

Annual Financial Statements

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DIRECTORS' RESPONSIBILITY

for the annual financial statements

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the Board of Directors 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 financial statements are prepared in accordance with International Financial Reporting Standards and incorporate disclosure in line with the accounting philosophy of the group. 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.

The annual financial statements for the year ended 30 June 2006 set out on pages 77 to 146 were approved by the Board of Directors on 17 October 2006 and are signed on its behalf by:



R P Hume
Chairman: Audit Committee



J W C Sayers
Chief Financial Officer

COMPANY SECRETARY'S REPORT

I certify, in accordance with Section 268G(d) of the Companies Act, that the company has lodged with the Registrar of Companies, all such returns as are required by a public company in terms of the 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 annual financial statements and group annual financial statements of DRDGOLD Limited set out on pages 77 to 146 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 30 June 2006 and of the results of its operations and its 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 SA Barnfather
Chartered Accountant (SA)
Registered Auditor
Director
17 October 2006

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, Papua New Guinea and Fiji. 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 listings on the Johannesburg and Australian* stock exchanges and secondary listings on the NASDAQ Capital Market and the London and Port Moresby* stock exchanges. 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.

* delisted from the Australian and Port Moresby stock exchanges in July 2006

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 2006 are set out in the notes to the financial statements on page 116 of this report.

The control over the unissued shares of the company is vested in the directors, in specific terms as regards allotments in terms of the DRDGOLD (1996) Share Option Scheme, as amended, and the allotment for shares for cash and in general terms as regards 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 8 December 2006. 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 629 009 new ordinary no par value shares were issued as a result of employees exercising their options under the DRDGOLD (1996) Share Option Scheme.

DIRECTORATE

The following changes have been made to the Board of Directors since 1 July 2005:

Appointments	Date
J W C Sayers	5 September 2005
Resignations	Date
I L Murray	30 November 2005
M P Ncholo	1 November 2005

In accordance with the provisions of the company's Articles of Association at the forthcoming annual general meeting, Mr J W C Sayers be elected as director, Professor D J M Blackmur and Mr G C Campbell retire. They are eligible and have offered themselves for re-election.

SHARES ISSUED				
	2006		2005	
	Number of shares	R'000	Number of shares	R'000
At 1 July	296 206 048		233 307 667	
Repayment of loans from:				
Investec Bank Limited	17 815 945	163 020	23 348 465	240 000
Industrial Development Corporation	4 451 219	28 933		
Specific share issue to				
Baker Steel Capital Managers' LLP clients			17 000 000	93 500
Claw-back rights offer DRDGOLD (1996)			15 804 116	86 923
Share Option Scheme	629 009	3 468	55 000	378
Emperor Mines Limited acquisition			6 612 676	101 131
Other*	932 857	7 917	78 124	1 146
At 30 June	320 035 078		296 206 048	

* Shares issued for services rendered

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

The interests of the directors in the ordinary share capital of the company as at 30 June 2006 were as follows

	30 June 2006			30 June 2005		
	Beneficial direct	Beneficial indirect	Non-beneficial	Beneficial direct	Beneficial indirect	Non-beneficial
Executive directors						
M M Wellesley-Wood	260 797	–	–	202 797	–	–
I L Murray ⁽ⁱ⁾	–	–	–	553 090	–	–
J W C Sayers	–	–	–	–	–	–
	260 797	–	–	755 887	–	–
Non-executive directors						
G C Campbell	20 000	–	–	–	–	–
R P Hume	5 000	20 000	–	–	15 000	–
D J M Blackmur	20 000	–	–	–	–	–
J Turk	–	13 000	–	–	13 000	–
	45 000	33 000	–	–	28 000	–
Total	305 797	33 000	–	755 887	28 000	–

⁽ⁱ⁾ Resigned on 30 November 2005

There have been no changes in the directors' interests in share capital between 30 June 2006 and 30 September 2006.

DIRECTORS' EMOLUMENTS – 2006

	Board fees	Salary	Bonuses & performance-related payment	Pension Provident Scheme contributions	End of contract payment	Total
Executive directors						
M M Wellesley-Wood	–	3 640 378	4 660 915	–	1 759 803	10 061 096
J W C Sayers ⁽ⁱ⁾	–	1 691 550	–	–	–	1 691 550
I L Murray ⁽ⁱ⁾	–	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

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

DIRECTORS' EMOLUMENTS – 2005

	Board fees	Salary	Bonuses & performance-related payment	Pension/ Provident Scheme contributions	Change in ⁽⁷⁾ terms of employment payment	Retirement package	Total
Executive directors							
M M Wellesley-Wood ⁽¹⁾	–	3 372 313	1 647 000	–	131 795	–	5 151 108
I L Murray ⁽¹⁾⁽²⁾	–	3 678 448	1 263 590	300 000	1 425 270	–	6 667 308
D N Campbell ⁽³⁾	–	327 664	–	–	–	–	327 664
	–	7 378 425	2 910 590	300 000	1 557 065	–	12 146 080
Non-executive directors							
D C Baker ⁽³⁾	79 587	–	–	–	–	119 400	198 987
G C Campbell	316 457	–	89 544	–	–	–	406 001
R P Hume	206 007	–	84 069	–	–	–	290 076
M P Ncholo	237 552	–	70 058	–	–	–	307 610
D J M Blackmur	206 942	–	91 075	–	–	–	298 017
J Turk ⁽⁴⁾	110 546	–	–	–	–	–	110 546
	1 157 091	–	334 746	–	–	119 400	1 611 237
Alternates							
D van der Mescht ⁽⁵⁾	9 677	111 045	–	16 262	–	1 452 492	1 589 476
A Lubbe	125 000	897 239	133 280	143 618	–	563 211	1 862 348
	134 677	1 008 284	133 280	159 880	–	2 015 703	3 451 824
Total	1 291 768	8 386 709	3 378 616	459 880	1 557 065	2 135 103	17 209 141

⁽¹⁾Under the terms of Mr Wellesley-Wood's agreement of employment effective from 1 December 2003, he was entitled to a change in terms of employment payment by virtue of his relinquishing the post of Chief Executive Officer of the company, equal to 92% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. This payment accrued during May 2004, but was deferred for six months, at Mr Wellesley-Wood's request. The role of Chairman and Chief Executive Officer was split in accordance with the rules prescribed by the JSE Limited, which came into effect from 1 January 2004 and not as a result of any internal operating requirement of the company. No other payment of this nature was made to any officer of the company in fiscal 2004. The Remuneration and Nominations Committee approved the payment which amounted to R1.7 million plus interest of R0.11 million. Under the terms of Mr Murray's agreement of employment dated effective of 1 December 2003, he was entitled to receive a change in terms of employment payment by virtue of his relinquishing the post of chief financial officer. Mr Murray was previously the Deputy Chief Executive Officer and Chief Financial Officer until December 2003 at which time the role of Chairman and Chief Executive Officer were split and Mr Wellesley-Wood was appointed as Executive Chairman and Mr Murray was appointed as Chief Executive Officer and Chief Financial Officer. By virtue of his relinquishing of the post of Chief Financial Officer and appointing a replacement Chief Financial Officer, he became entitled to an amount equal to 93% of his South African remuneration package calculated on the basis of the remuneration package received on 1 December 2003. Such payment amounted to R1.1 million plus interest of R0.3 million and was approved by the Remuneration and Nominations Committee which approved the agreement of employment.

⁽²⁾Relinquished his position as Chief Financial Officer on 5 September 2005 to J W C Sayers.

⁽³⁾Appointed 17 January 2005; resigned 12 February 2005.

⁽⁴⁾Retired 27 October 2004.

⁽⁵⁾Appointed 27 October 2004.

⁽⁶⁾Resigned 5 August 2004.

⁽⁷⁾Resigned 23 March 2005

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Service contracts have been concluded with the executive as well as the non-executive directors. Details of the service 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.

DIRECTORS' SERVICE CONTRACTS				
Director	Title	Date of appointment	Term	Unexpired term of director's service contract
M M Wellesley-Wood	Chief Executive Officer	1/12/2005	13 months	6 months
J W C Sayers	Chief Financial Officer	5/09/2005	2 years	14 months
R P Hume	Non-executive director	1/10/2004	2 years	3 months
G C Campbell	Non-executive Chairman	1/11/2005	2 years	16 months
D J M Blackmur	Senior Independent Non-executive director	1/11/2005	2 years	16 months
J Turk	Non-executive director	1/11/2004	2 years	4 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 4.6% of the issued ordinary share capital which is within the international accepted guideline of 3% to 5% for such schemes.

In addition, the participants in the scheme are fully taxed at their maximum marginal tax rate on any gains realised on the exercise of their options.

In the past financial year, the directors have exercised nil (2005: nil) share options. Over the same period the directors' gains on share options exercised were R Nil, compared to R Nil in the previous financial year. Details of share options held by directors are listed below.

The directors have granted 3 090 944 options in terms of the scheme in the current financial year compared to 5 794 784 options in the previous financial year.

SHARE OPTIONS

	Executive			Non-executive						Other participants	Total
	M M Wellesley-Wood	J W C Sayers	I L Murray	D C Baker	G C Campbell	R P Hume	M P Ncholo	J Turk	D J M Blackmur		
Balance at 1 July 2005											
Number	1 081 622	–	838 087	49 600	57 994	77 907	50 494	–	–	10 896 082	13 051 786
Ave strike price	18.84	–	16.74	18.61	19.35	16.92	19.59	–	–	13.26	14.04
Granted during year											
Number	–	–	–	–	–	–	–	–	–	3 090 944	3 090 944
Ave strike price	–	–	–	–	–	–	–	–	–	5.94	5.94
Exercised during year											
Number	–	–	–	–	–	–	–	–	–	(679 911)	(679 911)
Ave strike price	–	–	–	–	–	–	–	–	–	5.54	5.54
Lapsed during year											
Number	–	–	–	–	–	–	–	–	–	(887 563)	(887 563)
Ave strike price	–	–	–	–	–	–	–	–	–	11.64	11.64
Balance at 30 June 2006											
Number	1 081 622	–	838 087	49 600	57 994	77 907	50 494	–	–	13 257 639	14 575 256
Ave strike price	18.84	–	16.74	18.61	19.35	16.92	19.59	–	–	12.28	12.86
Share gain for the year – R000											
	–	–	–	–	–	–	–	–	–	–	–
Ave price exercised – R per share											
	–	–	–	–	–	–	–	–	–	–	–

SHARE OPTIONS AVAILABLE FOR ALLOCATION

	2006	2005
Balance of options available for allocation as at the beginning of the financial year	44 430 907	34 966 150
Number of options granted during the current financial year	(3 090 944)	(5 794 784)
Number of options lapsed during the financial year	887 563	1 022 361
Number of option exercised during the current financial year and available for re-allotment	679 911	66 000
Additional options available as a result of an increase in issued share capital during the current financial year	5 097 825	14 141 180
Balance of options available for allocation as at the end of the financial year	48 005 262	44 430 907

DIRECTORS' REPORT

FINANCIAL STATEMENTS AND RESULTS

The group financial statements include the financial position, results and cash flows of the company and its subsidiaries, associates and joint venture since 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 20 to 29.

CHANGE IN BUSINESS

On 6 July 2005, DRDGOLD signed a memorandum of understanding with its black economic empowerment partner, Khumo Gold SPV (Pty) Limited (Khumo Gold), regarding the acquisition by Khumo Gold of a 15% stake in DRDGOLD's South African Operations.

In addition, on 20 July 2005, DRDGOLD acquired, from the Industrial Development Corporation, all of its Crown and ERPM debt through the issue of 4 451 219 DRDGOLD shares, which at the date of issue represented R28.9 million. The new structure resulted in Khumo Gold, which is an affiliate of Khumo Bathong Holdings (Pty) Limited (KBH) acquiring, as a first step, a 15% interest in a newly created company, DRDGOLD SA, which acquired 100% of ERPM, Crown and Blyvoor. DRDGOLD has retained an 85% interest in DRDGOLD SA. In the second step, Khumo Gold has been granted an option, exercisable over the next three years, to acquire a further 11% interest in DRDGOLD SA for the payment consideration of R9.3 million. This further equity tranche will include a 6% stake to be placed in a new, proposed Employee Trust. DRDGOLD subscribed for R31.8 million new Khumo Gold preference shares. The proceeds from these preference shares were used by Khumo Gold to settle an existing loan to KBH of R7.9 million, subscribe for R4.1 million new preference shares in ERPM, subscribe for R2.7 million new preference shares in Crown, subscribe for R3.9 million new preference shares in Blyvoor and subscribe for an initial 15% of the issued ordinary shares in DRDGOLD SA for R13.2 million.

On 16 November 2005, DRDGOLD concluded a sale and purchase agreement with Emperor Mines, in terms of which Emperor Mines acquired DRDGOLD's wholly owned subsidiary, DRD Isle of Man Limited, (DRD (IOM)), which in turn holds the group's PNG assets, comprising a 20% interest in the Porgera Joint Venture,

a 100% interest in Tolukuma Gold Mines Limited and all of the exploration tenements in Papua New Guinea. Implementation of the transaction required the restructuring of DRDGOLD's offshore operations, whereby DRD (IOM) transferred the following material assets to DRDGOLD's new wholly owned subsidiary, DRDGOLD (Offshore) Limited (DRD (Offshore)), on 1 January 2006:

- DRDGOLD's 39.5% (previously 45.3%) interest in Emperor Mines;
- DRDGOLD's 50.2% interest in NetGold Services Limited; and
- DRDGOLD's rights and obligations of an AUS\$10.0 million convertible loan facility which DRD (IOM) advanced to Emperor Mines, in terms of which DRDGOLD can elect to convert such debt facility into additional Emperor Mines shares at AUS\$0.30 per Emperor Mines share.

On 31 March 2006, DRDGOLD sold DRD (IOM) to DRD (Offshore) and on 6 April 2006, DRD (Offshore) sold DRD (IOM) to Emperor Mines. The purchase consideration of US\$237.3 million was subject to certain completion adjustments to reflect the change in the capital position of both Emperor Mines and DRD (IOM) between 1 October 2005, which was the effective date, and completion of the transaction on 6 April 2006.

The purchase consideration was settled by the issue of 751 879 699 new Emperor Mines shares at US\$0.266 per share (valued at US\$200.0 million) to DRD (Offshore) and the remaining portion in cash. DRDGOLD currently holds 78.9% of Emperor Mines.

SUBSIDIARIES

The following information relates to the company's financial interest in its subsidiaries at 30 June 2006:

	Issued ordinary share capital		Shares at cost less provisions R'000	Effective date of acquisition	Indebtedness net of provisions 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	(146 806)
DRDGOLD South African Operations (Pty) Limited ⁽¹⁾	1 000 000	85	130 000	14 Nov 2005	181 505
East Champ d'Or Gold Mine Limited	7	100	–	1 Apr 1996	–
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	2 963 000	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	(22 793)
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 ⁽²⁾	5	100	1 473 949	4 Nov 2005	(6 804)
Total			1 603 949		(38 045)

⁽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.

DIRECTORS' REPORT

GOLD PRODUCTION – Metric						
	Year ended June 2006			Year ended June 2005		
	Continuing operations	Discontinued operation	Total group	Continuing operations	Discontinued operation	Total group
South Africa⁽¹⁾						
<i>Underground</i>						
Ore milled - t'000	900	–	900	709	986	1 695
Gold produced - kg	5 604	–	5 604	7 257	5 366	10 666
Yield -g/tonne	6.23	–	6.23	7.48	5.44	6.69
<i>Surface treatment</i>						
Ore milled - t'000	11 397	–	11 397	7 257	884	8 141
Gold produced - kg	4 224	–	4 224	2 535	850	3 385
Yield -g/tonne	0.37	–	0.37	0.35	0.96	0.42
Australasia⁽²⁾						
Ore milled - t'000	1 451	–	1 451	1 624	–	1 624
Gold produced - kg	6 578	–	6 578	9 864	–	9 864
Yield -g/tonne	4.53	–	4.53	6.07	–	6.07
Total attributable						
Ore milled - t'000	13 748	–	13 748	9 590	1 870	11 460
Gold produced - kg	16 406	–	16 406	17 699	6 216	23 915
Yield -g/tonne	1.19	–	1.19	1.85	3.32	2.09

⁽¹⁾For FY05 these figures include the group's 40% attributable portion of Crown Gold Recoveries (Pty) Limited which includes Crown and ERPM. For FY06, Crown and ERPM were consolidated from 1 December 2005.

⁽²⁾For FY05 these figures include 100% of Tolukuma and the group's 20% attributable portion of the Porgera Joint Venture and 45.33% attributable portion of Emperor Mines Limited from 1 August 2004. 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 Mines. From April 2006, Emperor Mines, which now includes Tolukuma and Porgera, is consolidated 100%.

GOLD PRODUCTION – Imperial

	Year ended June 2006			Year ended June 2005		
	Continuing operations	Discontinued operation	Total group	Continuing operations	Discontinued operation	Total group
South Africa⁽¹⁾						
Underground						
Ore milled - t'000	990	–	990	809	1 088	1 897
Gold produced - troy ounces	180 177	–	180 177	173 350	172 522	345 872
Yield -ounces/tonne	0.182	–	0.182	0.214	0.159	0.182
<i>Surface treatment</i>						
Ore milled - t'000	12 561	–	12 561	7 975	976	8 951
Gold produced - troy ounces	135 799	–	135 799	78 552	27 328	105 880
Yield -ounces/tonne	0.011	–	0.011	0.010	0.028	0.012
Australasia⁽²⁾		–				
Ore milled - t'000	1 599	–	1 599	1 793	–	1 793
Gold produced - troy ounces	211 425	–	211 425	317 134	–	317 134
Yield -ounces/tonne	0.132	–	0.132	0.177	–	0.177
Total attributable						
Ore milled - t'000	15 150	–	15 150	10 577	2 064	12 641
Gold produced - troy ounces	527 401	–	527 401	569 036	199 850	768 886
Yield -ounces/tonne	0.035	–	0.035	0.054	0.097	0.061

⁽¹⁾For FY05 these figures include the group's 40% attributable portion of Crown Gold Recoveries (Pty) Limited which includes Crown and ERPM. For FY06, Crown and ERPM were consolidated from 1 December 2005.

⁽²⁾For FY05 these figures include 100% of Toluma and the group's 20% attributable portion of the Porgera Joint Venture and 45.33% attributable portion of Emperor Mines Limited from 1 August 2004. For FY06 these figures include (for the nine months July 2005 to March 2006) 100% of Toluma, the group's 20% attributable portion of Porgera Joint Venture and 39.52% attributable production of Emperor Mines. From April 2006, Emperor Mines, which now includes Toluma and Porgera, is consolidated 100%.

COMPANY INCOME STATEMENT

for the year ended 30 June 2006

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATION ⁽ⁱ⁾		TOTAL OPERATIONS	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Revenue	2	-	-			-	-
Cost of sales		(19 286)	(43 466)			(19 286)	(43 466)
Cash costs		(8 756)	(7 575)			(8 756)	(7 575)
Depreciation	9	(303)	(22 265)			(303)	(22 265)
Retrenchment costs	3	(983)	(7 160)			(983)	(7 160)
Movement in provision for environmental rehabilitation	17	(9 244)	(6 466)			(9 244)	(6 466)
Gross loss		(19 286)	(43 466)			(19 286)	(43 466)
Profit/(loss) on derivative instruments		(144 513)	1 163			(144 513)	1 163
Impairments	3	(184 126)	(4 131)		(418 910)	(184 126)	(423 041)
Administration expenses and general costs		(17 584)	(69 945)			(17 584)	(69 945)
Operating loss before investment income and finance expenses	3	(365 509)	(116 379)		(418 910)	(365 509)	(535 289)
Investment income	5	640 685	38 788			640 685	38 788
Finance expenses		(29 688)	(29 617)			(29 688)	(29 617)
Profit/(loss) before taxation		245 488	(107 208)		(418 910)	245 488	(526 118)
Income tax expense	6	-	-			-	-
Profit/(loss) after taxation		245 488	(107 208)		(418 910)	245 488	(526 118)
Profit/(loss) from discontinued operation	7	-	-	18 322	(45 203)	18 322	(45 203)
Profit/(loss) for the year attributable to ordinary shareholders		245 488	(107 208)	18 322	(464 113)	263 810	(571 321)

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

GROUP INCOME STATEMENT

for the year ended 30 June 2006

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATION ⁽ⁱ⁾		TOTAL OPERATIONS	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Revenue	2	1 599 994	1 151 901		516 661	1 599 994	1 668 562
Cost of sales		(1 574 910)	(1 010 534)		(651 852)	(1 574 910)	(1 662 386)
Cash costs		(1 383 089)	(843 938)		(635 855)	(1 383 089)	(1 479 793)
Depreciation	9	(150 632)	(133 072)		(5 856)	(150 632)	(138 928)
Retrenchment costs	3	(5 626)	(26 141)		(1 391)	(5 626)	(27 532)
Movement in provision for environmental rehabilitation	17	(39 069)	(18 069)		(6 366)	(39 069)	(24 435)
Movement in gold in progress		3 506	10 686		(2 384)	3 506	8 302
Gross profit/(loss)		25 084	141 367		(135 191)	25 084	6 176
Profit/(loss) on derivative instruments		34 614	(1 250)			34 614	(1 250)
Impairments	3	118 538	(76 226)		(213 379)	118 538	(289 605)
Administration expenses and general costs		(131 383)	(156 253)		(9 362)	(131 383)	(165 615)
Share of loss of associates	13	(151 963)	(77 749)			(151 963)	(77 749)
Operating loss before investment income and finance expenses	3	(105 110)	(170 111)		(357 932)	(105 110)	(528 043)
Investment income	5	43 061	(32 061)		1 992	43 061	(30 069)
Finance expenses		(46 339)	(35 945)		(438)	(46 339)	(36 383)
Loss before taxation		(108 388)	(238 117)		(356 378)	(108 388)	(594 495)
Income tax expense	6	(24 392)	(15 529)			(24 392)	(15 529)
Loss after taxation but before discontinued operation		(132 780)	(253 646)		(356 378)	(132 780)	(610 024)
Profit from discontinued operation	7	-	-	18 322	65 243	18 322	65 243
(Loss)/profit for the year		(132 780)	(253 646)	18 322	(291 135)	(114 458)	(544 781)
Attributable to:							
Ordinary shareholders of the company		(128 411)	(253 657)	18 322	(291 135)	(110 089)	(544 792)
Minority interest		(4 369)	11			(4 369)	11
		(132 780)	(253 646)	18 322	(291 135)	(114 458)	(544 781)
Loss per share for loss attributable to ordinary shareholders of the company:							
Basic and diluted loss per share (cents)	8	(41)	(98)	6	(113)	(35)	(211)

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

BALANCE SHEETS

at 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000	Note	R'000	R'000
1 098 029	2 174 486	ASSETS		
		Non-current assets	1 534 233	840 107
731 590	1 850 596	Property, plant and equipment	9	15 354
48 041	99 308	Non-current investments and other assets	10	15 195
		Investments in subsidiaries	11	809 558
103 212	–	Investments in associates	12	–
215 186	219 258	Non-current inventories	14	–
–	5 324	Deferred mining and income taxes	19	–
401 403	820 588	Current assets	56 541	106 681
110 669	208 759	Inventories	14	–
49 542	102 098	Accounts receivable		12 704
–	20 770	Financial assets	21	–
241 192	488 961	Cash and cash equivalents		93 977
–	15 000	Non-current assets classified as held for sale	15	–
1 499 432	3 010 074	TOTAL ASSETS	1 605 774	946 788
		EQUITY AND LIABILITIES		
483 094	1 015 272	Equity	898 326	424 781
477 250	782 147	Shareholders' equity	16	424 781
5 844	233 125	Minority shareholders' interest		–
691 546	847 001	Non-current liabilities	194 358	454 037
138 582	322 308	Provision for environmental rehabilitation	17	39 469
–	24 389	Post-retirement and other employee benefits	18	–
82 732	97 338	Deferred mining and income taxes	19	–
466 554	402 966	Long-term liabilities	20	410 890
3 678	–	Financial liabilities	21	3 678
324 792	1 147 801	Current liabilities	513 090	67 970
211 577	370 633	Accounts payable and accrued liabilities		40 266
64 685	556 943	Short-term liabilities	20	26 469
2 159	2 515	Provisions	22	–
–	183 370	Financial liabilities	21	–
37 217	31 930	Taxation payable		–
9 154	2 410	Bank overdraft		1 235
1 499 432	3 010 074	TOTAL EQUITY AND LIABILITIES	1 605 774	946 788

STATEMENTS OF SHAREHOLDERS' EQUITY

for the year ended 30 June 2006

	Number of ordinary shares	Number of cumulative preference shares	Share capital and share premium	Cumulative preference share capital	Revaluation and other reserves ⁽ⁱ⁾	Accumulated loss	Total shareholders' equity	Minority interest	Total equity
			R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP									
Balance at 1 July 2004	233 307 667	5 000 000	3 069 055	500	(7 138)	(2 605 566)	456 851	5 833	462 684
Issued shares for cash	56 230 705		421 569				421 569		421 569
Staff options issued	55 000		378				378		378
Share issue expenses			(27 159)				(27 159)		(27 159)
Acquisition of associate	6 612 676		101 131				101 131		101 131
Share-based payments					10 508		10 508		10 508
Foreign exchange gain on translation					58 764		58 764		58 764
Loss for the year						(544 792)	(544 792)	11	(544 781)
Balance at 30 June 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
COMPANY									
Balance at 1 July 2004	233 307 667	5 000 000	3 069 055	500	6 047	(2 585 927)	489 675		489 675
Issued shares for cash	56 230 705		421 569				421 569		421 569
Staff options issued	55 000		378				378		378
Share issue expenses			(27 159)				(27 159)		(27 159)
Acquisition of associate	6 612 676		101 131				101 131		101 131
Share-based payments					10 508		10 508		10 508
Loss for the year						(571 321)	(571 321)		(571 321)
Balance at 30 June 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
Loss 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

⁽ⁱ⁾ Revaluation and other reserves comprise foreign exchange differences arising on translation of foreign subsidiaries, share-based payments reserve and asset revaluation reserves (refer note 16).

CASH FLOW STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000	Note	R'000	R'000
		CASH FLOWS FROM OPERATING ACTIVITIES		
1 668 562	1 599 994	Cash received from sales of precious metals	-	-
(1 681 579)	(1 547 850)	Cash paid to suppliers and employees	(38 919)	(63 544)
(13 017)	52 144	Cash generated by/(applied to) operations	(38 919)	(63 544)
11 821	32 841	Investment income	3 456	9 617
(44 216)	(42 109)	Finance expenses	(31 380)	(34 831)
(57 388)	(27 002)	Income tax paid	-	-
(21 800)	(37 375)	Payment arising from derivative instruments	-	-
(124 600)	(21 501)	Net cash outflow from operating activities	(66 843)	(88 758)
		CASH FLOWS FROM INVESTING ACTIVITIES		
(12 360)	(50 862)	Purchase of investments	(31 803)	-
4 361	385	Proceeds on sale of investments	-	3 000
(127 544)	(263 286)	Additions to property, plant and equipment to maintain operations	(1 056)	(178)
11 957	7 162	Proceeds on disposal of property, plant and equipment	18	38
-	45 343	Increase in amounts owing to/from subsidiaries	(187 726)	(158 310)
(47 178)	22 325	Purchase of subsidiaries net of cash acquired	-	-
(42 857)	-	Disposal of subsidiaries net of cash disposed of	22 325	(45 203)
		Increase in investment in associate	-	-
(213 621)	(238 933)	Net cash outflow from investing activities	(198 242)	(200 653)
		CASH FLOWS FROM FINANCING ACTIVITIES		
421 947	203 338	Proceeds from the issue of shares	203 338	421 947
62 345	332 694	Advances of long-term liabilities	-	-
(23 580)	(76 778)	Repayments of long-term liabilities	-	(17 350)
(27 159)	(6 944)	Share issue expenses	(6 944)	(27 159)
433 553	452 310	Net cash inflow from financing activities	196 394	377 438
95 332	191 876	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(68 691)	88 027
129 421	232 038	Cash and cash equivalents at the beginning of the year	92 742	4 715
7 285	62 637	Foreign exchange movements		
232 038	486 551	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24 051	92 742

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		A RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED BY/(APPLIED TO) OPERATIONS		
(594 495)	(108 388)	Loss before taxation	245 488	(526 118)
		Adjusted for		
138 928	150 632	Depreciation	303	22 265
24 435	39 069	Movement in provision for environmental rehabilitation	9 244	6 466
(8 302)	(3 506)	Movement in gold in progress	–	–
1 250	(34 614)	(Profit)/loss on derivative instruments	144 513	(1 163)
289 605	(118 538)	Impairments	184 126	423 041
(11)	(6 537)	(Profit)/loss on sale of property, plant and equipment	(18)	–
10 508	13 341	Share-based payments	13 341	10 508
9 937	9 937	Amortisation of convertible loan issuance costs	9 937	9 937
–	241	Non-cash movement in provisions	–	–
3 710	(472)	Impairment loss trade receivables	2 916	3 710
–	6 523	Actuarial losses on post-retirement and other employee benefits	–	–
77 749	151 963	Share of loss of associates	–	–
30 069	(43 061)	Investment income	(640 685)	(38 788)
36 383	46 339	Finance expenses	29 688	29 617
19 766	102 929	Operating profit/(loss) before working capital changes	(1 147)	(60 525)
(32 783)	(50 785)	Working capital changes	(37 772)	(3 019)
34 720	(39 568)	Accounts receivable	(20 709)	(5 502)
2 937	(5 818)	Inventories	(40)	100
(70 440)	(4 673)	Accounts payable and accrued liabilities	(17 023)	2 383
–	(726)	Post-retirement and other employee benefits	–	–
(13 017)	52 144	Cash generated by/(applied to) operations	(38 919)	(63 544)
		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.		
		The fair value of the assets disposed of was as follows:		
116 178		Non-current investments		
11 537		Inventories		
16 460		Accounts receivable		
1 975		Cash and cash equivalents		
(122 257)		Provision for environmental rehabilitation		
(134 339)		Accounts payable and provisions		
(110 446)		Net book value at time of disposal		
110 446		Fair value adjustment		
–		Fair value at time of disposal		
(45 203)	18 322	Costs on liquidation	18 322	(45 203)
(1 975)	–	Less: cash and cash equivalents of subsidiary	–	–
(47 178)	18 322	Cash flow on disposal of subsidiary	18 322	(45 203)

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH (continued)		
		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. The acquired business contributed revenues of R206.5 million and profit of R24.1 million since 30 November 2005. The fair value of the assets acquired was 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. The acquired business contributed revenues of R225.2 million and profit of R1.2 million since 30 November 2005. The fair value of the assets acquired was 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	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		B CASH FLOW ON DISPOSAL/ACQUISITION OF SUBSIDIARY, NET OF CASH (continued)		
		Acquisition of Emperor Mines Limited		
		With effect from 6 April 2006 the group acquired an additional 48.75% holding in the shares of Emperor Mines Limited. The acquired business contributed revenues of R15.8 million and profit of R12.8 million since 6 April 2006. The fair value of the assets acquired was 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	Cash and cash equivalents		
	(5 885)	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)	Accounts payable and provisions		
	(2 571)	Taxation payable		
	282 787	Total fair value at time of acquisition		
	(282 787)	Total consideration		
	24 855	Add: cash and cash equivalents of acquired entity		
	24 855	Cash flow on acquisition of subsidiary net of cash acquired		
		Disposal of Stand 752 Parktown Extension (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	–
		Total net cash flow on disposal/acquisition of subsidiaries		
(47 178)	18 322	Buffelsfontein Gold Mines Limited	18 322	(45 203)
	11 175	Crown Gold Recoveries (Pty) Limited		
	9 313	East Rand Proprietary Mines Limited		
	24 855	Emperor Mines Limited		
	4 003	Stand 752 Parktown Extension (Pty) Limited	4 003	
(47 178)	67 668		22 325	(45 203)

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		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.		
241 192	488 961	Cash and cash equivalents	26 004	93 977
(9 154)	(2 410)	Bank overdrafts	(1 953)	(1 235)
232 038	486 551		24 051	92 742

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

1 ACCOUNTING POLICIES

DRDGOLD Limited is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 30 June 2006 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 group has adopted IFRS for the year beginning 1 July 2005, with the transition date being 1 July 2004, the date from which comparative information has been restated.

In terms of IFRS 1 "First Time Adoption of International Financial Reporting Standards", certain voluntary exemptions are permitted, where the full retrospective restatement of comparatives is not required. The group has accordingly applied its accounting policies retrospectively from the date of transition, with the exception of the following permitted exemptions:

- *Share-based payment transactions* – the group has elected not to apply IFRS 2 "Share-based payments", to share options

granted prior to 7 November 2002 as well as those share options granted after that date which had vested before 1 January 2005.

- *Business combinations* – the group has elected not to apply IFRS 3 "Business Combinations", to all past business combinations that occurred before the date of transition to IFRS.
- *Fair value or revaluation as deemed cost* – certain items of mining assets have been measured at their fair value at the transition date and that fair value has been used as their deemed cost at that date.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the group is provided in note 29.

BASIS OF PREPARATION

The financial statements are presented in South African Rand (Rands), rounded to the nearest thousand. The financial statements are prepared on the historical cost basis, as modified by the restatement of certain financial instruments at fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 under 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 27.

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 and in preparing an opening IFRS balance sheet at 1 July 2004 for the purposes of the transition.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. 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
IFRS 6	Exploration for and Evaluation of Mineral Resources	Annual periods commencing on or after 1 January 2006 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
IAS 19 amendment	Employee Benefits (December 2004)	Annual periods commencing on or after 1 January 2006 ²
IAS 39 amendment	Financial Instruments: Recognition and Measurement (April 2005) – Cash flow hedge accounting of forecast intragroup transactions	Annual periods commencing on or after 1 January 2006 ²
IAS 39 amendment	Financial Instruments: Recognition and Measurement (June 2005) – Fair value option	Annual periods commencing on or after 1 January 2006 ¹
IAS 39 & IFRS 4 amendment	Financial Instruments: Recognition and Measurement (August 2005)	
	Insurance Contracts – Financial Guarantee Contracts	Annual periods commencing on or after 1 January 2006 ²
IAS 21 amendment	The Effects of Changes in Foreign Exchange Rates (December 2005) – Net Investment in a Foreign Operation	Annual periods commencing on or after 1 January 2006 ¹
IFRIC 4	Determining whether an Arrangement contains a Lease	Annual periods commencing on or after 1 January 2006 ¹
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Annual periods commencing on or after 1 January 2006 ¹
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	Annual periods commencing on or after 1 December 2005 ¹
IFRIC 7	Applying the Restatement Approach under IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economies	Annual periods commencing on or after 1 March 2006 ²
IFRIC 9	Reassessment of Embedded Derivatives	Annual periods commencing on or after 1 June 2006 ²
IFRIC 10	Interim Financial Reporting and Impairment	Annual periods commencing on or after 1 November 2006 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 recently audited financial results. Adjustments are made for material transactions and events between the group and subsidiary in the intervening period.

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 whose activities 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 intragroup 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 Rands.

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include investments, derivative 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 comprise investments in listed and unlisted companies, which are classified as "held for trading" 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 investment in Class A cumulative participating compulsorily redeemable preference shares is classified as an investment in an unlisted entity, and measured at fair value less impairment losses.

Derivative 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 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. Derivative instruments do not qualify for hedge accounting.

Accounts receivable

Accounts receivable are stated at amortised cost less impairment losses (see below on impairments).

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 entirely classified as a liability.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are stated at amortised cost, using the effective interest rate method.

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, mine plant facilities and decommissioning assets. 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, or deemed 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, development costs and decommissioning assets is 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.

The current estimated useful lives are:

- **mining properties**
units-of-production method
- **mineral rights**
units-of-production method
- **mine plant facilities**
2 – 10 years
- **development costs**
units-of-production method
- **decommissioning assets**
units-of-production method

The residual value, if not insignificant, and the 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

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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). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price 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.

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

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 are thereon recognised in the income statement as interest expense.

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 credit unit 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 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 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. 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. If the effect is material, 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 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

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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.

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, dividends on redeemable preference shares, unwinding of discounting of provision for environmental rehabilitation and interest on finance leases. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

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, 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.

EARNINGS OR LOSS PER SHARE

Earnings or loss per share are calculated based on the net profit or loss after taxation for the year, 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	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		2 REVENUE		
		Revenue consists of the following principal categories:		
1 649 718	1 576 883	Gold revenue	-	-
18 844	23 111	By-product revenue	-	-
1 668 562	1 599 994	Total revenue	-	-
		3 OPERATING PROFIT/(LOSS) BEFORE INVESTMENT INCOME AND FINANCE EXPENSES INCLUDES THE FOLLOWING AMONGST OTHER:		
(9 924)	(13 606)	Auditors' remuneration	(6 799)	(6 839)
(7 393)	(9 595)	Audit fees – current year	(4 504)	(4 173)
(2 157)	(951)	Underprovision – prior year	(417)	(2 501)
(374)	(3 060)	Fees for other services	(1 878)	(165)
(41 381)	(15 476)	Management, technical, administrative and secretarial service fees	(9 296)	(34 833)
(721 528)	(487 058)	Staff costs	(34 218)	(50 607)
		Included in staff costs are:		
(637 151)	(440 525)	Salaries and wages	(19 480)	(31 893)
(10 508)	(13 341)	Share-based payments	(13 341)	(10 508)
(27 532)	(5 626)	Retrenchment and restructuring costs	(983)	(7 160)
(46 337)	(27 566)	Pension fund contributions	(414)	(1 046)
		Income from subsidiaries		
		Administration and management fees	61 704	26 539
11	6 537	Profit on sale of property, plant and equipment	18	-
(289 605)	118 538	Impairments	(184 126)	(423 041)
(217 509)	-	Property, plant and equipment	-	(4 131)
-	67 728	Investments in and loans to subsidiaries	(160 469)	(418 910)
(72 096)	74 488	Investments in and loans to associates	-	-
-	(23 678)	Other loans	(23 657)	-
		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 the 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.		

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GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>3 OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/ (EXPENSES) INCLUDES THE FOLLOWING AMONGST OTHER: (continued)</p> <p>The R74.5 million impairment recorded in 2005 on the group's investment in Emperor Mines Limited (Emperor Mines) was reversed during the year 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)	Operating lease	(1 631)	(600)
-	6 096	Pumping subsidy received	-	-
		<p>4 DIRECTORS' EMOLUMENTS</p> <p>Executive directors</p> <p><i>Services rendered as directors of the company</i></p> <p>Salaries (3 422) (3 988)</p> <p>Bonuses (2 065) (1 676)</p> <p>Provident fund contributions (50) (300)</p> <p>Change in terms of employment and end of contract payments (950) (1 557)</p> <p><i>Services rendered by directors as directors of subsidiaries</i></p> <p>Salaries (3 390) (3 651)</p> <p>Bonuses (1 235) (3 397)</p> <p>End of contract payments - (2 251)</p> <p>Non-executive directors</p> <p><i>Services rendered as directors of the Company</i></p> <p>Directors' fees (1 414) (2 082)</p> <p>Retirement package (119) -</p> <p><i>Services rendered by directors as directors of subsidiaries</i></p> <p>Directors' fees (78) -</p>		
(13 757)	(17 868)	Included in administration and general costs	(8 569)	(9 054)

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		5 INVESTMENT INCOME		
143	87	Sundry investment income	58	–
11 678	8 206	Interest received	6 937	18 754
3 000	455	Profit/(loss) on realisation of listed and unlisted investments	(51)	(9 512)
–	674	Profit on disposal of subsidiaries	701 811	–
–	88 361	Profit arising on rights issue by subsidiary	–	–
4 872	5 515	Growth in environmental rehabilitation trust funds	993	1 113
(57 865)	(43 608)	Unrealised foreign exchange (loss)/gain	(69 063)	28 433
8 103	(16 629)	Fair value adjustments to financial instruments	–	–
(30 069)	43 061		640 685	38 788
		6 INCOME TAX EXPENSE		
(15 680)	(23 069)	Mining tax	–	–
151	(1 323)	Non-mining tax	–	–
(15 529)	(24 392)		–	–
		Comprising:		
		South African		
–	289	Current tax – current year	–	–
(1 640)	(1 612)	– prior year	–	–
		Foreign		
(76 790)	(14 436)	Current tax – current year	–	–
319	–	– prior year	–	–
60 978	(8 633)	Deferred tax – current year	–	–
1 604	–	– prior year	–	–
(15 529)	(24 392)		–	–
		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% (2005: 29%).		
		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.		
		In 2006 and 2005, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 45% (2005: 45%) and 37% (2005: 37%), respectively. During those same years the tax rates for companies that did not elect the STC exemption were 35% (2005: 35%) and 29% (2005: 29%), for taxable mining and non-mining income respectively.		

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GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	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% (2005: 35%) tax on mining income and 29% (2005: 29%) for non-mining income. With the exception of Blyvoor, all of the South African subsidiaries elected the STC exemption. The tax rate for all the Australasian operations is 30%.		
		South African deferred tax is provided at the estimated effective mining tax rate applicable in terms of the mining tax formula to the relevant operations at either 35% or 45% (2005: 35% or 45%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2005: 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.		
243 613	1 536 421	Unredeemed capex at year-end (available for deduction against future mining income)	131 504	132 523
646 258 (450 846)	653 683 –	Estimated tax losses at year-end (available to reduce future taxable income) Applied to reduce deferred taxation	104 535 –	198 383
439 025	2 190 104	Tax losses and unredeemed capex carried forward	236 039	330 906
134 024	765 221	Estimated future tax relief at applicable statutory rates	68 451	95 963
		Tax reconciliation		
		Major items causing the Group's income tax provision to differ from the statutory rate were:		
218 690	42 656	Taxation benefit on net loss at applicable statutory rates		
(69 506)	(5 933)	Temporary difference for which deferred tax assets not recognised		
(151 524)	–	Effect of discontinued operations not recognised		
(19 601)	(68 678)	Disallowable expenditure		
5 339	6 554	Exempt income		
(1 321)	(1 612)	Additional tax expense relating to the prior year		
2 394	2 621	Other		
(15 529)	(24 392)	Taxation charge		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		7 PROFIT/(LOSS) FROM DISCONTINUED OPERATION		
		On 9 March 2005, the North West Operation 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 Operation 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 (Buffelsfontein), which owns the North West Operation. The order was granted on the same day.		
		The company committed to pay the following costs on behalf of Buffelsfontein's operation:		
(27 920)	–	Wages	–	(27 920)
(5 114)	–	Essential services	–	(5 114)
(9 000)	–	Provision for employees social plan	–	(9 000)
(3 169)	–	Legal and other costs	–	(3 169)
–	18 322	Costs recovered from the liquidator	18 322	–
(45 203)	18 322	Recoveries/(costs) on liquidation of subsidiary, before tax	18 322	(45 203)
110 446	–	Profit on re-measuring the liquidated subsidiary to fair value	–	–
–	–	Tax effect	–	–
65 243	18 322	Profit/(loss) from discontinued operation	18 322	(45 203)
		8 LOSS PER SHARE		
		Basic		
		The calculation of loss per ordinary share is based on the following:		
(544 792)	(110 089)	Basic loss attributable to ordinary shareholders		
(253 657)	(128 411)	Basic loss from continuing operations attributable to ordinary shareholders		
257 695 796	310 565 826	Weighted average number of ordinary shares in issue		
		Headline		
		The basic loss has been adjusted by the following to arrive at a headline loss:		
(544 792)	(110 089)	Basic loss attributable to ordinary shareholders		
289 605	(118 538)	Impairment of investment in associate, mining assets and goodwill		
(11)	(6 537)	Profit on sale of mining assets		
(3 000)	(89 491)	Profit on sale of investment		
(65 243)	(18 322)	Gain from discontinued operation		
(323 441)	(342 977)	Headline loss attributable to ordinary shareholders		

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GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		8 LOSS PER SHARE (continued)		
		Diluted		
(544 792)	(110 089)	Basic loss attributable to ordinary shareholders		
27 216	28 548	Interest paid on convertible loan notes		
(517 576)	(81 541)	Diluted basic loss		
221 351	(232 888)	Headline earnings adjustments		
(296 225)	(314 429)	Diluted headline loss		
		Reconciliation of weighted average ordinary shares to diluted weighted average ordinary shares		
257 695 796	310 565 826	Weighted average number of ordinary shares in issue		
-	-	Number of staff options allocated		
17 600 000	17 600 000	Convertible loan notes		
275 295 796	328 165 826	Diluted weighted average number of ordinary shares		
(211)	(35)	Basic and diluted loss per ordinary share (cents)		
(98)	(41)	Basic and diluted loss from continuing operations per ordinary share (cents)		
(125)	(110)	Headline and diluted headline loss per ordinary share (cents)		
(70)	(110)	Headline and diluted headline loss from continuing operations per ordinary share (cents)		
(55)	-	Headline and diluted headline loss from discontinued operation per ordinary share (cents)		
		There is no dilution in loss per share for 2006 and 2005 as the effect of dilutive securities in issue would be anti-dilutive, because the group recorded a loss for both years.		
		9 PROPERTY, PLANT AND EQUIPMENT		
		Total		
2 801 559	3 768 207	Cost	2 545	427 134
3 004 967	2 801 559	Opening balance	427 134	426 994
-	930 824	Acquired through purchase of subsidiaries	-	-
127 544	263 286	Additions	1 056	178
(11 946)	(643)	Disposals	(18)	(38)
(431 431)	(7 237)	Disposed through disposal of subsidiary	-	-
-	(425 627)	Transfer to non-current assets held for sale	(425 627)	-
112 425	206 045	Foreign exchange movement	-	-
(2 069 969)	(1 917 611)	Accumulated depreciation and impairment	(1 438)	(411 780)
(2 086 769)	(2 069 969)	Opening balance	(411 780)	(385 384)
(138 928)	(150 632)	Current depreciation	(303)	(22 265)
(217 509)	-	Impairment of assets	-	(4 131)
-	18	Disposals	18	-
431 431	3 897	Disposed through disposal of subsidiary	-	-
-	410 627	Transfer to non-current assets held for sale	410 627	-
(58 167)	(111 552)	Foreign exchange movement	-	-
731 590	1 850 596	Carrying value	1 107	15 354

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		Mining property		
		Cost		
824 799	1 018 311		-	425 627
945 858	824 799	Opening balance	425 627	425 627
-	539 188	Acquired through purchase of subsidiaries	-	-
1 633	24 867	Additions	-	-
(27)	(380)	Disposals	-	-
(136 713)	(5 470)	Disposed through liquidation of subsidiary	-	-
-	(425 627)	Transfer to non-current assets held for sale	(425 627)	-
14 048	60 934	Foreign exchange movement	-	-
(619 235)	(250 601)	Accumulated depreciation and impairment	-	(410 627)
(673 672)	(619 235)	Opening balance	(410 627)	(384 296)
(20 765)	(30 022)	Current depreciation	-	(22 200)
(56 076)	-	Impairment of assets	-	(4 131)
-	-	Disposals	-	-
136 713	2 915	Disposed through liquidation of subsidiary	-	-
-	410 627	Transfer to non-current assets held for sale	410 627	-
(5 435)	(14 886)	Foreign exchange movement	-	-
205 564	767 710	Carrying value	-	15 000
		Mine development		
		Cost		
1 153 613	1 525 030		-	-
1 246 938	1 153 613	Opening balance	-	-
-	137 589	Acquired through purchase of subsidiaries	-	-
97 118	165 338	Additions	-	-
(1 007)	-	Disposals	-	-
(254 756)	-	Disposed through liquidation of subsidiary	-	-
65 320	68 490	Foreign exchange movement	-	-
(777 822)	(892 199)	Accumulated depreciation and impairment	-	-
(812 803)	(777 822)	Opening balance	-	-
(58 535)	(66 397)	Current depreciation	-	-
(136 198)	-	Impairment of assets	-	-
-	-	Disposals	-	-
254 756	-	Disposed through liquidation of subsidiary	-	-
(25 042)	(47 980)	Foreign exchange movement	-	-
375 791	632 831	Carrying value	-	-

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for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		Mine plant facilities		
		Cost		
632 243	977 440		-	-
650 461	632 243	Opening balance	-	-
-	252 366	Acquired through purchase of subsidiaries	-	-
13 963	47 446	Additions	-	-
(10 874)	(245)	Disposals	-	-
(39 962)	-	Disposed through liquidation of subsidiary	-	-
18 655	45 630	Foreign exchange movement	-	-
(538 704)	(599 186)	Accumulated depreciation and impairment	-	-
(495 602)	(538 704)	Opening balance	-	-
(40 156)	(33 178)	Current depreciation	-	-
(25 235)	-	Impairment of assets	-	-
-	-	Disposals	-	-
39 962	-	Disposed through liquidation of subsidiary	-	-
(17 673)	(27 304)	Foreign exchange movement	-	-
93 539	378 254	Carrying value	-	-
		Equipment and vehicles		
		Cost		
150 545	204 851		2 545	1 507
122 543	150 545	Opening balance	1 507	1 367
-	1 180	Acquired through purchase of subsidiaries	-	-
14 830	25 635	Additions	1 056	178
(38)	(18)	Disposals	(18)	(38)
-	(1 767)	Disposed through liquidation of subsidiary	-	-
13 210	29 276	Foreign exchange movement	-	-
(111 421)	(151 067)	Accumulated depreciation and impairment	(1 438)	(1 153)
(83 589)	(111 421)	Opening balance	(1 153)	(1 088)
(18 053)	(18 412)	Current depreciation	(303)	(65)
-	18	Disposals	18	-
-	982	Disposed through liquidation of subsidiary	-	-
(9 779)	(22 234)	Foreign exchange movement	-	-
39 124	53 784	Carrying value	1 107	354

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		9 PROPERTY, PLANT AND EQUIPMENT (continued)		
		Decommissioning asset		
		Cost	-	-
40 359	42 575			
39 167	40 359	Opening balance	-	-
-	501	Acquired through purchase of subsidiaries	-	-
1 192	1 715	Foreign exchange movement	-	-
(22 787)	(24 558)	Accumulated depreciation and impairment	-	-
(21 130)	(22 787)	Opening balance	-	-
(1 419)	(2 623)	Current depreciation	-	-
(238)	852	Foreign exchange movement	-	-
17 572	18 017	Carrying value	-	-
		Certain assets have been encumbered as security for specified liabilities (refer note 20).		
		In assessing the recoverability of the above assets, where there are indicators of a possible impairment, the estimated cash flows have been calculated using the following estimates:		
		- recoverable proven and probable ore reserves;		
		- gold price estimates are based on a gold price of R130 563 per kilogram of gold (US\$580 per ounce) in year one, escalating at an average of 3.9% per annum, and a base exchange rate of R7.00 = 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 2006, escalated for expected South African inflationary increases of approximately 6.5% 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 6.5% per annum.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		10 NON-CURRENT INVESTMENTS AND OTHER ASSETS		
678	1 514	Listed investments (see below)	–	–
77 387	678	Opening balance	–	–
19 656	105	Foreign exchange movement	–	–
95 459	–	Additions	–	–
(199 927)	–	Transfer to investments in associates	–	–
8 103	731	Fair value adjustment	–	–
4 478	37 411	Unlisted investments	32 835	1 107
42 885	60 383	Investments in environmental rehabilitation trust funds	15 105	14 088
143 330	42 885	Opening balance	14 088	12 975
(105 316)	8 276	Acquired through the purchase of subsidiaries	–	–
–	3 707	Contributions	24	–
4 872	5 515	Growth in environmental rehabilitation trust funds	993	1 113
(1)	–	Rehabilitation payments from fund	–	–
48 041	99 308	Total non-current investments and other assets	47 940	15 195
4 478	37 411	Directors' valuation of unlisted investments	32 835	1 107

Listed investments consist of:

	% HELD	NUMBER OF SHARES	MARKET VALUE	CARRYING VALUE	CARRYING VALUE
			2006	2006	2005
			R'000	R'000	R'000
Drillsearch Energy Limited	#	1 820 000	1 473	1 473	616
Startrack Communications Limited	#	1 125 000	41	41	52
Cape Tel Limited	#	100 000	–	–	10
			1 514	1 514	678

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 various industry investments in South Africa for which a fair value is not readily determinable due to their nature and the fact that they are not actively traded. These investments are measured at cost.

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

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		11 INVESTMENTS IN SUBSIDIARIES		
		Shares at cost, less impairment loss	1 603 949	289 862
		Net indebtedness, less impairment loss	(118 763)	519 696
		Amounts owing by subsidiaries, less impairment loss	106 942	732 645
		Amounts owing to subsidiaries	(225 705)	(212 949)
		Net investment in subsidiaries	1 485 186	809 558
		The interest in the company in the (loss)/profit after taxation of its subsidiaries is:		
		Aggregate losses	(164 005)	(599 303)
		Aggregate profits	228 014	137 197
		A schedule showing the company's financial interest in each subsidiary is given in the Directors' Report on page 83		
		12 INVESTMENTS IN ASSOCIATES		
	103 212	Opening carrying amount	–	–
199 927	–	Transfer from listed investments	–	–
42 857	–	Acquired during the year	–	–
(77 749)	(151 963)	Net share of results of associates	–	–
(72 096)	–	Impairments	–	–
4 828	48 751	Other movements	–	–
5 445	–	Foreign exchange movement	–	–
103 212	–	Closing carrying amount	–	–
83 717		Market valuation – Emperor Mines Limited		

	COUNTRY OF INCORPORATION	% INTEREST HELD
The associates were: Crown Gold Recoveries (Pty) Limited Emperor Mines Limited	South Africa Australia	40.0% 45.3%
In terms of a Black Economic Empowerment (BEE) transaction between the company and Khumo Gold SPV (Pty) Limited effective from 30 November 2005, the company now holds 85% of Crown Gold Recoveries (Pty) Limited (Crown). Accordingly the results of Crown have been consolidated with effect from the above date.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>12 INVESTMENTS IN ASSOCIATES (continued)</p> <p>Due to its cumulative ownership of 45.3% of Emperor Mines and the fact that the company exercised significant influence over Emperor Mines, the company accounted for its investment in Emperor Mines under the equity method of accounting as from the date of acquiring its stake in Emperor Mines on 1 August 2004.</p> <p>On 6 April 2006, a transaction was concluded between Emperor Mines and the company, whereby the company's offshore assets were sold to Emperor Mines, resulting in the company's shareholding in Emperor Mines increasing to 88.3% with effect from the above date. As a result, Emperor Mines became a subsidiary with effect from that date and its results are accordingly now consolidated.</p> <p>The group's effective share of income, expenses, assets and liabilities of the associates, is as follows:</p> <p>Income statement</p> <p>Revenue</p> <p>Cost of sales</p>		
374 861				
(396 232)				
(21 371)		Gross loss		
(76 836)		Other income, administration and general costs		
(98 207)		Loss before taxation		
		Balance sheet		
155 736		Non-current assets		
67 883		Current assets		
223 619		Total assets		
(203 315)		Shareholders' equity		
267 872		Non-current liabilities		
159 062		Current liabilities		
223 619		Total equity and liabilities		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	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.		
		The group's effective share of income, expenses, assets, liabilities and cash flows of the joint venture, which is included in the consolidated financial statements, is as follows:		
		Income statement		
517 556 (233 173)	418 718 (246 620)	Revenue Cost of sales		
284 383 (24 134)	172 098 (17 892)	Gross profit Administration and general costs		
260 249	154 206	Profit before taxation		
		Balance sheet		
931 101 83 393	1 012 739 90 706	Non-current assets Current assets		
1 014 494	1 103 445	Total assets		
956 773 5 014 52 707	1 040 663 5 454 57 328	Shareholders' equity Non-current liabilities Current liabilities		
1 014 494	1 103 445	Total equity and liabilities		
		14 INVENTORIES		
		Current		
30 409 80 260	124 634 84 125	Gold in process Consumable stores	– 40	– –
110 669	208 759		40	–
		Non-current		
215 186	219 258	Ore stock pile	–	–
325 855	428 017	Total inventories	40	–
		The following assumptions were used to assess the net realisable value of the ore stock piles: – sales price of US\$613 per ounce at 30 June 2006 (2005: US\$437); – an exchange rate of Kina 3.11 = US\$1.00 (2005: Kina 3.12 = US\$1.00); – overheads of US\$1.47 per tonne (2005: US\$1.28 per tonne); and – processing costs of US\$15.22 per tonne (2005: US\$16.28 per tonne).		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</p> <p>Mining property, 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 is expected by June 2007. At 30 June 2006 the disposal group comprised mining property of R15.0 million.</p> <p>The disposal group is carried at fair value less costs to sell.</p>		
		<p>16 SHAREHOLDERS' EQUITY</p> <p>Details of shareholders' equity are provided in the Statements of Shareholders' in Equity on page 89.</p> <p>Authorised share capital</p> <p>600 000 000 (2005: 600 000 000) ordinary shares of no par value 5 000 000 (2005: 5 000 000) cumulative preference shares of 10 cents each</p>		
500	500		500	500
		<p>Issued share capital</p> <p>320 035 078 (2005: 296 206 048) ordinary shares of no par value 5 000 000 (2005: 5 000 000) cumulative preference shares of 10 cents each</p>		
3 564 974	3 761 368		3 761 368	3 564 974
500	500		500	500
3 565 474	3 761 868		3 761 868	3 565 474
		<p>Share capital</p> <p>Unissued shares</p> <p>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 4.6% of the issued ordinary share capital which is within the internationally accepted guideline of 3 to 5% for such schemes.</p> <p>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.</p>		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		16 SHAREHOLDERS' EQUITY (continued)		
		<p>On 12 November 2002, the company issued \$66 million convertible loan notes (refer to note 20). The notes are 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.</p> <p>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.</p> <p>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 an 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 MPRDA.</p> <p>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.</p> <p>Revaluation and other reserves</p>		
40 579	119 341	Foreign exchange translation reserve (a)	–	–
5 000	131 489	Asset revaluation reserve (b)	–	–
16 555	29 896	Share-based payments reserve (c)	29 896	16 555
62 134	280 726		29 896	16 555
		(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, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>16 SHAREHOLDERS' EQUITY (continued)</p> <p>(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.</p> <p>On the acquisition of Emperor Mines 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 Mines' net assets after the acquisition of the group's initial interest which is attributable to that initial interest.</p> <p>(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 eventually vest. During 2006, a deferred share-based compensation expense of R13.3 million (2005: R10.5 million) was charged to the income statement (refer to note 3).</p>		
230 594	138 582	17 PROVISION FOR ENVIRONMENTAL REHABILITATION		
6 383	(311)	Opening balance	39 469	30 958
		Foreign exchange movement	–	–
(122 257)	137 951	Acquired/(disposed) through purchase/(liquidation) of subsidiaries	–	–
(573)	7 017	Interest charge/(credit)	1 095	2 045
24 435	39 069	Charge to the income statement	9 244	6 466
138 582	322 308	Closing balance	49 808	39 469
		<p>Amounts have been contributed to irrevocable trusts (refer to note 10).</p> <p>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.</p>		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS		
-	16 762	Liability for post-retirement medical benefits	-	-
-	3 800	Liability for long service awards	-	-
-	3 827	Liability for long service leave	-	-
-	24 389		-	-
		Retirement funds		
		In South Africa, the group participates in a number of multi-employer industry-based retirement plans. All plans are governed by the Pension Funds Act, 1956. All the pension funds are actuarially valued at intervals of not more than three years using the projected benefit valuation basis.		
		All pension funds have been valued during the last three years and were certified to be in a sound financial position. The provident funds are funded on the "money accumulative basis" with 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), whilst 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:		
46 337	27 566	Current service cost	414	1 046
		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.		
		<i>Amounts recognised in the balance sheet are as follows:</i>		
		Change in benefit obligation		
-	-	Opening balance	-	-
-	13 839	Acquired through purchase of subsidiaries	-	-
-	2 923	Actuarial gains	-	-
-	16 762	Closing balance	-	-
		Amounts recognised in the income statement are as follows:		
-	7 449	Net actuarial gains	-	-

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GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS		
		(continued)		
		Post-retirement medical benefits (continued)		
		Principal actuarial assumptions at the balance sheet date:		
	5.8%	Health care cost inflation		
	7.8%	Discount rate		
	1.9%	Real discount rate		
	50.0%	Income at retirement (as % of final salary)		
	62.5/63/65	Normal retirement age		
	61.6/62.0/63.5	Expected average retirement age		
	3 years	Spouse age gap		
	85	Continuation at retirement		
	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, provided such service is not pensionable service. The Scheme lays down the rules under which an employee may be eligible for the award. The award is paid by the company for which the employee works upon becoming eligible for the award and electing to receive payment. All awards must be confirmed by the Chamber of Mines of South Africa before payment.		
		The amount of the award is based on both the employee's skill level and years of service with qualified gold mining companies.		
		Amount recognised in the balance sheet		
-	3 800		-	-

18 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 4.6% 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 ten 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 ten 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	Number of shares	Average price per share
		R		R
Balance at 1 July 2004	8 345 363	18.81	3 342 479	18.32
Granted	5 794 784	7.21		
Exercised	(66 000)	6.50		
Forfeited/lapsed	(1 022 361)	14.82		
Balance at 30 June 2005	13 051 786	14.04	6 507 374	17.52
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

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.

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	2006	2005
	R'000	R'000
18 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)		
c) The fair value of the options is determined using the Black-Scholes option valuation model.		
The 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	
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	
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	
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%	
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%	
Dividend yield		
1 November 2004 option grant	–	–
15 April 2005 option grant	–	–
17 June 2005 option grant	–	–
25 October 2005 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	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		19 DEFERRED MINING AND INCOME TAXES		
		Balances arose from the following temporary differences:		
		Deferred mining and income tax asset		
(40 619)	323 592	Property, plant and equipment	33 863	34 034
26 886	103 389	Provisions, including rehabilitation provision	14 990	16 162
212 467	222 539	Estimated assessed losses	30 315	54 671
1 814	68 969	Other temporary differences	69 287	1 814
(200 548)	(713 165)	Deferred mining and income tax asset not recognised	(148 455)	(106 681)
-	5 324		-	-
		Deferred mining and income tax liability		
(105 554)	(109 180)	Property, plant and equipment	-	-
(8 784)	(17 431)	Inventories	-	-
30 801	27 878	Provisions, including rehabilitation provision	-	-
805	1 395	Other temporary differences	-	-
(82 732)	(97 338)		-	-
(82 732)	(92 014)	Net deferred mining and income tax liability	-	-
		Reconciliation between deferred taxation opening and closing balances		
(145 128)	(82 732)	Opening balance	-	-
(186)	(3 528)	Foreign exchange movement	-	-
-	2 879	Deferred tax of subsidiary acquired	-	-
62 582	(8 633)	Income statement (charge)/credit	-	-
(82 732)	(92 014)	Closing balance	-	-
		Deferred tax has been raised at statutory income tax rates as the expected manner of recovery is through use.		
		20 LONG-TERM LIABILITIES		
		Secured		
26 904	19 376	Industrial Development Corporation (a)	-	-
66 976	-	Investec Bank (Mauritius) Limited (b)	-	-
-	407 235	ANZ Banking Group Limited (c)	-	-
-	5 552	Finance lease agreements (d)	-	-
		Unsecured		
437 359	490 115	Convertible loan notes (e)	490 115	437 359
-	27 864	Preference shares held by Khumo Gold SPV (Pty) Limited (f)	-	-
-	9 767	Withholding tax (g)	-	-
531 239	959 909		490 115	437 359
(64 685)	(556 943)	Less: Payable within one year included under current liabilities	(490 115)	(26 469)
466 554	402 966		-	410 890

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for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		20 LONG-TERM LIABILITIES (continued)		
		Long-term liability repayment schedule for capital amounts payable in the twelve months to:		
64 685		30 June 2006		26 469
459 761	556 943	30 June 2007	490 115	410 890
6 793	77 350	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	Thereafter		
531 239	959 909		490 115	437 359
		Analysis of gross long-term liabilities by currency:		
504 335	490 115	United States Dollar	490 115	437 359
26 904	47 240	South African Rand		
	422 554	Australian Dollar		
531 239	959 909		490 115	437 359
		Effective interest rates:		
		Secured liabilities		
9.50%	10.0%	Industrial Development Corporation		
6.50%	–	Investec Bank (Mauritius) Limited		
–	7.7%	ANZ Banking Group Limited		
		Unsecured liabilities		
9.95%	–	Investec Bank Limited	–	9.95%
8.74%	8.74%	Convertible loan notes	8.74%	8.74%
		Undrawn committed borrowing facilities:		
40 000	–	Investec Bank Limited	–	40 000
33 595	–	Investec Bank (Mauritius) Limited	–	–
73 595	–		–	40 000

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>20 LONG-TERM LIABILITIES (continued)</p> <p>(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 2006 the interest rate on this loan stood at 10% p.a. and R19.4 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 R22.9 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.</p> <p>(b) On 14 October 2004, DRD (Isle of Man) entered into a facility of \$15.0 million (R93.0 million) with Investec Bank (Mauritius) Limited (Investec (Mauritius)). The facility could be used to finance future acquisitions or rights offers by companies in which the company wished to acquire shares, or with prior written consent of Investec (Mauritius), it could be used for any other purpose. The facility bears interest at the three-month Interbank Offered Rate (LIBOR) plus 300 basis points. Funds advanced and interest on this facility had to be repaid in cash in equal instalments every three months from the date of the relevant advance so that the amount of the advance would be paid in full to Investec (Mauritius) on or before 12 November 2007. The facility was secured by DRD (Isle of Man)'s shares in Emperor Mines Limited, DRD (Porgera) Limited and Tolukuma Gold Mines Limited. The loan agreement prohibited the company from disposing of or further encumbering the secured assets. The facility restricted the flow of payments from DRD (Isle of Man) to the company through requiring that all net operating cash or cash distributions received by DRD (Isle of Man) in respect of the secured assets would be used to first service the company's interest and principal payment obligations under the facility by requiring that the company hold, in a debt servicing account, sufficient cash to cover its quarterly principal payments. Any funds in excess of these repayments could be transferred to the company. Investec (Mauritius) had the option to require DRD (Isle of Man) to pay 50% of any payments, which were a distribution, by or on behalf of DRD (Isle of Man) to or for the account of the company as a prepayment of the facility.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>20 LONG-TERM LIABILITIES (continued)</p> <p>(c) There are four loan facilities from the ANZ Banking Group Limited (ANZ Bank), they comprise the Vatukoula loan facility, project loan facilities, a property loan and a gold call option facility.</p> <p>The Vatukoula loan facility is secured by Emperor Gold Mining Company Limited (Fiji) as follows:</p> <ul style="list-style-type: none"> • a first registered deed of charge over all present and future assets and undertakings of Emperor Mines other than excluded assets (SPLs 1283, 1296, 1418, 1360, 1411 and CX 626 and all the shares in Tuvatu Gold Mining Company Limited); • a first registered mortgage over all freehold and leasehold land; • a first registered mortgage over Special Site Rights (SSR) 6, 7, 8 and Special Mining Leases (SPL 54, 55 and 56); and • a first registered Bill of Sale over its motor vehicles. <p>Agreement was reached with ANZ Bank prior to 30 June 2006 to restructure this loan facility with the first loan repayment due at 30 April 2007 to the value of R13.5 million (US\$1.9 million). Further biannual repayments are to be made of this amount with a final payment of R6.5 million (US\$0.9 million). The loan bears interest at LIBOR plus 2.5%.</p> <p>On 21 March 2006 Emperor Mines announced the signing of documentation with ANZ Bank for project loan facilities totalling R305.3 million (US\$42.0 million). These facilities comprise a R254.4 million (US\$35.0 million) senior facility with a 59 month tenor and a R50.9 million (US\$7.0 million) revolving working capital facility. The security in relation to this facility is as follows:</p> <ul style="list-style-type: none"> • fixed and floating charges over the assets of Tolukuma in Papua New Guinea and Western Australia; • fixed and floating charges over the assets of the Porgera Joint Venture, other than which require the consent of the Porgera joint venture partners, in Papua New Guinea and Western Australia; • mortgages over the shares of DRD (Porgera) Limited and Tolukuma Gold Mines Limited; • Tripartite agreements with key suppliers and contract counterparties; • mortgage over the Tolukuma Tenements; and • fixed and floating charge over the assets of DRD (Isle of Man) Limited. 		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		<p>20 LONG-TERM LIABILITIES (continued)</p> <p>The loan bears interest at LIBOR plus 2% per annum.</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. A First Registered Mortgage by Emperor Mines over the property situated at 45 Milman St, Clayfield, Queensland, Australia will be held by ANZ Bank as security for this loan. The loan bears interest at 6.79% per annum.</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 original drawdown in relation to this facility was R29.1 million (US\$4.0 million) of which R14.5 million (US\$2.0 million) has been repaid. The settlement of this facility will coincide with closing out the call options for which the facility was implemented.</p> <p>The carrying amount of assets pledged as security for these facilities is as follows:</p> <ul style="list-style-type: none"> • Property, plant and equipment, R702.4 million • Non-current inventories, R219.3 million • Current assets, R328.8 million <p>(d) Finance leases are effectively secured over vehicles with a carrying value of R12.5 million at 30 June 2006, as the rights of the leased assets revert to the lessor in the event of default.</p> <p>(e) On 12 November 2002, the company issued \$66 000 000 of 6% senior convertible loan notes due November 2006, in a private placement. The company issued the notes at a purchase price of 100% of the principal amount thereof. If not converted or previously redeemed, the notes will be repaid at 102.5% of their principal amount plus accrued interest on the fifth business day following their maturity date in November 2006. The notes are convertible into the company's ordinary shares, or, under certain conditions, American Depositary Receipts (ADRs) at a conversion price of \$3.75 per share or ADR, subject to adjustments in certain events.</p> <p>The company is 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 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>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		20 LONG-TERM LIABILITIES (continued)		
		Convertible loan notes		
397 173	437 359	Opening balance	437 359	397 173
9 937	9 937	Issuance costs amortised during the year	9 937	9 937
27 216	28 548	Interest expense	28 548	27 216
(24 613)	(25 474)	Interest paid	(25 474)	(24 613)
27 646	39 745	Foreign exchange movement	39 745	27 646
437 359	490 115	Closing balance	490 115	437 359
		(f) On 18 November 2005, the group issued class A cumulative participating preference shares to Khumo Gold SPV (Pty) Limited, for a subscription price of R10.6 million. The preference shares entitle Khumo Gold to receive a dividend of R0.15 for every R0.85 paid by Crown, ERPM and Blyvoor to the company towards capital and interest on their outstanding intragroup loans as at 30 November 2005. The preference shares have been revalued to fair value at 30 June 2006.		
		(g) Due to a change in Fijian tax legislation, a withholding tax is now payable on interest on intragroup 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 amounts standing to the credit of all distributable and non-distributable reserves.		
3 564 974	3 761 368	Issued and paid up share capital		
16 555	29 896	Non-distributable reserves in credit balance		
3 581 529	3 791 264			
531 239	959 909	Currently utilised		

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		21 FINANCIAL ASSETS AND LIABILITIES		
		Derivative instruments		
(3 678)	759	Interest rate swap agreement (a)	-	(3 678)
-	(184 129)	Forward sale commodity contracts (b)	-	-
-	20 770	Option contracts (c)	-	-
-	-	KBH option (d)	(144 550)	-
(3 678)	(162 600)		(144 550)	(3 678)
-	20 770	Disclosed under current assets	-	-
-	(183 370)	Disclosed under current liabilities	-	-
(3 678)	-	Disclosed under non-current liabilities	(144 550)	(3 678)
(3 678)	(162 600)		(144 550)	(3 678)
		<p>(a) In 2005, the amount reflects the fair value of the interest rate swap agreement that was entered into to manage the interest rate and currency risk on the biannual coupon payments of the convertible loan notes. Changes in fair value were recorded in the income statement. The fair value represented the difference between the fixed coupon rate of 6% per annum and the forward Johannesburg Interbank Acceptance Rate (JIBAR) plus 200 interest basis points together with the spot and forward US dollar exchange rate with reference to the coupon amount payable biannually. This contract was closed out in 2006.</p> <p>The Vatukoula loan facility currently bears interest at an average variable rate of 7.76%. In order to minimise fluctuation in interest rates, 64% of the loan has been covered by entering into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates until October 2008. 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%.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY							
2005	2006		2006	2005						
R'000	R'000		R'000	R'000						
		<p>21 FINANCIAL ASSETS AND LIABILITIES (continued)</p> <p>(b) This liability represents gold forward contracts in Emperor Mines. These financial instruments do not qualify for hedge accounting. As these financial instruments do not meet the definition of a hedge within the meaning of IFRS they are classified by default as held for trading. Under the accounting standards those instruments classified as held for trading are classified as current liabilities.</p> <p>Agreement was reached with ANZ prior to 30 June 2006 to restructure the Vatukoula loan facility with the first loan repayment due at 30 April 2007 to the value of R13.3 million (A\$2.5 million). Further bi-annual repayments to be made of this amount with a final payment of R6.4 million (A\$1.2 million). As a part of this restructure, the maturity dates of the gold forward contracts were also renegotiated as below.</p> <p>The total ounces to be delivered under the gold forward contracts for the group is 145 695 oz and the delivery into these derivative instruments will be in accordance with the maturity schedule agreed with the corresponding bank as follows:</p> <table border="1"> <thead> <tr> <th>30 June 2007</th> <th>30 June 2008</th> <th>30 June 2009</th> </tr> </thead> <tbody> <tr> <td>41 526 oz</td> <td>82 992 oz</td> <td>21 177 oz</td> </tr> </tbody> </table> <p>The fair value of the derivative financial instruments that is expected to mature within the coming year is R52.5 million (A\$9.9 million) relating to 41 526 ounces. The remaining fair value of R131.6 million (A\$24.8 million) will be delivered into post 30 June 2007.</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 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 oz (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>	30 June 2007	30 June 2008	30 June 2009	41 526 oz	82 992 oz	21 177 oz		
30 June 2007	30 June 2008	30 June 2009								
41 526 oz	82 992 oz	21 177 oz								

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		21 FINANCIAL ASSETS AND LIABILITIES (continued)		
		(d) The company has issued an option to Khumo Gold and the Employee Trust to acquire 11% of the shares that the company holds in DRDGOLD SA as part of the BEE transaction. The granting of this option falls within the scope of IFRS 2, Share-based Payment. IFRS 2 requires the company to apply cash-settled share-based payment accounting in its separate financial statements because the option has been granted over shares of its subsidiary and not its own shares. This means that the option needs to be recognised as a liability at fair value. The fair value of the option at grant date was R Nil. The changes in the fair value will be recognised in the income statement. The effect on the current year was a R144.5 million debit to the income statement. The company's accounting policy for investments in subsidiaries is to reflect them at cost. For this reason, any increase in the value of the subsidiary's shares subject to the option will only be recognised in the income statement at the date the option is exercised and the shares are sold.		

22 PROVISIONS

2006	OPENING BALANCE	ADDITIONAL PROVISION MADE	AMOUNTS USED (INCURRED AND CHARGED TO PROVISION)	FOREIGN EXCHANGE MOVEMENT	CLOSING BALANCE
Group (R'000)					
Directors' benefits ⁽ⁱ⁾	2 159	241	–	115	2 515

2005	OPENING BALANCE	ADDITIONAL PROVISION MADE	AMOUNTS USED (INCURRED AND CHARGED TO PROVISION)	FOREIGN EXCHANGE MOVEMENT	CLOSING BALANCE
Group (R'000)					
Directors' benefits ⁽ⁱ⁾	1 836	–	–	323	2 159
Retrenchments	549	–	(549)	–	–
	2 385	–	(549)	323	2 159

⁽ⁱ⁾ 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

GROUP			COMPANY	
2005	2006		2006	2005
R'000	R'000		R'000	R'000
		23 COMMITMENTS AND CONTINGENT LIABILITIES		
		Capital commitments		
		Contracted but not provided for in the annual financial statements	-	754
1 830	117 385	Authorised by the directors but not contracted for	-	-
22 676	19 551			
24 506	136 936		-	754
		This expenditure will be financed from existing cash resources.		
		Operating lease commitments		
		The company leases its office building in terms of an operating lease. The company does not have an option to acquire the building at the termination of the lease. There is an escalation of 10% per annum imposed by the lease agreement.		
		The future minimum lease payments under non-cancellable operating leases are as follows:		
837	922	Not later than one year	922	837
4 277	3 356	Between 1 and 5 years	3 356	4 277
-	-	Later than 5 years	-	-
		Finance lease commitments		
		Commitments in relation to finance leases are as follows:		
-	4 278	No later than one year	-	-
-	1 274	Between 1 and 5 years	-	-
-	-	Later than 5 years	-	-

Contingent liabilities

Environmental

At **Durban Deep mine** rehabilitation and environmental closure continues in the pursuit of closure objectives as per the approved Environmental Management Programme (EMP). Some surface resources form part of the prospecting right granted to Durban Roodepoort Deep (Pty) Limited and further vegetation on the sites has been put on hold pending the outcome of the prospecting activities. The closure management plan is being amended to include the Princess dump complex as per the DME request.

At **West Wits mine**, a division of West Witwatersrand Gold Mines Limited, rehabilitation continues in the pursuit of closure objectives as per the EMP. All the surface resources are being investigated by Mogale Gold (Pty) Limited (Mogale) for possible mining, and vegetation of these sites has therefore been placed on hold.

All shafts (except No 8 and 9 shafts which form part of future pumping facilities) have been filled and are in the process of being finally capped.

The rehabilitation of the pit has not been included in the quantum of closure liabilities because Mogale has applied for permission to use the pit for tailings disposal and it is believed permission will be granted.

DWAF has given permission for the establishment of a water utility company that can treat and sell the underground water that is decanting on surface. As an interim arrangement, until the water utility is up and running in approximately 36 months, West Wits has entered into an agreement with Mogale to treat 50% of the decant water. Harmony will treat the remaining 50% of the decant water. This will ensure no polluted water is discharged uncontrolled into the environment.

23 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Contingent liabilities (continued)

Environmental (continued)

Blyvoor mine is in the process of updating its EMP to meet any new requirement of the MPRDA. This EMP will be submitted to the DME for approval in October 2006. A section of the EMP includes conceptual closure objectives. In order to meet these closure objectives and reduce the closure liability, Blyvoor has embarked on a programme of concurrent rehabilitation. This rehabilitation programme is monitored on a monthly basis and forms part of the yearly budget process.

Blyvoor is currently demolishing and rehabilitating redundant surface infrastructure, including the defunct Uranium plant.

Blyvoor pumps underground water to surface. Some of this water is utilised in the process and the balance is discharged into the Wonderfontein Spruit, in a process that is similar to that followed by other mines in the region. The Wonderfontein Spruit Action committee, consisting of all mines in the region, has been established to look at the feasibility of cleaning up the Wonderfontein Spruit. The first step is a sampling programme to determine the extent of the pollution. To reduce the possibility of any polluted underground water leaving the property, Blyvoor is undertaking a clean/dirty water separation project to prevent clean fissure water from potential contamination. This fissure water could be used as potable water in the Blyvoor Village.

In terms of final closure objectives, the underground water in the area has to be dealt with on a regional basis with all the role players. The Far West Rand Dolomitic Water Association is currently undertaking studies, including one into the predicted effects of rewatering the dolomites.

At **Crown**, the process of updating the EMP continues to include all requirements of the MPRDA. This will be submitted to the DME for approval in December 2006. Crown Gold is undertaking a programme of concurrent rehabilitation to reduce final closure liabilities. As sites are rehabilitated, they are given back to the freehold owners. One issue that is being investigated is the disposal of oversize material that has not yet been processed. Various options, including processing for gold, brick manufacture and fill material, are being investigated. Until a satisfactory solution is found, the oversize material has been included as a closure liability.

As is the case with the other operations, **ERPM** has embarked on a programme of concurrent rehabilitation to reduce the closure liability and meet the conceptual closure objectives. Surface holings are being filled with 24 of the 154 holings remaining. Redundant surface infrastructure is being demolished and rehabilitated. Concurrent rehabilitation forms part of the yearly budgeting process and is monitored on a monthly basis. ERPM is currently pumping the Central Basin water out of South West Vertical (SWV) shaft. The 'plugging' programme undertaken by ERPM will ensure that ERPM will not be dependent on pumping this water after December 2006. Other parties with interests in the Central Witwatersrand ore resources have, however, requested that pumping continues. ERPM is currently in negotiation with the parties and the DME to fully fund this pumping, if required. This underground water will need to be treated as a long-term closure objective and a commercially viable water utility company has been recommended to the DME as a sustainable solution.

ERPM is in the process of updating its EMP to include all the requirements to the MPRDA. This programme will be submitted to the DME for approval by November 2006.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

23 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Contingent liabilities (continued)

Environmental (continued)

Lead, mercury, cyanide and arsenic occur naturally in the ore processed at the Tolukuma Section. Cyanide is associated with the mining process and is discharged into the riverine system as a result of the inability of the company to use conventional tailings dams. Prior to discharge, the cyanide is degraded in a detoxification process and levels are monitored daily.

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

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

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

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

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

The mine follows a government approved EMMP. The mine has at all times been in compliance with government approved criteria.

In 1996, an independent study was undertaken by the Commonwealth Scientific and Industrial Research Organisation (CSIRO), an Australian-based independent research organisation, to assess the mine's impact on the downstream river system and local people. The study resulted in a report titled "Review of Riverine Impacts". The report made certain recommendations to the Porgera Joint Venture that have either been implemented or are in the advanced stages of implementation. A few of these recommendations have been rejected due to impracticality. An advisory group, called the Porgera Environmental Advisory Komiti (PEAK), was formed as a result of the CSIRO recommendations. PEAK comprises representatives from the Papua New Guinea government, Papua New Guinea and international non-governmental organisation groups, Placer (PNG) Limited and independent technical experts. The primary function of PEAK is to enhance understanding and provide transparency of Porgera's environmental (physical and social) issues with external stakeholders and to assist in reviewing its environmental performance and public accountability. In 2005, PEAK's terms of reference were reviewed and expanded to include the review of issues of sustainability as the mine moves towards closure.

23 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Contingent liabilities (continued)

Environmental (continued)

The **Vatukoula mine** environmental monitoring continues with full cyanide compliance at the Upper Lololevu, Golf, Nasivi river, the Dakavono dam discharge and both the EGM boundary and the Dakavono creek.

Future plans, including environmental inspections of surface area are continuing, the basic parameters of which are monitored daily and monthly.

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.

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. ERPM has also 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 stated its intention to levy revenue-based royalties on mining revenues in accordance with the draft Royalty Bill of 2003. The implementation of this bill, which was scheduled to take commensurate with the MPRDA, has been postponed indefinitely, pending a revision of the entire taxation regime of gold mining companies.

Securities class action

On 13 June 2005, a securities class action was filed in the United States District Court for the Southern District of New York against the company and two of its officers. Since then, four nearly identical securities class action complaints have been filed against the company and the same officers. The cases have been consolidated in the Southern District of New York.

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23 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Securities class action (continued)

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

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

Based on the company's review of the complaints, management believes the lawsuits are without merit and have appointed attorneys who are currently defending the case in court. The company has lodged a motion to dismiss the claim and the parties are awaiting the allocation of the date of hearing by the court.

24 FINANCIAL INSTRUMENTS

Cash and cash equivalents

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

Derivative instruments

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

As discussed in note 21 to the financial statements, the fair value of the forward sale commodity contracts was a liability of R184.1 million (2005: R Nil) and the option contracts was R20.8 (2005: R Nil).

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 to provide the company with exposure to changes in interest rates with regard to its coupon rate payable on the Convertible Loan Notes (refer to note 20). The fixed coupon rate (in US Dollars) was swapped for a floating South African interest rate, calculated at JIBAR plus 200 interest bases points per annum. As discussed in note 21 to the financial statements, the fair value of the interest rate swap agreement was a liability of RNil (2005: liability of R3.7 million).

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 21 to the financial statements, the fair value of the interest rate swap agreement was an asset of 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, N M Rothschild and receives proceeds within two days. The concentration of credit risk in Australia is mitigated by the reputable nature of the customer and the settlement of the proceeds within two days. The Porgera Joint Venture delivers its gold to AGR Matthey (Papua New Guinea) who refines the gold and then delivers it to the Bank of Western Australia Limited at a price negotiated by the company. The concentration of credit risk in Papua New Guinea is mitigated by the reputable nature of the customer and the settlement of the proceeds within two days.

The Vatukoula mining operation delivers gold to AGR Matthey (Perth) and receives proceeds within 5 days. The concentration of credit risk is mitigated by the reputable nature of the customer and the settlement of the proceeds within 5 days.

24 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The group's reporting currency is the South African Rand. Although gold is sold in US Dollars, the company is obliged to convert this into South African Rand. The company is thus exposed to fluctuations in the US Dollar/South African Rand exchange rate. With the South African operations converting the proceeds from gold sales into Rands, this provides a synthetic hedge against the costs which are borne by those operations in that currency. The company conducts its operations in South Africa, Fiji and Papua New Guinea. Currently, foreign exchange fluctuations affect the cash flow that it will realise from its operations as gold is sold in US Dollars while production costs are incurred primarily in South African Rands, Fijian Dollars and Papua New Guinea 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, Fijian Dollars, South African Rands and Papua New Guinea 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.

Fair value of financial instruments

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

	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	2006	2006	2005	2005
	R'000	R'000	R'000	R'000
Financial assets				
Listed investments	1 514	1 514	678	678
Unlisted investments	37 411	37 411	4 478	4 478
Investments in environmental rehabilitation trust funds	60 383	60 383	42 885	42 885
Accounts receivable	102 098	102 098	49 542	49 542
Financial assets	20 770	20 770	–	–
Cash and cash equivalents	488 961	488 961	241 192	241 192
Financial liabilities				
Long-term liabilities				
– long-term	402 966	402 966	466 554	466 554
– short-term	556 943	556 943	64 685	64 685
Financial liabilities	183 370	183 370	3 678	3 678
Accounts payable and accrued liabilities	370 633	370 633	211 577	211 577
Bank overdrafts	2 410	2 410	9 154	9 154

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.

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25 SEGMENT INFORMATION

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

2006	SOUTH AFRICAN OPERATIONS ⁽¹⁾	AUSTRALASIAN OPERATIONS ⁽²⁾	TOTAL
Revenue – external customers	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
Profit/(loss) 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 ⁽³⁾	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	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 ERP, from 1 December 2005, and Blyvoor

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

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

25 SEGMENT INFORMATION (continued)

2005	SOUTH AFRICAN OPERATIONS ⁽¹⁾	AUSTRALASIAN OPERATIONS ⁽²⁾	TOTAL
Revenue – external customers	942 931	725 631	1 668 562
Result			
Gross profit/(loss)	(208 797)	214 973	6 176
Investment income	(25 638)	(4 431)	(30 069)
Finance expenses	(31 214)	(5 169)	(36 383)
Share of loss of associates		(77 749)	(77 749)
Income tax expense ⁽³⁾	(1 640)	(13 889)	(15 529)
Other	(247 165)	(144 062)	(391 227)
Profit/(loss) for the year	(514 454)	(30 327)	(544 781)
Assets			
Property, plant and equipment	280 532	451 058	731 590
Investment in associates	–	103 212	103 212
Other assets	191 193	473 437	664 630
Total assets	471 725	1 027 707	1 499 432
Liabilities			
Liabilities excluding taxation and deferred taxation	669 001	227 388	896 389
Taxation and deferred taxation ⁽³⁾	(818)	120 767	119 949
Total liabilities	668 183	348 155	1 016 338
Other information			
Capital expenditure	18 374	109 170	127 544
Depreciation	25 577	113 351	138 928
Impairments	217 509	72 096	289 605
Total number of employees including contractors	3 481	824	4 305

⁽¹⁾ Includes North West Operations until 22 March, and Blyvoor

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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26 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 78 to 81. 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 2006, total directors' remuneration amounted to R17.9 million (company: R8.6 million) and senior management remuneration to R75.9 million (company: R10.4 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.

Transactions with associates and subsidiary companies

During the year ended 30 June 2006, the company earned R10.3 million (year ended 30 June 2005: R3.0 million) in management fees from Crown Gold Recoveries (Pty) Limited (Crown), R10.3 million (year ended 30 June 2005: R3.0 million) in management fees from East Rand Proprietary Mines Limited (ERPM), R10.3 million (year ended 30 June 2005: R11.6 million) in management fees from Blyvooruitzicht Gold Mining Company Limited (Blyvoor), and R30.9 million (year ended 30 June 2005: nil) in management fees from DRD (Isle of Man) Limited. No dividends were received from associates or subsidiaries in 2006 (2005: Nil). Transactions with associates are priced on an arm's length basis.

Balances outstanding at 30 June 2006:

- Subsidiaries – refer to note 11 and page 83
- 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 South Africa (Pty) Ltd, is also a Director of Rand Refinery and is a member of their Audit Committee. Also, Mr Graulich, the Group Strategic Officer, is Alternate Director to Mr Pretorius. 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.

27. 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 fair value 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 fair value. During the year under review, the group calculated fair value based on updated life-of-mine plans, a gold price of R130 563 per kilogram in year one escalating at 3.9% per annum, and a discount rate of 13% (refer note 9).

27. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 3.51%, inflation rate of 4.9% 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 (2005: discount rate of 3.2% and inflation rate of 3.9%).

(d) Estimate of post-retirement medical liability

An updated actuarial valuation is carried out every three years. 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 18).

(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.

(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 lock-up

Gold in lock-up 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.

28 SUBSEQUENT EVENTS

Purchase of Top Star Dump

On 28 August 2006, the company concluded an agreement with AngloGold Ashanti Limited 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 R12.0 million will be spent on bringing the asset to a condition so that it can be used for its intended purpose.

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29 EXPLANATION OF TRANSITION TO IFRS AND OTHER ACCOUNTING POLICY CHANGES

Reconciliation of equity

GROUP	NOTE	30 JUNE 2005			1 JULY 2004		
		PREVIOUS SA GAAP	EFFECT OF TRANSITION TO IFRS	IFRS	PREVIOUS SA GAAP	EFFECT OF TRANSITION TO IFRS	IFRS
ASSETS							
Non-current assets		1 164 943	(66 914)	1 098 029	1 444 179	(28 926)	1 415 253
Property, plant and equipment	a, b	799 112	(67 522)	731 590	956 051	(37 880)	918 171
Non-current investments and other assets		48 041	–	48 041	235 723	–	235 723
Investments in associates		103 212	–	103 212	–	–	–
Non-current inventories	b	214 578	608	215 186	200 836	8 954	209 790
Derivative instruments		–	–	–	51 569	–	51 569
Current assets		394 327	7 076	401 403	358 999	1 205	360 204
Inventories	b	103 298	7 371	110 669	103 493	1 205	104 698
Accounts receivable	b	49 837	(295)	49 542	114 612	–	114 612
Cash and cash equivalents		241 192	–	241 192	140 894	–	140 894
TOTAL ASSETS		1 559 270	(59 838)	1 499 432	1 803 178	(27 721)	1 775 457
EQUITY AND LIABILITIES							
Equity		620 676	(137 582)	483 094	569 890	(107 206)	462 684
Shareholders' equity		614 832	(137 582)	477 250	564 057	(107 206)	456 851
Minority shareholders' interest		5 844	–	5 844	5 833	–	5 833
Non-current liabilities		609 780	81 766	691 546	770 245	78 090	848 335
Provision for environmental rehabilitation	b	151 029	(12 447)	138 582	245 392	(14 798)	230 594
Deferred mining and income taxes	b	95 692	(12 960)	82 732	132 455	12 673	145 128
Long-term liabilities	d	359 381	107 173	466 554	308 992	80 215	389 207
Derivative instruments		3 678	–	3 678	83 406	–	83 406
Current liabilities		328 814	(4 022)	324 792	463 043	1 395	464 438
Accounts payable	b	213 176	(1 599)	211 577	381 351	958	382 309
Short-term liabilities		64 685	–	64 685	58 450	–	58 450
Provisions	b	9 518	(7 359)	2 159	2 385	–	2 385
Taxation payable	b	32 281	4 936	37 217	9 384	437	9 821
Bank overdraft		9 154	–	9 154	11 473	–	11 473
TOTAL EQUITY AND LIABILITIES		1 559 270	(59 838)	1 499 432	1 803 178	(27 721)	1 775 457

29 EXPLANATION OF TRANSITION TO IFRS AND OTHER ACCOUNTING POLICY CHANGES (continued)

Reconciliation of equity (continued)

COMPANY	NOTE	30 JUNE 2005			1 JULY 2004		
		PREVIOUS SA GAAP	EFFECT OF TRANSITION TO IFRS	IFRS	PREVIOUS SA GAAP	EFFECT OF TRANSITION TO IFRS	IFRS
ASSETS							
Non-current assets		840 107	–	840 107	972 014	–	972 014
Property, plant and equipment		15 354		15 354	41 610		41 610
Non-current investments and other assets		15 195		15 195	14 082		14 082
Investments in subsidiaries		809 558		809 558	916 322		916 322
Current assets		106 681	–	106 681	18 546	–	18 546
Inventories		–		–	100		100
Accounts receivable		12 704		12 704	10 910		10 910
Cash and cash equivalents		93 977		93 977	7 536		7 536
TOTAL ASSETS		946 788	–	946 788	990 560	–	990 560
EQUITY AND LIABILITIES							
Equity	d	531 954	(107 173)	424 781	569 890	(80 215)	489 675
Non-current liabilities		346 864	107 173	454 037	335 516	80 215	415 731
Provision for environmental rehabilitation		39 469		39 469	30 958		30 958
Long-term liabilities	d	303 717	107 173	410 890	292 108	80 215	372 323
Derivative instruments		3 678		3 678	12 450		12 450
Current liabilities		67 970	–	67 970	85 154	–	85 154
Accounts payable		40 266		40 266	40 135		40 135
Short-term liabilities		26 469		26 469	42 199		42 199
Bank overdraft		1 235		1 235	2 820		2 820
TOTAL EQUITY AND LIABILITIES		946 788	–	946 788	990 560	–	990 560

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GROUP				COMPANY		
Previous SA GAAP	Effect of transition to IFRS	IFRS		Previous SA GAAP	Effect of transition to IFRS	IFRS
R'000	R'000	R'000	Note	R'000	R'000	R'000
29 EXPLANATION OF TRANSITION TO IFRS AND OTHER ACCOUNTING POLICY CHANGES (continued)						
Reconciliation of loss for 2005						
1 668 562	–	1 668 562	Revenue	–	–	–
(1 650 642)	(11 744)	(1 662 386)	Cost of sales	(43 466)	–	(43 466)
(1 494 771)	14 978	(1 479 793)	Cash cost	(7 575)	–	(7 575)
(112 673)	(26 255)	(138 928)	Depreciation	(22 265)	–	(22 265)
(27 532)	–	(27 532)	Retrenchment costs	(7 160)	–	(7 160)
(23 968)	(467)	(24 435)	Movement in provision for environmental rehabilitation	(6 466)	–	(6 466)
8 302	–	8 302	Movement in gold in progress	–	–	–
17 920	(11 744)	6 176	Gross profit/(loss)	(43 466)	–	(43 466)
(1 250)	–	(1 250)	Profit/(loss) on derivative instruments	1 163	–	1 163
(289 605)	–	(289 605)	Impairments	(423 041)	–	(423 041)
(152 635)	(12 980)	(165 615)	Administration expenses and general costs	(56 965)	(12 980)	(69 945)
(77 749)	–	(77 749)	Share of results of associates	–	–	–
(503 319)	(24 724)	(528 043)	Operating loss before investment income and finance expenses	(522 309)	(12 980)	(535 289)
(5 496)	(24 573)	(30 069)	Investment income	4 279	34 509	38 788
(36 470)	87	(36 383)	Finance expenses	(29 704)	87	(29 617)
(545 285)	(49 210)	(594 495)	Loss before taxation	(547 734)	21 616	(526 118)
(35 853)	20 324	(15 529)	Income tax expense	–	–	–
(581 138)	(28 886)	(610 024)	Loss after taxation but before discontinued operation	(488 652)	21 616	(526 118)
(65 243)	–	(65 243)	Loss from discontinued operation	(45 203)	–	(45 203)
(515 895)	(28 886)	(544 781)	Loss for the year	(592 937)	21 616	(571 321)
(515 906)	(28 886)	(544 792)	Attributable to:	(592 937)	21 616	(571 321)
11	–	11	Ordinary shareholders of the company			
			Minority interest			

Explanation of material adjustments to the cash flow statement of 2005

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under previous SA GAAP.

29 EXPLANATION OF TRANSITION TO IFRS AND OTHER ACCOUNTING POLICY CHANGES (continued)

Explanatory notes

- a. Property, plant and equipment – Under SA GAAP, AC123, "Property, plant and equipment", did not clearly set out the requirement for separate classification of significant components of property, plant and equipment. Under IFRS, significant components of an asset, with useful lives that differ significantly from the asset as a whole, are to be depreciated separately over their useful lives. Certain items of mining assets have been measured at their fair value at the transaction date and that fair value has been used as their deemed cost at that date.

The effect is to:

- increase property, plant and equipment by R5 000 000 at 1 July 2004;
- increase property, plant and equipment by R13 610 000 at 30 June 2005; and
- decrease the depreciation charge by R900 000 for the year ended 30 June 2005.

- b. Translation of a foreign operation – Previously SA GAAP allowed an entity to translate the financial statements of a foreign operation that was integral to the operations of the entity as if the transactions of the foreign operation had been those of the reporting enterprise. This allowed non-monetary assets and liabilities of the foreign operation to be translated at historical exchange rates and monetary assets and liabilities to be translated at closing exchange rates. IAS 21 does not contain a distinction between an "integrated foreign operation" and a "foreign entity" and all assets and liabilities of a foreign operation are translated at exchange rates ruling at the balance sheet date. Translation differences in respect of all foreign operations are presented as a separate component of equity.

The effect is to:

- decrease property, plant and equipment by R42 880 000 at 1 July 2004;
- decrease property, plant and equipment by R16 997 000 at 30 June 2005;
- increase non-current inventories by R8 954 000 at 1 July 2004;
- increase non-current inventories by R608 000 at 30 June 2005;
- increase inventories by R1 205 000 at 1 July 2004;
- increase inventories by R7 372 000 at 30 June 2005;
- decrease accounts receivable by R295 000 at 30 June 2005;
- decrease provision for environmental rehabilitation by R14 798 000 at 1 July 2004;
- decrease provision for environmental rehabilitation by R12 447 000 at 30 June 2005;
- increase deferred mining and income taxes by R 12 673 000 at 1 July 2004;
- decrease deferred mining and income taxes by R12 960 000 at 30 June 2005;
- increase accounts payable by R958 999 at 1 July 2004;
- decrease accounts payable by R1 596 000 at 30 June 2005;
- decrease provisions by R7 359 000 at 30 June 2005;
- increase taxation payable by R437 000 at 1 July 2004;
- increase taxation payable by R4 936 000 at 30 June 2005;
- increase depreciation by R27 155 000 for the year ended 30 June 2005;
- increase movement in provision for environmental rehabilitation for the year ended 30 June 2005; and
- decrease in taxation charge by R20 324 000 for the year ended at 30 June 2005.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2006

29 EXPLANATION OF TRANSITION TO IFRS AND OTHER ACCOUNTING POLICY CHANGES (continued)

Explanatory notes (continued)

- c. Share-based payments – Under SA GAAP, DRDGOLD did not recognise any expense for share options granted to employees. Under IFRS 2, options to acquire the entity's equity instruments that were granted post 7 November 2002 and which remained unvested at 1 January 2005 are measured at fair value at grant date. The expense is recognised over the vesting period, adjusted to reflect actual levels of vesting.

The cumulative effect of DRDGOLD's equity-settled scheme on opening accumulated loss at 1 July 2004 is an increase in accumulated loss of R6 046 000 with a corresponding credit is to the share-based payments reserve. The effect on the loss for the 2005 financial year is an increase in the loss of R10 508 000. There are no taxation implications of these adjustments.

- d. Convertible bond – The December 2003 the revisions to IAS 32, "Financial Instruments", added another part to the definition of a financial liability as follows:
"(b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments."

The International Financial Reporting Interpretations Committee (IFRIC) considered whether a fixed amount of foreign currency represents a fixed amount of cash or other financial asset. IFRIC concluded that although the issue is not directly addressed in IAS 32, when addressing the question in conjunction with guidance in other Standards (more specifically IAS 39), it is clear that any obligation denominated in a foreign currency represents a variable amount of cash. Consequently, IFRIC noted that contracts, whether embedded in a bond or freestanding, that will be settled by an entity delivering a fixed number of its own equity instruments in exchange for a fixed amount of foreign currency should be classified as liabilities. Therefore, the conversion feature in a convertible bond denominated in a foreign currency with a conversion option to convert a fixed amount of bond into a fixed number of shares denominated in the functional currency, should be entirely classified as a liability.

The effect is to:

- increase long-term liabilities by R80 215 000 at 1 July 2004;
- increase long-term liabilities by R107 173 000 at 30 June 2005;
- increase administration expenses and general costs by R2 472 000 for the year ended 30 June 2005;
- decrease in Investment income by R24 573 000 for the year ended 30 June 2005; and
- decrease in Interest paid by R87 000 for the year ended 30 June 2005.

There are no taxation implications of these adjustments.