS, they were classified as held for trading. Under the accounting standards those instruments classified as held for trading are classified as current liabilities.</p> <p>The total ounces that were to be delivered under the gold forward contracts was 145 695 ounces and the delivery into these derivative financial instruments was to be in accordance with the maturity schedule agreed with the corresponding bank as follows:</p> <table border="1"> <thead> <tr> <th>30 JUNE 2007 OUNCES</th> <th>30 JUNE 2008 OUNCES</th> <th>30 JUNE 2009 OUNCES</th> </tr> </thead> <tbody> <tr> <td>41 526</td> <td>82 992</td> <td>21 177</td> </tr> </tbody> </table> <p>The gold forward contracts were closed out on 16 May 2007 at a spot price of \$670/oz.</p> <p>(c) This amount represents the positive mark-to-market on gold call options in DRD (IOM). European-style call options were purchased in January 2006 with strike prices ranging from US\$634.00 to US\$652.50 per ounce. Expiry dates of the options range from September 2006 to December 2008. The call options provide the group with the right but not the obligation to buy in total up to 46 426 ounces (reducing throughout the period) of gold at the various strike prices. The gold call options were taken up by the company to mitigate the deterioration in the gold forward contracts discussed above.</p> <table border="1"> <thead> <tr> <th>STRIKE PRICE \$</th> <th>30 JUNE 2007 OUNCES</th> <th>30 JUNE 2008 OUNCES</th> <th>30 JUNE 2009 OUNCES</th> </tr> </thead> <tbody> <tr> <td>634.00</td> <td>6 920</td> <td>4 150</td> <td>536</td> </tr> <tr> <td>645.80</td> <td>13 842</td> <td>8 298</td> <td>1 074</td> </tr> <tr> <td>652.50</td> <td>6 920</td> <td>4 150</td> <td>536</td> </tr> <tr> <td></td> <td>27 682</td> <td>16 598</td> <td>2 146</td> </tr> </tbody> </table>	30 JUNE 2007 OUNCES	30 JUNE 2008 OUNCES	30 JUNE 2009 OUNCES	41 526	82 992	21 177	STRIKE PRICE \$	30 JUNE 2007 OUNCES	30 JUNE 2008 OUNCES	30 JUNE 2009 OUNCES	634.00	6 920	4 150	536	645.80	13 842	8 298	1 074	652.50	6 920	4 150	536		27 682	16 598	2 146		
30 JUNE 2007 OUNCES	30 JUNE 2008 OUNCES	30 JUNE 2009 OUNCES																												
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	27 682	16 598	2 146																											

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

22 FINANCIAL ASSETS AND LIABILITIES (continued)

(d) The company issued an option to Khumo Gold and the DRDGOLD SA Employee Trust to acquire 11% of the shares that the company held in DRDGOLD SA as part of the BEE transaction. The granting of this option fell within the scope of IFRS 2, Share-based Payment. IFRS 2 required the company to apply cash-settled share-based payment accounting in its separate financial statements because the option was granted over shares of its subsidiary and not its own shares. This meant that the option had to be recognised as a liability at fair value. The fair value of the option at grant date was Rnil. The changes in the fair value were recognised in the income statement. On 30 November 2006, Khumo Gold and the Employee Trust exercised the option. The effect on the company in the current year was a R144.5 million credit (2006: R144.5 million debit) to the income statement. In the current year, a loss of R7.5 million was recognised in the group income statement at the date the option was exercised and the shares were sold.

23 PROVISIONS

	OPENING BALANCE	ADDITIONAL PROVISION MADE	AMOUNTS USED (INCURRED AND CHARGED TO PROVISION)	AMOUNTS UNUSED REVERSED	FOREIGN EXCHANGE MOVEMENT	CLOSING BALANCE
2007						
Group (R'000)						
Directors' benefits ⁽¹⁾	2 515	1 730	–	–	434	4 679
2006						
Group (R'000)						
Directors' benefits ⁽¹⁾	2 159	241	–	–	115	2 515

⁽¹⁾ This amount is payable to a former director of the company in respect of severance. The provision is based on the group's best estimate with reference to the former director's remuneration package. The group expects to incur the liability within the next year.

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		24 COMMITMENTS AND CONTINGENT LIABILITIES		
		Capital commitments		
		Contracted for but not provided for in the annual financial statements	–	–
		Authorised by the directors but not contracted for	–	–
117 385	19 493			
19 551	17 120			
136 936	36 613		–	–
		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 agreement.		

GROUP			COMPANY	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)		
		Crown leases its vehicles under various operating leases. There is an average escalation of 3.9% per annum imposed by these lease agreements.		
		The future minimum lease payments under non-cancellable operating leases are as follows:		
922	2 652	Not later than 1 year	1 014	922
3 356	3 915	Between 1 and 5 years	2 342	3 356
–	2 359	Later than 5 years	–	–
		Finance lease commitments		
		The Vatukoula mine had finance leases over vehicles. This facility was repaid on 17 August 2007.		
		Commitments in relation to finance leases are as follows:		
4 278	2 114	Not later than 1 year	–	–
1 274	–	Between 1 and 5 years	–	–
–	–	Later than 5 years	–	–

Contingent liabilities and related matters

Environmental

At **Durban Deep** mine rehabilitation of the surface has continued throughout the year. The 5 shaft pit has been filled and contoured. Owing to the new order prospecting right granted to Durban Roodepoort Deep (Pty) Limited over the surface dumps, grassing has been halted on these dumps. A great deal of rehabilitation work, including grassing of the sand portion, took place at the Princess dump complex. This was in response to dust complaints from the local community.

At **West Wits** mine rehabilitation continued on the surface areas of the mine. Redundant mine shafts were filled and four shafts capped.

Grassing of the West Rand Consolidated Mines tailings complex was started following complaints about dust but did not progress very far because this occurred towards the end of the rainy season. There is no irrigation water on site. The tailings dam is earmarked for reprocessing. Studies on depositing tailings into the opencast pit have progressed and the Department of Water Affairs and Forestry is supporting the application. Approval is anticipated by the end of 2007.

The West Basin Environmental Corporation (WBEC), a section 21 company, has been formed by Mintails SA, West Wits and Harmony to manage the underground water decant. Pilot plants are being built on site to run for three months and confirm the mass balance as well as the process to be used for the main plant. A plant of 75ML per day capacity is planned that will be fully funded by offshore investors. The bankable feasibility studies will be completed in three years.

Blyvoor has updated its environmental management programme (EMP) to meet the requirements of the MPRDA. It has been submitted to the DME for approval.

Blyvoor continues to pump water from underground and discharges approximately 8 ML per day into the Wonderfontein Spruit

Two continuous quality monitors have been installed to send quality data to a website. Regular monthly quality meetings continue to take place with the Potchefstroom Municipality, with Blyvoor being fully compliant to the requirements of the agreement with Potchefstroom City Council. Blyvoor also participates in the mining interest group, a sub group of the Wonderfontein Spruit Forum led by DWAF to determine strategies regarding potential pollution and remedial action of the Wonderfontein Spruit and eventual regional closure.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Blyvoor is aiming to be a zero discharge mine. A pilot plant is currently being constructed to test the treatment of underground water, currently discharged, for potable use. Alternative industrial uses for the water are also being investigated.

Crown has updated its EMP and submitted it to the DME for approval.

Crown has been very proactive in concurrent rehabilitation and the management of oversize material which has resulted in a R20.0 million reduction in closure liability.

These initiatives are continuing with rehabilitation an integral part of the operation management.

An EMP for the 3L2 dump reprocessing was approved by the DME.

ERPM has updated its EMP to meet MPRDA requirements and submitted it to the DME for approval.

The concurrent rehabilitation of redundant structures and holdings continued throughout the year.

Pumping is continuing at SWV shaft with water from the Hercules basin expected at the end of October 2007. The pumping infrastructure has been upgraded in anticipation of this additional water.

ERPM, together with IST Otokon, are currently looking at upgrading the total pumping capacity at SWV with a more efficient system as part of an Eskom-funded demand side management (DSM) project. The water is also earmarked in the medium term for use by the Ergo dump reprocessing joint venture. As a long term sustainable solution, it is envisaged that the water will be treated by the plant currently being tested for the Western Basin water.

Tolukuma in Papua New Guinea (PNG) 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 PNG 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 Tolukuma 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 PNG 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 programme is being followed:

- daily monitoring of mercury levels at the tailings discharge point and approximately 1 500 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 in the ore processed at Tolukuma. 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 Tolukuma 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 Tolukuma.

Furthermore, the company is not aware of any scientific or engineering report that states that the level of mercury discharges from Tolukuma 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 Tolukuma done in 2000. This study was not conclusive on the mercury output at Tolukuma 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.

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

These investigations concluded that there was little difference between mercury concentrations in mining sediment from Tolukuma 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 Tolukuma. An additional study took place during June of 2003, reinforcing earlier findings.

In addition, a comprehensive monitoring programme has been undertaken in accordance with the company's approved environmental management and monitoring programme (EMMP), which addresses water quality, population dietary surveys and aquatic fauna and metals-in-tissue surveys. These surveys were conducted during July and September of 2003. During March 2003, an environmental audit was concluded at Tolukuma which found the operations to be in substantial compliance with applicable PNG 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.

On 13 March 2007, the PNG press published claims by a Dr Kotapu that he had undertaken a study amongst the downstream communities that proved Tolukuma's tailings discharge is polluting the river and poisoning local communities. Dr Kotapu claimed that the work had been undertaken under the auspices of two Australian Health Authorities. Subsequently, it has been confirmed that no government departments or health authorities, either in PNG or Australia, were involved in this alleged work and to date no report has been published.

Tolukuma continues to work with local and international stakeholders on environmental practices and communication with key regulatory and law enforcement bodies in relation to a Dr Kotapu and his claims. No provisions have been recorded in respect of these items in the financial statements as presented for the year ended 30 June 2007.

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 (MPRDA), which was passed by the Parliament of South Africa in June 2002, came into effect. Prior to the introduction of the MPRDA, 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 MPRDA 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 MPRDA 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 MPRDA came into effect, it will be able, within five years from the date of effectiveness of the MPRDA, to submit the old rights and authorisations for conversion to a new mining right. It will need to submit a mining work programme to substantiate the area and period of the new right, and also to comply with the requirements of the Mining Charter. A similar procedure applies where it holds prospecting rights and a prospecting permit and conducts prospecting operations, but it must apply for a conversion to a new prospecting right within the two years from the date of effectiveness of the MPRDA for which purpose a prospecting work programme must be submitted. Where the company holds unused rights, however, it will have one year to apply for new prospecting rights or mining rights.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

If the company does not acquire new rights under the MPRDA, 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 MPRDA 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 been granted a prospecting right in respect of the Argonaut area and ERPM has been granted a prospecting right over the Sallies area. The company is in the process of preparing applications in respect of the group's mining rights.

Royalty Bill

The South African government has announced the details of the proposed new legislation, whereby the new order rights will be subject to a state royalty. The Mineral and Petroleum Resources Royalty Bill was published on 11 October 2006 and provides for the payment of a royalty of 1.5% of gross revenue per year, payable quarterly. The royalty is tax deductible and the cost after tax amounts to a rate of between 0.825% and 0.975% at the prevailing marginal tax rates applicable to the group. The payment of royalties will commence on 1 May 2009 if the Bill is passed by Parliament in its current form.

Tax on earnings of company officers

The South African Revenue Services (SARS), conducted a payroll audit on the company's payroll during 2002. At the time the company, acting on professional advice, did not deduct tax from some of the earnings of certain of its officers, who were provisional tax payers. SARS took the view that the company was in fact obliged to have made these deductions and called for a full disclosure of all payments for the tax years 1999, 2000, 2001, 2002 and 2003 in respect of the earnings of these officers.

If it is established that these officers had failed to declare and pay taxes on their earnings during these tax years, SARS may have recourse for arrear taxes against the company in terms of Section 5(2) of the South African Income Tax Act, 1962 as amended. While the company is aware that our possible exposure could be up to R25.0 million, it is, in view of the fact that the tax records of these officers are protected by statutory confidence, not yet possible to determine the full extent of the exposure, if any, that the company faces. While the company is aware that SARS has engaged these officers personally, to date no tax assessments have been made against the company.

Tolukuma's tax assessments

The Internal Revenue Commission of PNG (IRC) has issued tax assessments to Tolukuma for the years 1996 to 2004 in which they have reduced the amount of allowable capital expenditure claimed in respect of these years with a resulting increase in potential tax payable of R16.5 million (Kina 6.8 million). Tolukuma has lodged an objection with the IRC in relation to this matter on the grounds that the Tolukuma mine life, based on reserves and annual production, was in accordance with claims in the tax return. The IRC have allowed the company to defer payment of this assessment until such time as the matter is resolved. No provisions have been recorded in respect of this item as presented in the June 2007 financial statements.

25 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, PNG and Australia, after evaluating the credit ratings of the respective financial institutions.

Derivative financial 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 financial 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 qualifies for hedge accounting and, consequently, all are measured at fair value with resultant gains and losses being included in the income statement for the year.

25 FINANCIAL INSTRUMENTS (continued)

As discussed in note 22 to the financial statements, the fair value of the forward sale commodity contracts was a liability of Rnil (2006: R184.1 million) and the option contracts was an asset of R5.7 million (2006: R20.8 million).

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 always 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.

Interest rate swap agreement

An interest rate swap agreement was entered into in respect of the Vatukoula loan facility. The variable interest rate was swapped for a fixed rate on 64% of the loan. As discussed in note 22 to the financial statements, the fair value of the interest rate swap agreement was an asset of R0.3 million (2006: R0.8 million)

Concentration of credit risk

The group's financial instruments do not represent a concentration of credit risk, because the group deals with a variety of major banks and financial institutions located in South Africa and Australasia, after evaluating the credit ratings of the representative financial institutions. Furthermore, its trade receivables and loans are regularly monitored and assessed for recoverability. Where it is appropriate an impairment loss is raised.

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

The Tolukuma mining operation delivers its gold to one customer, AGR Matthey 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 its gold to AGR Matthey (PNG) who refines the gold and then delivers it to the ANZ Investment Bank at a price negotiated by the company. The concentration of credit risk in PNG is mitigated by the reputable nature of the customer and the settlement of the proceeds within two days.

The Vatukoula mining operation delivers gold to AGR Matthey (Perth) and receives proceeds within six days. The concentration of credit risk is mitigated by the reputable nature of the customer and the settlement of the proceeds within six days.

Foreign currency risk

The group's presentation currency is the South African rand. Although gold is sold in US dollars, the company is obliged to convert this into South African rands. 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 conducted its operations during the year in South Africa, Fiji and PNG. 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, Fijian dollars and PNG 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, Australian dollars, South African rands and PNG kina; holdings denominated in other currencies are relatively insignificant.

Interest rate 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 obliged 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.

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

25 FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

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

	2007 R'000 CARRYING VALUE	2007 R'000 FAIR VALUE	2006 R'000 CARRYING VALUE	2006 R'000 FAIR VALUE
Financial assets				
Listed investments	2 042	2 042	1 514	1 514
Unlisted investments and other assets	57 720	57 720	37 411	37 411
Investments in environmental rehabilitation trust funds	75 770	75 770	60 383	60 383
Trade and other receivables	63 416	63 416	102 098	102 098
Financial assets	5 982	5 982	20 770	20 770
Cash and cash equivalents	135 268	135 268	488 961	488 961
Financial liabilities				
Long-term liabilities				
– long-term	49 185	49 185	402 966	402 966
– short-term	790 343	790 343	556 943	556 943
Financial liabilities	–	–	183 370	183 370
Trade and other payables	299 167	299 167	370 633	370 633
Bank overdrafts	117 849	117 849	2 410	2 410

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 approximate 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.

26 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:

2007	SOUTH AFRICAN OPERATIONS ⁽¹⁾ R'000	AUSTRALASIAN OPERATIONS ⁽²⁾ R'000	TOTAL R'000
Revenue	1 534 777	674 928	2 209 705
Result			
Gross profit/(loss)	137 730	(172 221)	(34 491)
Investment income	1 723	23 963	25 686
Finance costs	(17 997)	(84 549)	(102 546)
Taxation charge ⁽³⁾	(737)	(4 996)	(5 733)
Other	(82 053)	(965 893)	(1 047 946)
Profit/(loss) for the year	38 666	(1 203 696)	(1 165 030)
Assets			
Property, plant and equipment	625 325	24 445	649 770
Other assets	237 089	1 060 304	1 297 393
Total assets	862 414	1 084 749	1 947 163
Liabilities			
Liabilities excluding taxation and deferred taxation	599 739	1 099 324	1 699 063
Taxation and deferred taxation	310	104 334	104 644
Total liabilities	600 049	1 203 658	1 803 707
Other information			
Capital expenditure	139 428	173 606	313 034
Depreciation and amortisation	63 905	115 027	178 932
Impairments	(5 889)	(872 157)	(878 046)
Total number of employees including contractors	7 971	738	8 709

⁽¹⁾ Includes Crown, ERPM and Blyvoor.

⁽²⁾ Includes Tolukuma, 20% of the Porgera Joint Venture until 31 March 2007 and Vatukoula until 31 March 2007.

⁽³⁾ Tax has been allocated to the segmental result as the group is able to do so.

Notes to the annual financial statements *continued*

for the year ended 30 June 2007

26 SEGMENT INFORMATION (continued)

2006	SOUTH AFRICAN OPERATIONS ⁽¹⁾ R'000	AUSTRALASIAN OPERATIONS ⁽²⁾ R'000	TOTAL R'000
Revenue	970 605	629 389	1 599 994
Result			
Gross profit	11 700	13 384	25 084
Investment income	(80 825)	123 886	43 061
Finance expenses	(36 528)	(9 811)	(46 339)
Share of loss of associates	–	(151 963)	(151 963)
Income tax expense ⁽³⁾	(1 323)	(23 069)	(24 392)
Other	(365 607)	405 698	40 091
(Loss)/profit for the year	(472 583)	358 125	(114 458)
Assets			
Property, plant and equipment	549 803	1 300 793	1 850 596
Other assets	969 118	190 360	1 159 478
Total assets	1 518 921	1 491 153	3 010 074
Liabilities			
Liabilities excluding taxation and deferred taxation	1 158 611	706 923	1 865 534
Taxation and deferred taxation	1 702	127 566	129 268
Total liabilities	1 160 313	834 489	1 994 802
Other information			
Capital expenditure	90 351	172 935	263 286
Depreciation and amortisation	54 746	95 886	150 632
Impairments	(184 126)	302 664	118 538
Total number of employees including contractors	7 693	4 861	12 554

⁽¹⁾ Includes Crown and ERPM, from 1 December 2005, and Blyvoor

⁽²⁾ Includes Tolukuma, 20% of the Porgera Joint Venture and 45.33% of Emperor until 6 April 2006 (100% subsequently)

⁽³⁾ Tax has been allocated to the segmental result as the group is able to do so

27 RELATED PARTY TRANSACTIONS

The group has related party relationships with its associates, subsidiaries, and with its directors and key management personnel. Details of transactions with directors are set out on pages 46 to 49. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company. For the year ended 30 June 2007, total directors' remuneration amounted to R17.9 million (company: R7.5 million) and senior management remuneration to R52.8 million (company: R9.4 million). 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.

27 RELATED PARTY TRANSACTIONS (continued)

Transactions with associates, joint ventures and subsidiary companies

During the year ended 30 June 2007, the company earned Rnil (year ended 30 June 2006: R10.3 million) in management fees from Crown Gold Recoveries (Pty) Limited (Crown), Rnil (year ended 30 June 2006: R10.3 million) in management fees from East Rand Proprietary Mines Limited (ERPM), Rnil (year ended 30 June 2006: R10.3 million) in management fees from Blyvooruitzicht Gold Mining Company Limited (Blyvoor), R20.3 million in management fees from DRDGOLD South African Operations (Pty) Ltd (DRDGOLD SA) and R20.3 million (year ended 30 June 2006: R30.9 million) in management fees from DRD (Offshore) Limited. No dividends were received from associates or subsidiaries in 2007 (2006: Rnil). Transactions with associates are priced on an arm's length basis.

Shareholder loan repayments to the company totalling R40.0 million were made by Blyvoor (R16.7 million), Crown (R16.5 million) and ERPM (R6.8 million) to partially fund the repayment of the Senior Convertible Notes. The shareholder loan repayments resulted in preference dividends being paid to Khumo Gold SPV (Pty) Limited (Khumo Gold) totalling R7.1 million (inclusive of STC) from Blyvoor (R3.0 million), Crown (R2.9 million) and ERPM (R1.2 million).

Balances outstanding at 30 June 2007:

- Subsidiaries – refer to note 11 and page 52
- Associates – refer to note 12
- Joint Venture – refer to note 13

Rand Refinery Agreement

The group has entered into an agreement with Rand Refinery Limited (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. Rand Refinery then 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, CEO of DRDGOLD SA, is also a director of Rand Refinery and is a member of their Audit Committee. The group currently owns 4.1% 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.

Corporate advisory services

On 13 November 2006, DRDGOLD SA approved a corporate advisory service agreement with Bonami Fraser (Pty) Limited, of which Mr P W Judge is a director. Mr P W Judge (corporate adviser to Khumo Gold) through the Richmond Trust has an indirect shareholding of 18.75% in Khumo Gold, which owns 20% of DRDGOLD SA. The agreement provides for a monthly retainer of R85 000, a success fee payable on the successful completion of the Top Star dump transaction of R275 000 and a success fee payable upon signing of the 11% Khumo Gold option agreement of R475 000. This corporate advisory service agreement has since expired.

Success fee payable to Khumo Bathong Holdings (Pty) Ltd

On 27 November 2006, the company provided the following undertaking to Khumo Bathong Holdings (Pty) Ltd (KBH):

- 1 That against KBH interacting with the DME at the appropriate level, on behalf of the company to acquire the licences and entitlements, below; and
 - (a) upon the issuance of an appropriate and valid authority to Blyvoor to treat and dispose of the No 2 rock dump, that the company shall pay to KBH a success fee of R0.5 million (plus VAT); and
 - (b) upon the issuance of an appropriate and valid authority to Crown to treat 3L2, that the company shall pay to KBH a success fee of R0.5 million plus VAT; and

Notes to the annual financial statements **continued**

for the year ended 30 June 2007

27 RELATED PARTY TRANSACTIONS (continued)

- 2 That in respect of Topstar and in consideration of:
- (a) Dr M P Ncholo is paving the way for the conclusion of the Top Star transaction by obtaining a commitment from Mr R M Godsell, CEO of AngloGold Ashanti personally to sell it to DRDGOLD SA; and
 - (b) KBH interacting with the DME and government generally (including the Department of Arts and Culture) to procure the issuance of a mining authorisation for Top Star, and the removal of such administrative hindrances as may otherwise inhibit the mining of Top Star (e.g. the declaration to bestow heritage status to the site), payable on the granting of the licence and the removal of the restriction to mine, the company shall pay to KBH a success fee of R2.0 million (plus VAT) payable upon the issuance of an appropriate and valid authority to Crown to mine Top Star, that is not inhibited by any other administrative conduct.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- (a) **Valuation and depreciation of mining assets**

The value in use of mining assets are generally determined utilising discounted future cash flows. Management also considers such factors as the market capitalisation of the group, the quality of the individual orebody and country risk in determining the value in use. During the year under review, the group calculated value in use based on updated life-of-mine plans, a gold price of R150 000 per kilogram in year one escalating at 7.9% per annum, and a discount rate of 13% (refer note 9).
- (b) **Valuation of financial instruments**

If the value of the financial instrument can not be obtained from an active market, the group has established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.
- (c) **Estimate of exposure and liabilities with regard to rehabilitation costs**

Estimated provisions for environmental rehabilitation, comprising pollution control rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

A discount rate of 9.11%, inflation rate of 6.4% and expected life of mines according to the life-of-mine plans were utilised in the calculation of the estimated net present value of the rehabilitation liability (2006: discount rate of 8.58% and inflation rate of 4.9%).
- (d) **Estimate of post-retirement medical liability**

An updated actuarial valuation is carried out every three years, however, management assessed that there were no material changes at year end. Assumptions used to determine the liability include, a discount rate, health cost inflation rate, real discount rate, income at retirement, retirement age, spouse age gap, continuation at retirement and proportion married at retirement (refer note 19).
- (e) **Estimate of taxation**

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- (f) **Fair value of share-based compensation**
The fair value of options granted is determined using the Black-Scholes option valuation model. The significant inputs into the model are: vested period and conditions, risk-free interest rate, volatility, price of grant and dividend yield. (Refer to note 18 for detail on the share option scheme).
- (g) **Gold in process**
Gold in process in certain plants is estimated based on the plant call factor calculated.
- (h) **Assessment of contingencies**
Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.
- (i) **Ore reserves**
At the end of each financial year, the estimate of proved and probable ore reserves is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

29 SUBSEQUENT EVENTS

Completion of the sale of the Porgera Joint Venture

The sale of Emperor's 20% interest in the Porgera Joint Venture to Barrick Gold Corporation and the capital return to shareholders were approved by the company's shareholders and Emperor's shareholders at the extraordinary general meetings held on 27 July and 30 July 2007 respectively.

The sale transaction was completed on 17 August 2007 for a cash consideration of R1.8 billion (\$250.0 million) and subsequently Emperor retired all its debt facilities, leaving the group debt and hedge free. Emperor's capital return to its shareholders amounting to R308.5 million was completed on 3 September 2007 and the company received its portion of the capital return, amounting to R242.8 million. After the capital return the group has cash and cash equivalents of approximately R945.0 million.

Emperor's Indonesian alliance agreement

On 20 August 2007, Emperor announced that it had signed an alliance agreement with a group of Indonesian and Australian investors to explore a large gold-silver-copper project in eastern Java. The alliance agreement between Emperor, PT Indo Multi Niaga and IndoAust Mining Limited sets out the framework for entering into a joint venture agreement and undertaking further exploration on a property of approximately 116km², located in the south eastern portion of Java.

The agreement paves the way to a full joint venture agreement, which would see Emperor spend up to R35.4 million (\$5.0 million) over five years, to earn a 51% interest in the project. An option exists for Emperor to earn a further 19% interest in the project by funding additional exploration. Emperor may then fund feasibility studies to a capped amount, subject to certain conditions including being able to obtain relevant permits and licences.

Disposal of Tolukuma

On 10 September 2007, Emperor announced that Tolukuma does not fit with its newly developed future plans and has initiated a divestment process for the mine and a portfolio of associated exploration tenements.

Disposal of Emperor

DRDGOLD announced on 18 September 2007 the disposal by DRDGOLD of its stake in Emperor following the announcement released by Emperor, the 78.8% held subsidiary of DRDGOLD, relating to the proposed merger between Emperor and Intrepid Mines Limited. In terms of the Emperor merger, Emperor shareholders will be offered 1 Intrepid share for every 4.25 Emperor shares held. The Emperor merger will be implemented by way of a scheme of arrangement.

DRDGOLD has informed Emperor that it plans to refocus its attention on opportunities in South Africa and so intends to seek to realise its investment in Emperor in an orderly manner prior to the Emperor scheme meeting. Emperor has agreed to work with DRDGOLD to seek to facilitate such an exit. The Emperor merger is therefore subject to DRDGOLD being able to successfully realise its investment in Emperor prior to this time.