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Directors' responsibility for the annual financial statements

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

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

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

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

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

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

It is the responsibility of the independent auditors to express an opinion on the annual financial statements. This report to the members of the company is set out on page 38.

The annual financial statements for the year ended 30 June 2009 set out on pages 39 to 104 were approved by the board on 16 September 2009 and are signed on its behalf by:



R P Hume
Chairman: Audit Committee



C C Barnes
Chief Financial Officer

Company Secretary's report

I certify, in accordance with Section 285G(d) of the Companies Act 61, 1973 as amended, that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 30 June 2009 all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



T J Gwebu
Company Secretary

Report of the Audit Committee

The legal responsibilities of the DRDGOLD Limited group Audit Committee are set out in Section 270A (1)(F) of the Companies Act, 61 of 1973 (as amended by the Corporate Laws Amendment Act). These responsibilities, together with the requirements of the JSE and compliance with appropriate governance and international best practice, are incorporated in the Audit Committee's charter, which was reviewed and approved by the Board of Directors during 2009. The Audit Committee has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The Audit Committee was formally appointed by the board during the period under review.

The biographical details of the members of the committee are set out on page 10 and 11 and the members' fees are included in the table of directors' remuneration on page 40.

Chief Financial Officer – As required by the JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the Group Financial Director has appropriate expertise and experience.

External auditors – The Audit Committee considered the matters set out in Section 270A (5) of the Companies Act, as amended by the Corporate Laws Amendment Act, and:

- is satisfied with the independence and objectivity of the external auditors;
- has approved the external auditors' fees for 2008 and budgeted fees for the 2009 financial year; and
- has approved the non-audit-related services performed by the external auditors' in the year in accordance with the policy established and approved by the board.

Internal auditors – The Audit Committee considered and confirmed the Internal Audit Charter and Audit Plan for the 2009 financial year as well as reviewed the results of the internal audits conducted during the 2009 year.

Separate meetings are held with management, external and internal audit representatives to discuss any problems and other matters that they wish to discuss.

To the best of their knowledge and on the basis of the information and explanations given by management and the group internal audit function as well as discussions with the independent external auditors on the results of their audits, the Audit Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

The Audit Committee has evaluated the financial statements of DRDGOLD Limited for the year ended 30 June 2009 and based on the information provided to the audit committee, considers that the group complies, in all material respects, with the requirements of the South African Companies Act (61 of 1973), as amended, IFRS and the Listings Requirements of the JSE.

The Audit Committee has recommended the financial statements to the board for approval. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

The head of internal audit and risk and external auditors have unlimited access to the chairman of the Audit Committee. The chairman of the Audit Committee attends annual general meetings and is available to answer any questions.



R P Hume
Chairman: Audit Committee

16 September 2009

Report of the independent auditor

To the members of DRDGOLD Limited

We have audited the group annual financial statements and the annual financial statements of DRDGOLD Limited, which comprise the statements of financial position at 30 June 2009, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of DRDGOLD Limited at 30 June 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor



Per R Davel
Chartered Accountant (SA)
Registered Auditor
Director

16 September 2009

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Directors' report

Nature of business

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

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

Mining rights and property

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

Share capital

Full details of authorised, issued and unissued share capital of the company as at 30 June 2009 are set out in the notes to the financial statements on pages 79 to 80 of this report.

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

The authorities granted to directors in respect of control over unissued shares expire on the date of the annual general meeting of members to be held on 27 November 2009. 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 1 429 715 new ordinary no par value shares were issued as a result of employees exercising their options under the DRDGOLD (1996) Share Option Scheme.

Shares issued

	2009			2008		
	Number of shares	R'000	Average issue price	Number of shares	R'000	Average issue price
At 1 July	376 571 588			370 341 981		
Repayment of loan from:						
Investec Bank Limited	–	–	–	5 800 000	27 976	4.82
Specific share issue to:						
DRDGOLD (1996) Share Option Scheme	1 429 715	6 707	4.69	429 607	2 353	5.48
At 30 June	378 001 303			376 571 588		

Directorate

The following changes have been made to the Board of Directors since 1 July 2008:

Appointments

D J Pretorius

Date

21 August 2008

Resignations

J W C Sayers

D J M Blackmur

Date

31 December 2008

28 November 2008

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

Directors' report *(continued)*

Directors' interest in shares

The interests of the directors in the ordinary share capital of the company as at 30 June 2009 were as follows:

	30 June 2009			30 June 2008		
	Beneficial direct	Beneficial indirect	Non- beneficial	Beneficial direct	Beneficial indirect	Non- beneficial
EXECUTIVE DIRECTORS						
D J Pretorius ⁽¹⁾	–	–	–	–	–	–
C C Barnes	–	–	–	–	–	–
J W C Sayers ⁽²⁾	–	–	–	–	–	–
	–	–	–	–	–	–
NON-EXECUTIVE DIRECTORS						
G C Campbell	60 000	–	–	60 000	–	–
R P Hume	25 000	75 000	–	15 000	50 000	–
D J M Blackmur ⁽³⁾	–	–	–	20 000	–	–
J Turk	–	43 000	–	–	43 000	–
E A Jeneker	–	–	–	–	–	–
	85 000	118 000	–	95 000	93 000	–
ALTERNATE DIRECTORS						
J H Dissel ⁽⁴⁾	–	–	–	1 500	–	–
Total	85 000	118 000	–	96 500	93 000	–

⁽¹⁾ Appointed as Chief Executive Officer Designate on 21 August 2008 and Chief Executive Officer on 1 January 2009.

⁽²⁾ Resigned as Chief Executive Officer on 31 December 2008.

⁽³⁾ Non-executive directorship terminated on 28 November 2008.

⁽⁴⁾ Resigned as an alternate director on 5 May 2008.

Directors' emoluments – for the year ended 30 June 2009

	Board		Bonuses and	Provisions/ Provident	End of	Total
	fees	Salary	performance related payments	scheme contri- butions	contract payment	
	R	R	R	R	R	R
EXECUTIVE DIRECTORS						
D J Pretorius ⁽¹⁾	–	3 290 792	1 399 219	–	747 347	5 437 358
C C Barnes	–	2 472 181	705 094	–	–	3 177 275
J W C Sayers ⁽²⁾	–	1 795 179	2 201 750	–	–	3 996 929
	–	7 558 152	4 306 063	–	747 347	12 611 562
NON-EXECUTIVE DIRECTORS						
G C Campbell	1 153 953	–	–	–	–	1 153 953
R P Hume	590 067	–	–	–	–	590 067
D J M Blackmur ⁽³⁾	313 502	–	–	–	653 483	966 985
J Turk	530 850	–	–	–	–	530 850
E A Jeneker	545 523	–	–	–	–	545 523
	3 133 895	–	–	–	653 483	3 787 378
Total	3 133 895	7 558 152	4 306 063	–	1 400 830	16 398 940

⁽¹⁾ Appointed as Chief Executive Officer Designate on 21 August 2008 and Chief Executive Officer on 1 January 2009.

⁽²⁾ Resigned as Chief Executive Officer on 31 December 2008.

⁽³⁾ Non-executive directorship terminated on 28 November 2008.

Directors' emoluments – for the year ended 30 June 2008

	Board fees	Salary	Bonuses and performance related payments	Provisions/ Provident scheme contributions	End of contract payment	Total
	R	R	R	R	R	R
EXECUTIVE DIRECTORS						
J W C Sayers	–	3 605 408	1 655 168	–	–	5 260 576
C C Barnes ⁽¹⁾	–	388 514	–	–	–	388 514
	–	3 993 922	1 655 168	–	–	5 649 090
NON-EXECUTIVE DIRECTORS						
G C Campbell ⁽²⁾	1 909 496	–	124 007	–	–	2 033 503
R P Hume	413 510	–	78 746	–	–	492 256
D J M Blackmur	584 679	–	78 746	–	–	663 425
J Turk	440 964	–	80 400	–	–	521 364
E A Jeneker ⁽³⁾	237 522	–	–	–	–	237 522
	3 586 171	–	361 899	–	–	3 948 070
ALTERNATE DIRECTORS						
J H Dissel ⁽⁴⁾	–	1 561 802	715 938	130 031	–	2 407 771
Total	3 586 171	5 555 724	2 733 005	130 031	–	12 004 931

⁽¹⁾ Appointed as Chief Financial Officer on 5 May 2008.

⁽²⁾ Board fees include R693 501 paid by Emperor Mines Limited to Mr Campbell as chairman of the board.

⁽³⁾ Appointed as non-executive director on 1 November 2007.

⁽⁴⁾ Resigned as an alternate director on 5 May 2008.

Directors' service contracts

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

The directors had no conflicting interests during the year under review and up to the date of issue of the financial statements.

Director	Title	Date of appointment	Term	Unexpired term of service contract
D J Pretorius	Chief Executive Officer	1/1/2009	3 years	30 months
C C Barnes	Chief Financial Officer	5/5/2008	3 years	22 months
R P Hume	Non-executive director	1/10/2008	2 years	15 months
G C Campbell	Non-executive chairman	1/11/2007	2 years	4 months
J Turk	Non-executive director	1/11/2008	2 years	16 months
E A Jeneker	Non-executive director	1/11/2007	2 years	4 months

Directors' report *(continued)*

Share option scheme

The DRD GOLD (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 the options.

In the past financial year the directors have exercised nil (2008: nil) share options. Over the same period the directors' gains on share options exercised were Rnil compared with Rnil in the previous financial year. Details of share options held by directors are listed below.

The directors have granted 4 647 800 options in terms of the scheme in the current financial year compared with 4 581 800 options in the previous financial year.

Share options

	Executive		Non-executive					Other participants	Total
	D J	C C	G C	R P	J	D J M	E A		
	Pretorius	Barnes	Campbell	Hume	Turk	Blackmur	Jenekar		
Balance at 1 July 2008									
Number	992 434	362 381	57 994	77 907	–	–	–	14 444 903	15 935 619
Ave strike price	6.98	6.25	19.35	16.92	–	–	–	13.98	13.85
Granted during year									
Number	291 052	213 845	–	–	–	–	–	4 142 903	4 647 800
Ave strike price	3.50	3.50	–	–	–	–	–	3.50	3.50
Exercised during year									
Number	–	–	–	–	–	–	–	(1 429 715)	(1 429 715)
Ave strike price	–	–	–	–	–	–	–	4.69	4.69
Lapsed during year									
Number	–	–	–	–	–	–	–	(1 848 775)	(1 848 775)
Ave strike price	–	–	–	–	–	–	–	10.71	10.71
Balance at 30 June 2009									
Number	1 283 486	576 226	57 994	77 907	–	–	–	15 309 316	17 304 929
Ave strike price	6.19	5.23	19.35	16.92	–	–	–	12.41	11.75
Share gain for the year – R'000	–	–	–	–	–	–	–	4 957	4 957
Ave price exercised – R per share	–	–	–	–	–	–	–	8.16	8.16

Share options available for allocation

	2009	2008
Balance of options available for allocation as at the beginning of the financial year	56 485 738	55 551 297
Number of options granted during the current financial year	(4 647 800)	(4 581 800)
Number of options lapsed during the financial year	1 848 775	4 471 348
Number of options exercised during the current financial year and available for re-allotment	1 429 715	429 607
Additional options available as a result of an increase in issued share capital during the current financial year	1 583 767	615 286
Balance of options available for allocation as at the end of the financial year	56 700 195	56 485 738

Financial statements results and going concern

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

The financial position, results of operations and cash flow information of the company and group are presented in the attached financial statements. The annual financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act of South Africa. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements 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 statements of financial position.

Review of operations

The performance of the various operations is comprehensively reviewed on pages 14 to 19. This information is unaudited.

Change in business

Ergo Mining (Pty) Ltd (Ergo JV) and ErgoGold (formerly Elsburg Gold Mining Joint Venture)

On 7 June 2007, DRDGOLD and Mintails announced the formation of ErgoGold whereby DRDGOLD SA, which is 74% owned by DRDGOLD and 26% by black economic empowerment shareholders, Khumo Gold SPV (Pty) Limited and the DRDSA Empowerment Trust. DRDGOLD contributed the Elsburg Tailings Complex (some 180 million tonnes) and Mintails, through its subsidiary Mintails SA, contributed the usage of one refurbished CIL gold circuit at its Brakpan plant to ErgoGold in order to commence the processing of tailings on the East Rand for the recovery of gold. ErgoGold was constituted through the structure of a 50:50 joint venture agreement between DRDGOLD SA, through ERPM, and Mintails SA, through Mogale Gold.

On 26 November 2007, DRDGOLD and Mintails announced a significant expansion of their joint activities through the planned refurbishment of infrastructure at the Brakpan plant and an increase in available tailings material for processing to approximately 1.7 billion tonnes, including the Elsburg Tailings Complex. This expansion was consummated through the creation of a 50:50 joint venture entity, namely the Ergo JV. The Ergo JV plans to explore, evaluate and process up to 1.7 billion tonnes of surface gold-, uranium- and sulphur-bearing tailings from the East and Central Rand goldfields of South Africa.

In October 2008, DRDGOLD announced that DRDGOLD SA would be acquiring, through its subsidiary ERPM, an additional 15% interest in ErgoGold from the Mintails group for a purchase consideration of R100 million and that ERPM had been granted an option to acquire a further 11.4% interest in ErgoGold.

In December 2008, DRDGOLD announced that it would be acquiring Mintails' remaining interest in ErgoGold, that is, by acquiring the remaining 23.6% interest if ERPM exercised its option prior to the implementation of the 35% acquisition, or the remaining 35% interest if ERPM did not exercise its option.

The option was not exercised by ERPM and therefore DRDGOLD acquired 35% of ErgoGold for a purchase consideration of R177 million.

The 50:50 interests of the DRDGOLD and Mintails groups in the Ergo JV were not affected by the transactions.

ERPM's underground operations halted

Underground mining at ERPM was halted on 31 October 2008 when pumping infrastructure could no longer cope with rising underground water levels. On 19 November 2008, DRDGOLD advised unions of its intention to place on care and maintenance the underground operations of ERPM and to proceed with a consultation process, in terms of Section 189A of the Labour Relations Act, to determine the future of the mine's 1 700 employees. On 20 January 2009, consultations, in terms of Section 189A of the Labour Relations Act, were concluded and 1 335 employees were retrenched. ERPM continues as a surface retreatment operation. On 27 August 2009 care and maintenance of the underground operations was also stopped.

Directors' report *(continued)*

Subsidiaries

The following information relates to the company's financial interest in its subsidiaries at 30 June 2009:

Issued ordinary share capital						
	Number of shares		Shares at cost less impairments		Effective date of acquisition	Indebted- ness less impairments R'000
		% held	R'000			
SOUTH AFRICA						
Argonaut Financial Services (Pty) Limited	100	100	–	1 Oct 1997	18 945	
Crown Consolidated Gold Recoveries Limited	51 300 000	100	–	14 Sep 1998	(245 316)	
DRDGOLD South African Operations (Pty) Limited ⁽¹⁾	1 000 000	74	113 177	14 Nov 2005	1 122 891	
East Champ d'Or Gold Mine Limited	7	100	–	1 Apr 1996	–	
Rand Leases (Vogelstruisfontein) Gold Mining Company Limited	118 505 000	100	–	1 Jan 1996	(42 092)	
Roodepoort Gold Mine (Pty) Limited	1	100	–	1 Jan 1996	–	
West Witwatersrand Gold Holdings Limited	99 000 000	100	–	1 Apr 1996	(22 996)	
Guardrisk Insurance Company Limited	20	100	100	1 Jul 2008	–	
ErgoGold ⁽¹⁾	–	35	52 551	31 Mar 2009	204 985	
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	5	100	–	4 Nov 2005	–	
Total			165 828		1 036 417	

⁽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, 100% of Crown Gold Recoveries (Pty) Limited, 50% of Ergo Mining (Pty) Limited and 65% of the Elsburg Gold Mining Joint Venture (ErgoGold) (unincorporated).

Gold production – Metric

		Year ended June 2009 ⁽¹⁾			Year ended June 2008 ⁽¹⁾		
		Con-	Discon-	Total	Con-	Discon-	Total
		tinuing	tinued		tinuing	tinued	
		operations	operation ⁽²⁾	group	operations	operation ⁽²⁾	group
SOUTH AFRICA							
Underground							
Ore milled	– t'000	787	–	787	990	–	990
Gold produced	– kg	3 354	–	3 354	4 996	–	4 996
Yield	– g/tonne	4.26	–	4.26	5.05	–	5.05
Surface treatment							
Ore milled	– t'000	13 736	–	13 736	13 813	–	13 813
Gold produced	– kg	4 350	–	4 350	4 584	–	4 584
Yield	– g/tonne	0.32	–	0.32	0.33	–	0.33
AUSTRALASIA							
Ore milled	– t'000	–	–	–	–	56	56
Gold produced	– kg	–	–	–	–	417	417
Yield	– g/tonne	–	–	–	–	7.45	7.45
Total attributable							
Ore milled	– t'000	14 523	–	14 523	14 803	56	14 859
Gold produced	– kg	7 704	–	7 704	9 580	417	9 997
Yield	– g/tonne	0.53	–	0.53	0.65	7.45	0.67

⁽¹⁾ Unaudited.

⁽²⁾ The discontinued operation relates to Emperor, which was sold on 22 October 2007.

Gold production – Imperial

		Year ended June 2009 ⁽¹⁾			Year ended June 2008 ⁽¹⁾		
		Con-	Discon-	Total	Con-	Discon-	Total
		tinuing	tinued		tinuing	tinued	
		operations	operation ⁽²⁾	group	operations	operation ⁽²⁾	group
SOUTH AFRICA							
Underground							
Ore milled	– t'000	866	–	866	1 089	–	1 089
Gold produced	– troy ounces	107 833	–	107 833	160 625	–	160 625
Yield	– ounces/tonne	0.125	–	0.125	0.147	–	0.147
Surface treatment							
Ore milled	– t'000	15 142	–	15 142	15 227	–	15 227
Gold produced	– troy ounces	139 857	–	139 857	147 380	–	147 380
Yield	– ounces/tonne	0.009	–	0.009	0.010	–	0.010
AUSTRALASIA							
Ore milled	– t'000	–	–	–	–	62	62
Gold produced	– troy ounces	–	–	–	–	13 427	13 427
Yield	– ounces/tonne	–	–	–	–	0.217	0.217
Total attributable							
Ore milled	– t'000	16 008	–	16 008	16 316	62	16 378
Gold produced	– troy ounces	247 690	–	247 690	308 005	13 427	321 432
Yield	– ounces/tonne	0.015	–	0.015	0.019	0.217	0.020

⁽¹⁾ Unaudited.

⁽²⁾ The discontinued operation relates to Emperor, which was sold on 22 October 2007.

Group statement of comprehensive income

for the year ended 30 June 2009

	Note	Continuing operations		Discontinued operations ⁽¹⁾		Total operations	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Revenue	2	1 910 738	1 843 912	–	89 235	1 910 738	1 933 147
Cost of sales		(1 834 025)	(1 598 364)	–	(139 369)	(1 834 025)	(1 737 733)
Operating costs		(1 687 359)	(1 503 015)	–	(124 437)	(1 687 359)	(1 627 452)
Depreciation	10	(99 217)	(69 077)	–	(854)	(99 217)	(69 931)
Retrenchment costs	3	(34 922)	(11 344)	–	–	(34 922)	(11 344)
Movement in provision for environmental rehabilitation	19	(19 545)	(30 171)	–	(4 019)	(19 545)	(34 190)
Movement in gold in progress		7 018	15 243	–	(10 059)	7 018	5 184
Gross profit/(loss) from operating activities		76 713	245 548	–	(50 134)	76 713	195 414
Loss on derivative financial instruments		–	–	–	(433)	–	(433)
Impairments	3	(75 138)	(63 915)	–	(46 718)	(75 138)	(110 633)
Administration expenses and general costs		(83 583)	(79 439)	–	(20 084)	(83 583)	(99 523)
Results from operating activities	3	(82 008)	102 194	–	(117 369)	(82 008)	(15 175)
Finance income	5	205 991	91 975	–	3 040	205 991	95 015
Finance expenses	6	(41 743)	(108 068)	–	(59 625)	(41 743)	(167 693)
Profit/(loss) before taxation		82 240	86 101	–	(173 954)	82 240	(87 853)
Income tax	7	28 444	68 303	–	75 408	28 444	143 711
Profit/(loss) after taxation		110 684	154 404	–	(98 546)	110 684	55 858
Profit on disposal of discontinued operations	8	–	–	–	1 169 210	–	1 169 210
Profit for the year		110 684	154 404	–	1 070 664	110 684	1 225 068
Attributable to:							
Equity owners of the parent		129 124	128 558	–	867 483	129 124	996 041
Non-controlling interest		(18 440)	25 846	–	203 181	(18 440)	229 027
Profit for the year		110 684	154 404	–	1 070 664	110 684	1 225 068
Other comprehensive income, net of tax:							
Fair value adjustment on available-for-sale investment		(1 133)	1 744	–	–	(1 133)	1 744
Foreign exchange (loss)/gain on translation		(606)	83 571	–	–	(606)	83 571
Transfer of reserve on disposal of subsidiaries		–	–	–	(184 079)	–	(184 079)
Non-controlling interest at acquisition of subsidiary		12 892	–	–	–	12 892	–
Revaluation of fixed assets through acquisition of subsidiary		180 192	–	–	–	180 192	–
Total comprehensive income for the year		302 029	239 719	–	886 585	302 029	1 126 304
Attributable to:							
Equity owners of the parent		260 727	199 902	–	867 483	260 727	1 067 385
Non-controlling interest		41 302	39 817	–	19 102	41 302	58 919
Total comprehensive income for the year		302 029	239 719	–	886 585	302 029	1 126 304
Earnings per share attributable to equity owners of the parent							
Basic and diluted earnings per share (cents)	9	34	34	–	231	34	265

⁽¹⁾ The discontinued operations relate to the Porgera Joint Venture (disposed on 17 August 2007), Emperor (disposed on 22 October 2007) and Netgold (disposed on 13 March 2008).

The accompanying notes are an integral part of these consolidated financial statements.

Company statement of comprehensive income

for the year ended 30 June 2009

		2009	2008
	Note	R'000	R'000
Revenue	2	–	–
Cost of sales		(38 905)	(23 663)
Operating costs		(11 822)	(15 242)
Depreciation	10	(280)	(430)
Retrenchment costs	3	(4 241)	(4 961)
Movement in provision for environmental rehabilitation	19	(22 562)	(3 030)
Gross loss from operating activities		(38 905)	(23 663)
(Impairments)/reversal of impairments	3	(46 676)	809 227
Administration expenses and general costs		(26 080)	(21 765)
Results from operating activities	3	(111 661)	763 799
Finance income	5	93 196	72 155
Finance expenses	6	(15 191)	(109 222)
(Loss)/profit before taxation		(33 656)	726 732
Income tax	7	15 568	–
(Loss)/profit for the year		(18 088)	726 732
Other comprehensive income, net of tax:			
Fair value adjustment on available-for-sale investment		(168)	260
Total comprehensive income for the year		(18 256)	726 992

The accompanying notes are an integral part of these financial statements.

Statements of financial position

at 30 June 2009

GROUP					COMPANY	
2008	2009			2009	2008	
R'000	R'000		Note	R'000	R'000	
ASSETS						
1 073 290	2 075 252	Non-current assets		1 276 790	851 145	
812 875	1 733 219	Property, plant and equipment	10	196	371	
176 123	172 680	Non-current investments and other assets	11	55 164	74 450	
		Investments in subsidiaries	12	1 202 245	776 324	
2 717	4 238	Non-current inventories	15	–	–	
81 575	165 115	Deferred tax asset	21	19 185	–	
1 189 205	550 520	Current assets		248 897	699 460	
62 857	93 935	Inventories	15	264	218	
240 278	87 960	Trade and other receivables	16	8 656	26 770	
210	70	Current tax asset		–	–	
846 114	353 555	Cash and cash equivalents		224 977	657 472	
39 746	15 000	Assets classified as held for sale	17	15 000	15 000	
2 262 495	2 625 772	Total assets		1 525 687	1 550 605	
EQUITY AND LIABILITIES						
1 305 461	1 583 979	Equity		1 416 784	1 462 527	
1 244 257	1 481 473	Equity of the owners of the parent	18	1 416 784	1 462 527	
61 204	102 506	Non-controlling interest		–	–	
529 654	715 799	Non-current liabilities		82 417	59 364	
381 252	412 454	Provision for environmental rehabilitation	19	82 417	59 364	
22 740	43 639	Post-retirement and other employee benefits	20	–	–	
–	194 560	Deferred tax liability	21	–	–	
125 662	65 146	Loans and borrowings	22	–	–	
427 380	325 994	Current liabilities		26 486	28 714	
385 110	322 138	Trade and other payables		25 662	28 187	
39 972	2 101	Loans and borrowings	22	–	–	
1 771	931	Current tax liability		–	–	
527	824	Bank overdraft		824	527	
2 262 495	2 625 772	Total equities and liabilities		1 525 687	1 550 605	

The accompanying notes are an integral part of these consolidated financial statements.

Statements of changes in equity

at 30 June 2009

	Number of		Share	Cumulative	Equity				
	Number of ordinary shares	preference shares	capital and share premium	preference share capital	Revaluation and other reserves ⁽¹⁾	Accumulated loss	of the owners of the parent	Non-controlling interest	Total equity
			R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP									
Balance at 30 June 2007	370 341 981	5 000 000	4 069 096	500	256 488	(4 184 913)	141 171	2 285	143 456
Issued shares for cash	5 800 000		27 976				27 976		27 976
Staff options exercised	429 607		2 353				2 353		2 353
Share issue expenses			(1 219)				(1 219)		(1 219)
Share-based payments					6 591		6 591		6 591
Total comprehensive income for the year					(55 145)	1 122 530	1 067 385	58 919	1 126 304
Fair value adjustment on available-for-sale investment					1 744		1 744		1 744
Transfer of reserve on disposal of subsidiaries					(126 489)	126 489	–	(184 079)	(184 079)
Foreign exchange gain on translation					69 600		69 600	13 971	83 571
Profit for the year						996 041	996 041	229 027	1 225 068
Balance at 30 June 2008	376 571 588	5 000 000	4 098 206	500	207 934	(3 062 383)	1 244 257	61 204	1 305 461
Staff options exercised	1 429 715		6 707				6 707		6 707
Share issue expenses			(433)				(433)		(433)
Share-based payments					7 873		7 873		7 873
Total comprehensive income for the year					131 603	129 124	260 727	41 302	302 029
Fair value adjustment on available-for-sale investment					(1 133)		(1 133)		(1 133)
Foreign exchange loss on translation					(606)		(606)		(606)
Non-controlling interest forming part of the acquisition of subsidiary								12 892	12 892
Revaluation of fixed assets through acquisition of subsidiary					133 342		133 342	46 850	180 192
Profit/(loss) for the year						129 124	129 124	(18 440)	110 684
Dividend on ordinary share capital						(37 658)	(37 658)		(37 658)
Balance at 30 June 2009	378 001 303	5 000 000	4 104 480	500	347 410	(2 970 917)	1 481 473	102 506	1 583 979
COMPANY									
Balance at 30 June 2007	370 341 981	5 000 000	4 069 096	500	24 120	(3 390 574)	703 142		703 142
Issued shares for cash	5 800 000		27 976				27 976		27 976
Staff options exercised	429 607		2 353				2 353		2 353
Share issue expenses			(1 219)				(1 219)		(1 219)
Share-based payments					3 283		3 283		3 283
Total comprehensive income for the year					260	726 732	726 992		726 992
Fair value adjustment on available-for-sale investment					260		260		260
Profit for the year						726 732	726 732		726 732
Balance at 30 June 2008	376 571 588	5 000 000	4 098 206	500	27 663	(2 663 842)	1 462 527		1 462 527
Staff options exercised	1 429 715		6 707				6 707		6 707
Share issue expenses			(433)				(433)		(433)
Share-based payments					3 897		3 897		3 897
Total comprehensive income for the year					(168)	(18 088)	(18 256)		(18 256)
Fair value adjustment on available-for-sale investment					(168)		(168)		(168)
Loss for the year						(18 088)	(18 088)		(18 088)
Dividend on ordinary share capital						(37 658)	(37 658)		(37 658)
Balance at 30 June 2009	378 001 303	5 000 000	4 104 480	500	31 392	(2 719 588)	1 416 784		1 416 784

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

The accompanying notes are an integral part of these consolidated financial statements.

Statements of cash flow

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000	Note	R'000	R'000
		Cash flows from operating activities		
1 933 147	1 910 738	Cash received from sales of precious metals	–	–
(1 728 030)	(1 745 805)	Cash paid to suppliers and employees	(31 480)	(40 885)
205 117	164 933	Cash generated by/(applied to) operations	(31 480)	(40 885)
46 859	88 964	Finance income	72 163	35 289
4 074	4 829	Dividends received	1 338	1 487
(35 528)	(3 605)	Finance expenses	(41)	(6 060)
(37 902)	(46 889)	Income tax paid	(3 617)	–
182 620	208 232	Net cash inflow/(outflow) from operating activities	38 363	(10 169)
		Cash flows from investing activities		
(26 539)	(6 049)	Purchase of investments	–	–
19 225	47 467	Proceeds on sale of investments	21 226	12 000
(286 664)	(345 132)	Additions to property, plant and equipment	(105)	(26)
10 054	10 816	Proceeds on disposal of property, plant and equipment	–	–
–	–	(Increase)/decrease in amounts owing by subsidiaries	(280 121)	645 364
(121 761)	(277 821)	Cash flow on acquisition/disposal of subsidiaries, net of cash	(178 071)	–
		Cash flow on (acquisition)/disposal of joint ventures, net		
1 936 726	(20 000)	of cash	–	–
–	(2 700)	Cash flow on acquisition of associate	(2 700)	–
1 531 041	(593 419)	Net cash (outflow)/inflow from investing activities	(439 771)	657 338
		Cash flows from financing activities		
30 329	6 707	Proceeds from the issue of shares	6 707	30 329
24 864	–	Advances of loans and borrowings	–	–
(819 916)	(54 438)	Repayments of loans and borrowings	–	–
(1 219)	(433)	Share issue expenses	(433)	(1 219)
–	(37 658)	Dividends paid	(37 658)	–
(74 080)	–	Capital distribution to non-controlling interest	–	–
(840 022)	(85 822)	Net cash (outflow)/inflow from financing activities	(31 384)	29 110
873 639	(471 009)	Net (decrease)/increase in cash and cash equivalents	(432 792)	676 279
(12 429)	845 587	Cash and cash equivalents at the beginning of the year	656 945	(19 334)
(15 623)	(21 847)	Foreign exchange movements	–	–
845 587	352 731	Cash and cash equivalents at the end of the year	224 153	656 945

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the statements of cash flow

for the year ended 30 June 2009

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
A CASH GENERATED BY/(APPLIED TO) OPERATIONS			
(87 853)	82 240	Profit/(loss) before taxation	(33 656) 726 732
Adjusted for			
69 931	99 217	Depreciation	280 430
34 190	19 545	Movement in provision for environmental rehabilitation	22 562 3 030
(5 184)	(7 018)	Movement in gold in progress	– –
433	–	Loss on derivative instruments	– –
110 633	75 138	Impairments/(reversal of impairments)	46 676 (809 227)
(10 054)	(10 266)	Profit on sale of property, plant and equipment	– –
6 591	7 873	Share-based payments	3 897 3 283
(5 227)	113	Impairment/(reversal of impairment) loss on trade receivables	196 (2 909)
–	18 226	Actuarial losses on post-retirement and other employee benefits	– –
(95 015)	(205 991)	Finance income	(93 196) (72 155)
167 693	41 743	Finance expenses	15 191 109 222
186 138	120 820	Operating cash flows before working capital changes	(38 050) (41 594)
18 979	44 113	Working capital changes	6 570 709
(117 271)	156 042	Change in trade and other receivables	8 912 (411)
(3 310)	(16 648)	Change in inventories	(47) (174)
142 815	(97 954)	Change in trade and other payables	(2 295) 1 294
(3 255)	2 673	Change in post-retirement and other employee benefits	– –
205 117	164 933	Cash generated by/(applied to) operations	(31 480) (40 885)
B CASH FLOW ON ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH			
Total net cash flow on acquisition/disposal of subsidiaries			
(21 878)	–	Netgold Limited	– –
(99 883)	–	Emperor Mines Limited	– –
–	(100)	DRDGOLD Limited (Cell No. 170)	(100) –
–	(277 721)	ErgoGold	(177 971) –
(121 761)	(277 821)		(178 071) –
Disposal of Netgold Limited			
On 30 March 2008 DRDGOLD disposed of its 50.25% shareholding in NetGold Services Limited (NetGold) and, in exchange for its shareholding in NetGold, obtained a 12.3% stake in G M Networks Limited (GoldMoney).			
The fair value of the net assets disposed were as follows:			
21 908	–	Inventories	
7 283	–	Trade and other receivables	
21 878	–	Cash and cash equivalents	
(37 446)	–	Trade and other payables	
13 623	–	Carrying value at time of disposal	
–	–	Total cash consideration	
(21 878)	–	Less: cash and cash equivalents of disposed entity	
(21 878)	–	Cash flow on disposal of subsidiary, net of cash disposed	

Notes to the statements of cash flow *(continued)*

for the year ended 30 June 2009

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
B CASH FLOW ON ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH <i>(continued)</i>			
Disposal of Emperor Mines Limited			
DRDGOLD disposed of its 78.72% interest in Emperor in October 2007 for a total consideration of R355.8 million.			
The fair value of the net assets disposed were as follows:			
13 469	–		
32 646	–		
62 523	–		
455 708	–		
(15 535)	–		
(283)	–		
31	–		
(138 189)	–		
(6 160)	–		
404 210	–		
355 826	–		
(455 709)	–		
(99 883)	–		
Acquisition of DRDGOLD Limited (Cell No. 170)			
On 1 July 2008, DRDGOLD acquired 100% of a separate class of share in Guardrisk Insurance Company Limited known as DRDGOLD Limited (Cell No. 170).			
–	(100)	(100)	–
Acquisition of ErgoGold (formerly Elsburg Gold Mining Joint Venture)			
On 31 March 2009, East Rand Proprietary Mines Limited and DRDGOLD acquired 15% and 35% respectively from Mogale Gold (Pty) Limited.			
The fair value of the net assets acquired net of non-controlling interest were as follows:			
–	409 118	276 001	–
–	8 236	5 556	–
–	438	295	–
–	13 975	13 975	–
–	768	518	–
–	(85 586)	(57 738)	–
–	(15 389)	(10 381)	–
–	331 560	228 226	–
–	(833)	–	–
–	(53 006)	(50 255)	–
–	(277 721)	(177 971)	–

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
C CASH FLOW ON ACQUISITION/DISPOSAL OF JOINT VENTURES, NET OF CASH			
Acquisition of Witfontein Mining (Pty) Limited			
On 28 February 2009, DRDGOLD through its subsidiary Argonaut Financial Services (Pty) Limited acquired a 50% interest in Witfontein Mining (Pty) Limited and entered into a joint venture agreement with Mintails SA (Pty) Limited owning the remaining 50%.			
–	(20 000)	–	–
Cash flow on acquisition of joint venture			
Disposal of Porgera Joint Venture			
On 17 August 2007, Emperor Mines Limited disposed of its 20% interest in the Porgera Joint Venture.			
The fair value of the net assets disposed of were as follows:			
500 698	–		
326 167	–		
17 616	–		
2 408	–		
(48 133)	–		
(81 108)	–		
717 648	–		
1 939 134	–		
(2 408)	–		
1 936 726	–		
Cash flow on disposal of joint venture			
D CASH FLOW ON ACQUISITION OF ASSOCIATE			
Acquisition of West Wits SA (Pty) Limited			
In January 2009, DRDGOLD acquired a 28.33% interest in West Wits SA (Pty) Limited.			
–	(2 700)	(2 700)	–
Cash flow on investment in associate			
E CASH AND CASH EQUIVALENTS			
Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments with an original maturity of three months or less. Included in cash and cash equivalents is restricted cash in the form of a guarantee relating to the rehabilitation of the Brakpan tailings dump, given to AngloGold Ashanti Limited and amounting to R49.6 million.			
846 114	353 555	224 977	657 472
(527)	(824)	(824)	(527)
845 587	352 731	224 153	656 945
CASH FLOWS FROM DISCONTINUED OPERATIONS			
(150 703)	–	–	–
1 080 541	–	–	–
(1 046 610)	–	–	–
CASH FLOWS RELATING TO EXPLORATION ASSETS			
82 129	27 401	–	–
Cash flow from investing activities			

Notes to the annual financial statements

for the year ended 30 June 2009

1 ACCOUNTING POLICIES

DRD GOLD Limited is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 30 June 2009 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) and the Companies Act of South Africa, as amended.

The financial statements were approved by the Board of Directors on 16 September 2009.

Basis of measurement

The financial statements are prepared on the historical cost basis, unless otherwise stated.

Functional and presentation currency

The financial statements are presented in South African rands, which is the company's functional currency. All financial information presented in South African rands has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reporting 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. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

The estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. 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.

The judgements that management has applied in the application of accounting policies, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 28.

Significant accounting policies

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

Changes in accounting policy

The group adopted the following new standards, amendments to standards and interpretations:

- IAS 1 – Presentation of Financial Statements
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

The group early adopted IAS 1 – Presentation of Financial Statements as of 1 July 2009. This standard affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS standards.

IFRIC 12 – Service Concession Arrangements

The group adopted IFRIC 12 – Service Concession Arrangements as of 30 June 2008. This interpretation deals with governments that have entered into contractual service arrangements to attract private sector participation in the development, financing, operation and maintenance of such infrastructure. The group has not entered into contractual service arrangements with the government. The adoption of the interpretation did not have any effect on the financial position or performance of the group.

IFRIC 13 – Customer Loyalty Programmes

The group adopted IFRIC 13 – Customer Loyalty Programmes as of 30 June 2008. This interpretation addresses customer loyalty programmes which are used by entities to provide customers with incentives to buy their goods or services. The group has not entered into customer loyalty transactions. The adoption of the interpretation did not have any effect on the financial position or performance of the group.

1 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The group adopted IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction as of 30 June 2008. This interpretation addresses paragraph 58 of IAS 19 which limits the measurement of a defined benefit asset to 'the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan' plus unrecognised gains and losses. The group has a defined contribution plan and does not have a defined benefit plan for employees. The adoption of the interpretation did not have any effect on the financial position or performance of the group.

IFRS 8 – Operating Segments

The group early adopted IFRS 8 – Operating Segments retrospectively as of 1 July 2009. This standard sets out requirements for disclosure of information about an entity's operating segments in a similar manner to reporting to the chief operating decision-maker, enabling him/her to allocate resources to the segments and to assess their performance and to report, in the same vein, about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard replaced IAS 14 – Segment Reporting and the main differences are that IFRS 8 no longer requires disclosures of primary and secondary segments but rather operating segments (or aggregations thereof) together with information about the relevant products, services and geographical areas of the operating segments. Furthermore IFRS 8 allows an entity to disclose amounts by using different measurements from those used in the financial statements. The adoption of the standard did not have any effect on the financial position or performance of the group but does change the disclosures in the note on segmental reporting.

New accounting standards and IFRIC interpretations

Certain new accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations have been published that have various effective dates. 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
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Annual periods commencing on or after 1 October 2008 ⁽¹⁾
Various	Improvements to IFRS 2008 (excluding IFRS 5 amendment)	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IFRS 2 amendment	IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IAS 23	Borrowing Costs	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IAS 27 & IFRS 1 amendment	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
IAS 32 & IAS 1 amendment	IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods commencing on or after 1 January 2009 ⁽²⁾
IFRIC 15	Agreements for the Construction of Real Estate	Annual periods commencing on or after 1 January 2009 ⁽²⁾
Amendments to IFRS 7	Improving Disclosures about Financial Instruments	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
AC 503 revised	Accounting For Black Economic Empowerment (BEE) Transactions	Annual periods commencing on or after 1 January 2009 ⁽¹⁾
AC 504	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment	Annual periods commencing on or after 1 April 2009 ⁽¹⁾
IFRS 3	Business Combinations	Annual periods commencing on or after 1 July 2009 ⁽¹⁾

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

1 ACCOUNTING POLICIES *(continued)*

Significant accounting policies *(continued)*

	Standard/interpretation	Effective date
IAS 27 amendment	Consolidated and Separate Financial Statements	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
IAS 39 amendment	Eligible hedged items	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
IFRS 1	First Time Adoption of International Financial Reporting Standards	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
IFRS 5 amendment	Improvements to IFRS 2008 – IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
IFRIC 17	Distributions of Non-cash Assets to Owners	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
Various	Improvements to IFRS 2009: IFRS 2 Share-based Payment; IAS 38 Intangible Assets – Additional consequential amendments arising from revised IFRS 3; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Annual periods commencing on or after 1 July 2009 ⁽¹⁾
Various	Improvements to IFRS 2009 (excluding IFRS 2 Share-based Payment. IAS 38 Intangible Assets – Additional consequential amendments arising from revised IFRS 3; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 16 Hedges of a Net Investment in a Foreign Operation)	Annual periods commencing on or after 1 January 2010 ⁽¹⁾

⁽¹⁾ Not yet assessed.

⁽²⁾ Assessed: not applicable.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group 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 are currently exercisable or convertible, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries are recognised at cost less impairment losses in the company's separate accounts.

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

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the group.

Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another group. Associates are accounted for using the equity method and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition and is presented net of any accumulated impairment losses. The consolidated financial statements include the group's share of the total recognised income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the group, 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.

1 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Joint ventures

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

Transactions eliminated on consolidation

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

Foreign currency

Functional currency

The functional currency is the primary economic environment in which the entity operates. This is determined by all companies in the group after analysing all sources and influences of various currencies on their respective financial position and performance, in order to establish the currency with the most dominant influence as its functional currency.

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

Foreign currency transactions

Transactions in foreign currencies undertaken by group entities are translated at the foreign exchange rates ruling at the dates of these transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency at the foreign exchange rate ruling at that date. 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, measured at fair value, are translated at foreign exchange rates ruling at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income, except for differences arising on the translation of available-for-sale equity, which are recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African rands at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated to South African rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, namely the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit and loss.

Net investment in foreign operations

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve in the consolidated financial statements.

Financial instruments

Financial instruments recognised on the statement of financial position include investments, derivative financial instruments, held-to-maturity financial instruments, available-for-sale financial instruments, trade and other receivables, cash and cash equivalents, long- and short-term interest-bearing borrowings, convertible loan notes, trade and other payables and bank overdrafts.

Financial instruments are initially recognised at fair value and include any directly attributable transaction costs, except those financial instruments measured at fair value through profit and loss. Subsequent to initial recognition, financial instruments are measured as described below.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

1 ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets at fair value through profit and loss

An instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit and loss if doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the group manages and evaluates performance of such investments, and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy.

Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit and loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity investments

If the group has the positive intention and ability to hold debt securities to maturity, then they are classified as held to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables (which includes trade and other receivables) and other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid investments with an original maturity of three months or less. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their 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 (including preference share liabilities) are subsequently measured at amortised cost with any difference between the initial amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. If the group revises its estimates of payments, the carrying amount of the liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the current value of the estimated future cash flows at the liability's original effective interest rate. The adjustment is recognised as income or expense in profit and loss.

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 as explained below.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. This fair value is determined as 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 equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit and loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

1 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost, using the effective interest method.

Property, plant and equipment

Owned assets

The group's property, plant and equipment consists mainly of mining assets which comprise mining properties (including mineral rights), mine development costs, mine plant facilities and equipment and vehicles.

Development costs which are capitalised consist primarily of expenditure that gives access to proved and probable ore reserves. Capitalised development costs include expenditure incurred to develop new orebodies, to define future mineralisation in existing orebodies and to expand the capacity of a mine. Mine development costs to maintain production and exploration costs, are expensed as incurred. Where funds have been borrowed specifically to finance a project, the amount of interest capitalised represents the actual borrowing costs incurred (refer to accounting policy on finance costs capitalised). Mine development costs include acquired proved and probable Mineral Resources at cost at the acquisition date.

Exploration and evaluation costs, including the costs of acquiring licences, property and qualifying borrowing costs, are capitalised as exploration assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration assets according to the nature of the assets acquired. When a licence is relinquished or a project is abandoned, the related costs are recognised in the statement of comprehensive income immediately. Pre-licence costs are recognised in the statement of comprehensive income as incurred.

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing an asset to a working condition for its intended use, as well as the costs of dismantling and removing an asset and restoring the site on which it was located.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within 'other income' in profit or loss.

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset and liability are measured at amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in the same manner as owned property, plant and equipment.

Subsequent to initial recognition, assets held under finance leases are accounted for in the same manner as owned property, plant and equipment.

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 within the part will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

1 ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation

Depreciation of mining properties (including mineral rights), mine development and mine plant facilities relating to underground operations are computed using the units-of-production method based on estimated proved and probable ore reserves. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. Exploration assets that are available for use are depreciated over their estimated useful lives.

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. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

The current estimated useful lives are:

- mining properties – life of mine for each operation, currently between two and 27 years;
- mine development – life of mine for each operation, currently between two and 27 years;
- mine plant facilities – life of mine for each operation, currently between two and 27 years; and
- equipment and vehicles – three to five years.

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

Intangible assets

Acquisitions and goodwill arising thereon

Where an investment in a subsidiary, joint venture or an associate is made, any excess of the cost of acquisition over the fair value of the attributable mineral assets including value beyond proved and probable Ore Reserves and Mineral Resources and exploration properties is recognised as goodwill. In the case of negative goodwill arising from an investment, the amount is recognised in the statement of comprehensive income immediately. Goodwill relating to equity accounted joint ventures and associates is included within the carrying value of the investment and tested for impairment when indicators exist.

Goodwill relating to subsidiaries is tested annually for impairment and measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purposes of impairment testing.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Financial assets measured at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate, that is, the effective interest rate computed at initial recognition of these financial assets.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. 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 and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss.

Financial assets that are individually significant are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

1 ACCOUNTING POLICIES (continued)

Impairment (continued)

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the group's assets, other than inventories and deferred tax assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash flows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised directly against the carrying amount of the asset whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amounts of the assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

Exploration assets

Exploration assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration assets are allocated to cash-generating units consistent with the determination of reportable segments.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved reserves are determined to exist. Upon determination of proved reserves, exploration assets attributable to those reserves are first tested for impairment and then reclassified from exploration assets to a separate category within tangible assets. Expenditure deemed to be unsuccessful is recognised in the statement of comprehensive income immediately.

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 as they are reliably measurable at that point. Selling, refining and general administration costs are excluded from inventory valuation.

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

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

Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

1 ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred taxation is recognised using the statement of financial position 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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, if these relate to income taxes levied by the same tax authority on the same taxable entity, or if on different tax entities, and if the company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and 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 is recognised.

Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, 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 shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Dividends

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

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal constructive obligation to pay further amounts. Pension plans, which are multi-employer plans in the nature of defined benefit plans, are funded through monthly contributions to these defined contribution plans. Obligations for contributions are recognised as an employee benefit expense in the statement of comprehensive income 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's Long Service Award Scheme. The amount of the award is based on both the employee's skill level and years of service with gold mining companies that qualify for the scheme. The obligation is accrued over the service life of the employees and is calculated using a projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

1 ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions

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

The fair value of the options granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions such as share prices not achieving the threshold for vesting.

Post-retirement medical benefits

Post-retirement medical benefits in respect of qualifying employees are recognised as an expense over the expected remaining service lives of relevant employees. The group has an obligation to provide medical benefits to certain of its pensioners and dependants of ex-employees. These liabilities are provided in full, calculated on an actuarial basis and discounted using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. 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. The fair value of any planned assets is deducted. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Provisions

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

Decommissioning liabilities

The provision for decommissioning represents the cost that will arise from rectifying damage caused before production commenced. Accordingly an asset is recognised and included within mining properties.

Decommissioning liabilities are measured at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning obligation is included in the statement of comprehensive income. Estimated future costs of decommissioning obligations are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology. Changes in estimates are capitalised or reversed against the relevant asset.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

Restoration liabilities

The provision for restoration represents the cost of restoring site damage after the start of production. Increases in the provision are charged to the statement of comprehensive income as a cost of production. Gross restoration liabilities are estimated at the present value of the expenditures expected to settle the obligation.

Rehabilitation trust fund

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. These contributions are recognised as a right to receive reimbursement from the fund and measured at the fair value of the fund assets. Changes in the carrying value of the fund assets, other than contributions to and payments from the fund, are recognised in profit or loss.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

1 ACCOUNTING POLICIES *(continued)*

Revenue recognition

Gold bullion and by-products

Revenue from the sale of gold bullion and by-products is measured at the fair value of the consideration received or receivable. Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Government grants

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grant will be received. Grants that compensate the group for expenses incurred are recognised in the statement of comprehensive income as a deduction against the related expense.

Finance income

Finance income includes dividends received, interest received, growth in the environmental rehabilitation trust funds, net gains on financial instruments measured at amortised cost, net of foreign exchange gains, and other profits and losses arising on disposal of investments.

Dividends are recognised when the group's 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.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income 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 method, unwinding of discounting of provision for environmental rehabilitation, net foreign exchange losses, net losses on financial instruments measured at amortised cost, and interest on finance leases.

Finance costs capitalised

Interest on borrowings relating to the financing of qualifying major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction is interrupted for an extended period or when the asset is substantially complete. Other borrowing costs are expensed as incurred.

Segment reporting

Operating segments are identified on the basis of internal reports that the group's chief operating decision-maker (CODM) reviews regularly in allocating resources to segments and in assessing their performance. The CODM for the group has been identified as the group's Executive Committee. Reportable segments are identified based on quantitative thresholds of revenue, profit and loss, and assets. The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.

Aggregation of operating segments is implemented where disclosure of information enables users of the group's financial statements to evaluate the nature and effects of the business activities in which it engages and the economic environment in which it operates, where the operating segments have characteristics so similar that they can be expected to have essentially the same future prospects and if they are similar in the following requirements respects:

- the nature of the production processes;
- the type of class of customer for their products and services;
- the methods used to distribute their products or provide their services; and
- if applicable, the nature of the regulatory environment.

1 ACCOUNTING POLICIES (continued)

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 disposal group comprising assets and liabilities, that is expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the group's accounting policies. Thereafter, in general, the non-current assets or disposal groups are measured 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. Gains are not recognised in excess of any cumulative impairment loss.

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

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated.

Earnings or loss per share

The group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings or loss per share are calculated based on the net profit or loss after taxation for the year attributable to ordinary shareholders of the company, 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 attributable to ordinary shareholders but before certain items of a capital nature. Diluted earnings or loss per share and diluted 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, which comprises share options granted to employees.

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 the absence of more specific guidance, the group consistently applies the book value measurement method to all common control transactions on the basis that an investment is simply being transferred from one part of the group to another. Any difference between the carrying amount of the net assets received and the consideration paid, if any, is recognised directly in equity as an excess arising from the common control transaction.

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
7 INCOME TAX (continued)			
		<p>The tax rates applicable to mining and non-mining income of a gold mining company depend on whether the company has elected to be exempt from secondary tax on companies (STC). STC is a tax on dividends declared which is payable by the company declaring the dividend. At present, the STC tax rate is equal to 10% (2008: 10%) of the amount of income declared as a dividend. In 1993, all existing gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply to both mining and non-mining income.</p> <p>In 2009 and 2008, the tax rates for taxable mining and non-mining income for companies that elected the STC exemption were 43% (2008: 43%) and 35% (2008: 35%), respectively. During those same years the tax rates for companies that did not elect the STC exemption were 34% (2008: 34%) and 28% (2008: 28%) for taxable mining and non-mining income, respectively.</p> <p>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 43% for mining income and 35% for non-mining income. The company, having chosen not to be subject to the STC exemption, is subject to 34% (2008: 34%) tax on mining income and 28% (2008: 28%) for non-mining income. With the exception of Crown, all of the South African subsidiaries elected not to be exempt from STC. The tax rate for all the Australasian operations is 30%.</p> <p>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 34% or 43% (2008: 34% or 43%), while the Australian deferred tax is provided at the Australian statutory tax rate of 30% (2008: 30%).</p> <p>Each company is taxed as a separate entity and no tax set-off is allowed between the companies.</p> <p>No provision has been made for mining income taxation in the company as it did not earn any taxable income in the current year.</p>	
1 395 736	1 907 048	262 536	131 504
963 940	914 057	598 727	654 590
2 359 676	2 821 105	861 263	786 094
748 071	922 492	257 382	220 106

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
9 EARNINGS PER SHARE			
Basic			
The calculation of earnings per ordinary share is based on the following:			
996 041	129 124	Basic earnings attributable to equity owners of the parent	
128 558	129 124	Basic earnings from continuing operations attributable to equity owners of the parent	
376 023 344	376 678 974	Weighted average number of ordinary shares in issue	
Headline			
The basic earnings has been adjusted by the following to arrive at headline earnings:			
996 041	129 124	Basic earnings attributable to equity owners of the parent	
110 633	75 138	Impairments	
(6 158)	(10 266)	Profit on sale of property, plant and equipment	
(8 645)	1 873	Loss/(profit) on sale of investment	
(1 169 210)	–	Profit on sale of discontinued operations	
–	(53 006)	Recognised goodwill on acquisition	
(28 091)	(18 834)	Non-controlling interest in impairments	
		Non-controlling interest in sale of property, plant and equipment	
2 614	2 669	Non-controlling interest in profit on disposal of discontinued operations	
223 950	–	Non-controlling interest in recognised goodwill on acquisition	
–	715	Taxation on sale of property, plant and equipment	
(3 896)	–	Taxation on sale of investments	
(3 360)	–		
113 878	127 413	Headline earnings attributable to ordinary shareholders	
Diluted			
996 041	129 124	Basic earnings attributable to equity owners of parent	
–	–	Dilutive effect on earnings	
996 041	129 124	Diluted basic earnings	
(882 163)	(1 711)	Headline earnings adjustments	
113 878	127 413	Diluted headline earnings	
Reconciliation of weighted average ordinary shares to diluted weighted average ordinary shares			
376 023 344	376 678 974	Weighted average number of ordinary shares in issue	
22 813	223 547	Number of staff options allocated	
376 046 157	376 902 521	Diluted weighted average number of ordinary shares	
265	34	Basic earnings per ordinary share (cents)	
265	34	Basic diluted earnings per share (cents)	
34	34	Basic earnings from continuing operations per ordinary share (cents)	
34	34	Diluted earnings from continuing operations per ordinary share (cents)	
30	34	Headline earnings per ordinary share (cents)	
30	34	Diluted headline earnings per ordinary share (cents)	
		Headline earnings from continuing operations per ordinary share (cents)	
41	34	Diluted headline earnings from continuing operations per ordinary share (cents)	
41	34		

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
10 PROPERTY, PLANT AND EQUIPMENT			
Total			
1 809 606	2 901 436	2 798	2 693
Cost		2 798	
2 783 736	1 809 606	2 693	2 667
–	740 874	–	–
371 389	346 668	105	26
2 613	5 154	–	–
–	(866)	–	–
(1 391 555)	–	–	–
43 423	–	–	–
(996 731)	(1 168 217)	(2 602)	(2 322)
Accumulated depreciation, amortisation and impairment losses		(2 602)	
(2 133 966)	(996 731)	(2 322)	(1 892)
(69 931)	(99 217)	(280)	(430)
(116 522)	(72 438)	–	–
–	169	–	–
1 366 295	–	–	–
(42 607)	–	–	–
812 875	1 733 219	196	371
Net book value		196	
Mining property			
259 313	284 800	–	–
Cost		–	
935 223	259 313	–	–
105 691	22 367	–	–
2 613	3 298	–	–
–	(178)	–	–
(808 809)	–	–	–
24 595	–	–	–
(145 574)	(151 527)	–	–
Accumulated depreciation, amortisation and impairment losses		–	
(873 143)	(145 574)	–	–
(9 927)	(5 746)	–	–
(46 718)	(207)	–	–
808 809	–	–	–
(24 595)	–	–	–
113 739	133 273	–	–
Net book value		–	
Mine development			
902 845	1 806 500	–	–
Cost		–	
901 907	902 845	–	–
–	672 140	–	–
124 194	231 715	–	–
–	(200)	–	–
(127 371)	–	–	–
4 115	–	–	–
(513 450)	(614 272)	–	–
Accumulated depreciation, amortisation and impairment losses		–	
(531 574)	(513 450)	–	–
(34 452)	(54 254)	–	–
(69 804)	(46 568)	–	–
126 466	–	–	–
(4 086)	–	–	–
389 395	1 192 228	–	–
Net book value		–	

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
10 PROPERTY, PLANT AND EQUIPMENT (continued)			
Mine plant facilities			
547 018	679 049		
Cost			
726 579	547 018	–	–
–	39 925	–	–
56 416	92 253	–	–
–	(147)	–	–
(243 856)	–	–	–
7 879	–	–	–
(324 383)	(386 457)	–	–
Accumulated depreciation, amortisation and impairment losses			
(537 084)	(324 383)	–	–
(23 276)	(37 401)	–	–
–	(24 673)	–	–
243 856	–	–	–
(7 879)	–	–	–
222 635	292 592	–	–
Net book value			
Equipment and vehicles			
18 301	21 557		
Cost			
220 027	18 301	2 798	2 693
2 959	3 597	2 693	2 666
–	(341)	105	27
(211 519)	–	–	–
6 834	–	–	–
(13 324)	(15 961)	–	–
Accumulated depreciation, amortisation and impairment losses			
(192 165)	(13 324)	(2 602)	(2 322)
(2 276)	(1 816)	(2 322)	(1 892)
–	(990)	(280)	(430)
–	169	–	–
187 164	–	–	–
(6 047)	–	–	–
4 977	5 596	196	371
Net book value			
Exploration assets (a)			
82 129	109 530		
Cost			
–	82 129	–	–
–	28 809	–	–
82 129	(3 264)	–	–
–	1 856	–	–
–	–	–	–
82 129	109 530	–	–
Net book value			

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
10 PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>				
		Certain assets have been encumbered as security for specified liabilities (refer note 22).		
		Borrowing costs are capitalised at the prime lending rate.		
		At year-end, a reclassification took place to disclose exploration assets as a separate asset class together with the early adoption of IFRS 8 – Operating Segments to provide better information. For comparative purposes the numbers for 2008 are the only numbers affected by this reclassification and have been amended accordingly.		
		In assessing the recoverability of the above assets, where there are indicators of possible impairment, the estimated cash flows have been calculated using the following estimates:		
		– life of mine based proved and probable ore reserves;		
		– gold price estimates are based on a gold price of R270 000 per kilogram of gold (US\$885 per ounce) in year one, escalating at an average of 7.42% per annum, and a base exchange rate of R8.50 = 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 2009, escalated for expected South African inflationary increases of approximately 5.5% per annum; and		
		– capital cost estimates are based on current estimates of future development costs to mine the current proved and probable Ore Reserves, escalated for expected South African inflationary increases of approximately 5.5% per annum.		
		(a) Exploration assets relate to Phase 2 of the Ergo project and include property, plant and the tailings complex. The group's proportionate share of the Witfontein Mining (Pty) Limited Joint Venture's properties are also included in exploration assets (refer note 13).		
		(b) Included in additions are rehabilitation adjustments amounting to R5.8 million and (R3.9 million) relating to mining property and exploration assets, respectively.		
11 NON-CURRENT INVESTMENTS AND OTHER ASSETS				
		Listed investments (see below)		
–	–	Opening balance	–	–
2 042	–	Foreign exchange movement	–	–
191	–	Additions	–	–
27	–	Disposals	–	–
(1 402)	–	Fair value adjustment	–	–
(858)	–			
10 689	9 556	Unlisted investments	1 426	1 594
13 628	10 078	Loan to DRDSA Empowerment Trust	10 078	13 628
41 040	23 364	Loan to Khumo Gold SPV (Pty) Ltd	23 364	41 040
110 766	129 682	Investments in environmental rehabilitation trust funds	20 296	18 188
75 770	110 766	Opening balance	18 188	16 399
26 510	6 049	Contributions	–	–
8 486	12 867	Growth in environmental rehabilitation trust funds	2 108	1 789
176 123	172 680	Total non-current investments and other assets	55 164	74 450
10 689	9 556	Directors' valuation of unlisted investments	1 426	1 594

11 NON-CURRENT INVESTMENTS AND OTHER ASSETS (continued)

	% held	Number of shares	Market Value	Carrying Value	Carrying Value
			2009	2009	2008
			R'000	R'000	R'000
Unlisted investments consist of:					
Rand Mutual Assurance Company	#	370	7	7	9
Rand Refinery Limited	4	16 157	9 549	9 549	10 680
			9 556	9 556	10 689

Represents a less than 1% shareholding

Unlisted investments comprise investments in unlisted companies in South Africa. The valuations, which are done on an annual basis, are based on the net asset value of these investments. During the previous year the group disposed of all its listed investments.

The monies in the environmental rehabilitation trust funds are invested primarily in low-risk interest-bearing debt securities and may be used only for environmental rehabilitation purposes.

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
12 INVESTMENTS IN SUBSIDIARIES			
		165 828	1 121 105
		1 036 417	(344 781)
		1 622 795	997 185
		(275 974)	(233 412)
		(310 404)	(1 108 554)
		1 202 245	776 324

The non-operational entities' loans are interest free and the operational entities' loans bear interest at prime minus four.

The loans are unsecured and without any fixed re-payment arrangements. The company has off-set its investment in DRD (Offshore) Limited against its loan account.

The interest of the company in the (loss)/profit after taxation of its subsidiaries is:

Aggregate losses	(163 271)	(84 397)
Aggregate profits	270 175	255 164

A schedule showing the company's financial interest in each subsidiary is given in the directors' report on page 44.

Acquisition of subsidiary during the year

ErgoGold (formerly Elsburg Gold Mining Joint Venture)

The group entered into a 50:50 joint venture agreement through the East Rand Proprietary Mines Limited (ERPM) subsidiary, together with one of Mintails SA (Pty) Limited subsidiaries called Mogale Gold (Pty) Limited on 15 August 2008. The joint venture is called ErgoGold. On 31 March 2009 the group acquired the remaining 50% interest in ErgoGold through ERPM acquiring 15% and DRDGOLD Limited acquiring 35% for a cash consideration of R100 million and R177 million respectively.

The fair value of the assets acquired at the date of acquisition, exceeded the cost of the acquisition, therefore resulting in a bargain purchase. The bargain purchase is a direct result of the favourable change in the gold price since the period the purchase price was fixed and the higher gold price on the date all the requirements were met for the acquisition to be recognised, which is the date the fair value of the assets and liabilities was determined. The resulting negative goodwill arising amounted to R53 million and was recognised in the statement of comprehensive income, under finance income.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
12 INVESTMENTS IN SUBSIDIARIES <i>(continued)</i>			
<p>The most significant fair value determined related to mining rights included in property, plant and equipment, and amounted to R583 million. The Multi Period Excess Earnings Method (MEEM) was used to calculate the fair value, incorporating the following assumptions on acquisition date: gold price of R288 665/kg, average escalation of gold price of 6.4%, working cost per tonne of R30, life of mine (period) of 13 years, average yield of 0.14g/t and a discount rate of 22.5%.</p> <p>The statement of comprehensive income since acquisition relating to ErgoGold which has been consolidated is set out below:</p>			
Statement of comprehensive income			
–	8 713		
–	(54 614)		
–	(45 901)		
–	(1 250)		
–	(47 151)		
Loss before taxation			
<p>The statement of comprehensive income for the full eight months trading period of ErgoGold has been set out below:</p>			
Statement of comprehensive income			
–	39 643		
–	(105 058)		
–	(65 415)		
–	(1 251)		
–	(66 666)		
Loss before taxation			
<p>The statement of financial position at acquisition of ErgoGold has been set out below:</p>			
Statement of financial position (as at 1 April 2009)			
<i>Non-current assets</i>			
–	887 462		
<i>Current assets</i>			
–	17 866		
–	950		
–	1 666		
–	907 944		
Total fair value of assets			
<i>Non-current liabilities</i>			
–	(185 653)		
<i>Current liabilities</i>			
–	(33 381)		
–	(219 034)		
Total fair value of liabilities			
–	688 910		
Fair value of net assets on date of acquisition			
–	55 866		
Non-controlling interest in fair value of net assets			
–	344 455		
Acquisition date fair value on 50% initial equity interest			

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
13 INVESTMENT IN JOINT VENTURES			
		The joint ventures for which the statement of comprehensive income and statement of financial position have been proportionately consolidated were as follows:	
–	50%	Witfontein Mining (Pty) Limited – percentage held	
50%	50%	Ergo Mining (Pty) Limited – percentage held	
		The group acquired a 50% interest in the Witfontein Mining (Pty) Limited (Witfontein) on 28 February 2009 for a cash consideration of R20 million. The group has the option to dispose of its interest at a consideration equal to the acquisition price if Witfontein is unsuccessful in obtaining the required approvals for a deposition facility. Witfontein had no capital commitments at year-end.	
		The group acquired a 50% interest in Ergo Mining (Pty) Ltd (Ergo) with effect from 6 May 2008. Ergo is jointly controlled by the group and Mintails Limited. Ergo has contracted commitments which have not been provided for in the financial statements amounting to R4.8 million (2008: R133.7 million), and commitments authorised by the directors but not contracted for amounting to R30.9 million (2008: R146.1 million). The group's proportionate share in these amounts is 50%.	
		The group's effective share of income, expenses, assets, liabilities and cash flows of the joint ventures, which is included in the consolidated financial statements, is as follows:	
		Statement of comprehensive income	
–	–	Revenue	
–	(5 162)	Cost of sales	
–	(5 162)	Gross loss from operating activities	
(42)	(3 967)	Other income, administration and general costs	
(42)	(9 129)	Loss before taxation	
		Statement of financial position	
94 408	69 876	Non-current assets	
51 318	34 269	Current assets	
145 726	104 145	Total assets	
(30)	10 830	Shareholders' equity	
78 329	70 840	Non-current liabilities	
67 427	22 475	Current liabilities	
145 726	104 145	Total equity and liabilities	
14 INVESTMENT IN ASSOCIATES			
		The associate has been equity accounted for in the statement of comprehensive income and statement of financial position. An impairment has been provided against this investment.	
–	28.33%	West Wits SA (Pty) Limited – percentage held	
–	2 700	28.33%	–
–	(2 700)	2 700	–
–	–	(2 700)	–
–	–	Carrying value of investment in associate	
		–	–
15 INVENTORIES			
		Current	
30 398	42 861	Gold in process	
32 459	51 074	–	–
62 857	93 935	264	218
		Non-current	
2 717	4 238	Consumable stores	
65 574	98 173	–	–
		Total inventories	
		264	218

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
16 TRADE AND OTHER RECEIVABLES				
58 650	30 966	Trade receivables (gold)	–	–
32 357	27 494	Value added tax	423	–
285	386	Prepayments	–	–
515	86	Receivables from related parties	23	14
19 983	6 181	Interest receivable	6 181	15 187
136 689	31 161	Other receivables	8 842	18 186
(8 201)	(8 314)	Allowance for impairment	(6 813)	(6 617)
240 278	87 960		8 656	26 770
17 ASSETS CLASSIFIED AS HELD FOR SALE				
<p>Mining property of R15.0 million, being the DRDGOLD mine village, is presented as held for sale following the decision of the group's management on 13 January 2006 to sell this disposal group as part of the closure of the old Durban Deep mine. A sale was expected by 30 June 2009, however due to circumstances beyond the company's control the sale has been postponed and is expected to be completed by 30 June 2010. The company remains committed to its plan to sell this disposal group.</p> <p>On 30 March 2008 DRDGOLD disposed of its 50,25% shareholding in NetGold and, in exchange for its shareholding in NetGold, acquired a 12.3% stake in GoldMoney. DRDGOLD recognised the sale at a fair value of R22.1 million (\$2.7 million) with a subsequent remeasurement to fair value at 30 June 2008 to R24.7 million (\$3.1 million). On 12 September 2008 DRDGOLD disposed of its 12.3% stake in GoldMoney for R26.2 million (\$2.9 million).</p> <p>The disposal groups are carried at the lower of carrying amount or fair value less costs to sell.</p> <p>Assets classified as held for sale</p>				
15 000	15 000	Property, plant and equipment	15 000	15 000
24 746	–	Non-current investments and other assets	–	–
39 746	15 000		15 000	15 000

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
18 EQUITY OF THE OWNERS OF THE PARENT				
		Details of equity of the owners of the parent are provided in the statements of changes in equity on page 49.		
		Authorised share capital		
		600 000 000 (2008: 600 000 000) ordinary shares of no par value		
		5 000 000 (2008: 5 000 000) cumulative preference shares of 10 cents each		
500	500		500	500
		Issued share capital		
		378 001 303 (2008: 376 571 588) ordinary shares of no par value		
		5 000 000 (2008: 5 000 000) cumulative preference shares of 10 cents each		
4 098 206	4 104 480		4 104 480	4 098 206
500	500		500	500
4 098 706	4 104 980		4 104 980	4 098 706
		Share capital		
		Unissued shares		
		The company operates a share option scheme as an incentive tool for its 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.		
		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.		
		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.		
		Cumulative preference shares		
		The terms of issue of the cumulative preference shares are that they carried the right, in priority to the company's ordinary shares, to receive a dividend equal to 3% of the gross future revenue generated by the exploitation or the disposal of Argonaut's mineral rights acquired from Randgold and Exploration Company Limited in September 1997. In 2005, the Argonaut mineral rights reverted to the South African government after no application for conversion was lodged within the stipulated period of one year, under the provisions of the Mineral and Petroleum Resources Development Act (MPRDA).		

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
18 EQUITY OF THE OWNERS OF THE PARENT <i>(continued)</i>				
		Option instruments		
		The company currently has one class of options authorised but not issued, namely Durban Deep 'C' options. There are 10 000 000 authorised option instruments at year-end which entitle the holder to subscribe for one ordinary share per option instrument at a subscription price of R15 per ordinary share, which are exercisable at any time during the period from the date on which the option is issued by the company to a date no later than five years from the date of issue.		
		Revaluation and other reserves		
157 144	156 538	Foreign exchange translation reserve (a)	–	–
6 744	138 953	Asset revaluation reserve (b)	92	260
44 046	51 919	Share-based payments reserve (c)	31 300	27 403
207 934	347 410		31 392	27 663
		(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.		
		(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. A revaluation adjustment of R5.0 million has been recognised in the asset revaluation reserve. The reserve also includes a R0.6 million (2008: R1.7 million) fair value adjustment on available-for-sale financial instruments. On the acquisition of ErgoGold, an amount of R133.3 million was taken to the asset revaluation reserve. This amount represented the increase in the fair value of ErgoGold's net assets after the acquisition of the group's initial interest, which is attributable to that initial interest.		
		(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 2009, a deferred share-based compensation expense of R7.9 million (2008: R6.6 million) was charged to the statement of comprehensive income (refer to note 3).		
		Dividends		
–	(37 658)	The following dividends were declared and paid by the group: 10.0 cents per qualifying ordinary share (2008: nil)	(37 658)	–
		After 30 June 2009 a dividend of 5 cents per qualifying share (R18.9 million) was proposed by the directors for 2010. The dividend has not been provided for and the secondary tax on companies (STC) is charged at 10% of the dividend which is declared and is estimated to amount to R1.9 million.		

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
19 PROVISION FOR ENVIRONMENTAL REHABILITATION			
282 580	381 252	59 364	55 906
59 747	–	–	–
–	1 860	–	–
4 735	9 797	491	428
34 190	19 545	22 562	3 030
381 252	412 454	82 417	59 364
<p>Opening balance</p> <p>Acquired through purchase of subsidiaries</p> <p>Increase in provision</p> <p>Unwinding of discount (refer note 6)</p> <p>Charge to the statement of comprehensive income</p> <p>Closing balance</p>			
<p>Amounts have been contributed to irrevocable trusts (refer to note 11)</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>			
20 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS			
21 504	42 498	–	–
1 236	1 141	–	–
22 740	43 639	–	–
<p>Liability for post-retirement medical benefits</p> <p>Liability for long service awards</p>			
<p>Contribution funds</p> <p>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.</p> <p>The group pays fixed contributions to external institutions and will have no legal or constructive obligation to pay further amounts. 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 employee benefit expense in the statement of comprehensive income as incurred.</p> <p>Amounts recognised in the statement of comprehensive income are as follows:</p>			
(33 578)	(35 419)	(808)	(384)
<p>Contribution payments</p>			
<p>Post-retirement medical benefits</p> <p>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 2009. Post-retirement medical benefits are actuarially valued every three years. The obligation is unfunded.</p> <p>Amounts recognised in the statement of financial position are as follows:</p>			
19 009	21 504	–	–
1 021	1 101	–	–
–	18 226	–	–
1 474	1 667	–	–
21 504	42 498	–	–
<p>Opening balance</p> <p>Current service cost</p> <p>Actuarial losses</p> <p>Interest costs</p> <p>Closing balance</p>			

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP		COMPANY		
2008	2009	2009	2008	
R'000	R'000	R'000	R'000	R'000
20 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS <i>(continued)</i>				
Amounts recognised in the statement of comprehensive income are as follows:				
(1 021)	(1 101)	Current service cost and interest	–	–
–	(18 226)	Net actuarial losses	–	–
(1 474)	(1 667)	Interest costs	–	–
(2 495)	(20 994)		–	–
Principal actuarial assumptions at the statement of financial position date:				
5.8%	7.3%	Health care cost inflation		
7.8%	8.3%	Discount rate		
1.9%	0.9%	Real discount rate		
50.0%	60.0%	Income at retirement (as % of final salary)		
62.5/63/65	60/65	Normal retirement age		
61.6/62.0/63.5	59.9/64.1	Expected average retirement age		
3 years	3 years	Spouse age gap		
100%	100%	Continuation at retirement		
85%	85%	Proportion married at retirement		
Historical information:				
			2009	2008
			2007	
			R'000	R'000
			R'000	R'000
		Unfunded liability	42 498	21 504
			19 009	
There are currently no long-term assets set aside in respect of post-employment medical care liabilities.				
Assuming all other variables remain constant, a 1% change in health care costs would have the following effects:				
Sensitivity analysis:				
			Health care	Resigna-
			cost	tion
			Mor-	rate
			ality	
			R'000	R'000
			R'000	R'000
		Effect on the aggregate service and interest cost		
		+ 1%	626	(437)
		– 1%	(493)	529
		Effect on past-service contractual liability		
		+ 1%	9 562	(6 715)
		– 1%	(7 522)	8 075
			3 782	
The group expects to pay contributions to the amount of R4.5 million during 2010.				

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
20 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)				
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 gold mining companies that qualify for the scheme.				
Amounts recognised in the statement of financial position are as follows:				
1 322	1 236	Opening balance	–	–
–	–	Actuarial gain	–	–
(86)	(95)	Benefits paid	–	–
1 236	1 141	Closing balance	–	–
Amounts recognised in the statement of comprehensive income are as follows:				
–	–	Actuarial gain/(loss)	–	–

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 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 10 years after the date of grant, subject to the terms of the option plan. Options granted under a plan vest at the discretion of the company's directors, but primarily according to the following schedule over a maximum of a three-year period:"

Percentage vested in each period grant:	Period after the original date of the option:
25%	six months
25%	one year
25%	two years
25%	three years

Any options not exercised within 10 years from the original date of the option will expire and may not thereafter be exercised.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

20 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

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

	Outstanding		Vested	
	Number of shares	Average price per share R	Number of shares	Average price per share R
Balance at 1 July 2007	16 254 774	12.48	12 163 058	14.18
Granted	4 581 800	3.88		
Exercised	(429 607)	5.48		
Forfeited/lapsed	(4 471 348)	14.34		
Balance at 30 June 2008	15 935 619	13.85	11 257 594	11.58
Granted	4 647 800	3.50		
Exercised	(1 429 715)	4.69		
Forfeited/lapsed	(1 848 775)	10.71		
Balance at 30 June 2009	17 304 929	11.75	11 611 308	10.43

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.

Analysis of share options:

	Vested		Unvested	
	30 June	30 June 2010	30 June 2011	30 June 2012
R5 <	2 554 676	2 113 006	2 081 962	1 110 828
R5 > R10	4 343 111	387 825		
R10 > R15	1 232 700			
R15 > R20	3 006 421			
R20 > R30	474 400			
	11 611 308	2 500 831	2 081 962	1 110 828

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000

c) The fair value of the options determined using the Black-Scholes option valuation model.

Significant inputs into the model were:

Market price at date of grant (rand per share)

1 November 2004 option grant	10.93	10.93
15 April 2005 option grant	5.13	5.13
17 June 2005 option grant	5.50	5.50
25 October 2005 option grant	5.94	5.94
30 October 2006 option grant	9.93	9.93
29 October 2007 option grant	5.50	5.50
20 October 2008 option grant	4.70	

Vesting periods (years)

1 November 2004 option grant	3	3
15 April 2005 option grant	3	3
17 June 2005 option grant	3	3
25 October 2005 option grant	3	3
30 October 2006 option grant	3	3
29 October 2007 option grant	3	3
20 October 2008 option grant	3	

GROUP		COMPANY	
2008	2009	2009	2008
R'000	R'000	R'000	R'000
20 POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS (continued)			
c) <i>The fair value of the options determined using the Black-Scholes option valuation model. (continued)</i>			
Option strike price (rand per share)			
		11.70	11.70
		4.84	4.84
		7.10	7.10
		8.78	8.78
		9.08	9.08
		3.88	3.88
		3.50	
Risk-free rate			
		8.56%	8.56%
		7.81%	7.81%
		7.58%	7.58%
		7.94%	7.94%
		8.39%	8.39%
		8.79%	8.79%
		9.55%	
Volatility*			
		29%	29%
		37%	37%
		38%	38%
		36%	36%
		44%	44%
		28%	28%
		31%	
* <i>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.</i>			

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
21 DEFERRED TAX				
Balances arose from the following temporary differences:				
Deferred tax asset				
194 445	282 940	Property, plant and equipment	47 567	36 821
271 178	132 704	Provisions, including rehabilitation provision	(199 350)	648
140 724	114 998	Estimated assessed losses	16 056	36 335
–	–	Impairment of investments in subsidiaries	220 066	181 002
151 983	152 063	Other temporary differences	152 063	151 983
(676 755)	(517 590)	Deferred tax asset not recognised	(217 217)	(406 789)
81 575	165 115		19 185	–
Deferred tax liability				
–	(211 633)	Property, plant and equipment	–	–
–	10 162	Provisions, including rehabilitation provision	–	–
–	6 911	Other temporary differences	–	–
–	(194 560)		–	–
81 575	(29 445)	Net deferred mining and income tax (liability)/asset	19 185	–
Reconciliation between deferred taxation opening and closing balances				
(104 334)	81 575	Opening balance	–	–
(3 752)	–	Foreign exchange movement	–	–
–	(185 653)	Subsidiary acquired	–	–
189 661	74 633	Statement of comprehensive income credit	19 185	–
81 575	(29 445)	Closing balance	19 185	–
22 LOANS AND BORROWINGS				
Secured				
24 734	2 101	AngloGold Ashanti Limited (a)	–	–
Unsecured				
140 900	65 146	Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDSA Empowerment Trust (b)	–	–
165 634	67 247		–	–
(39 972)	(2 101)	Less: payable within one year included under current liabilities	–	–
125 662	65 146		–	–
Loans and borrowings expected repayment schedule for capital amounts payable in the 12 months to:				
39 972	–	30 June 2009	–	–
23 776	2 101	30 June 2010	–	–
–	12 591	30 June 2011	–	–
101 886	52 555	Thereafter	–	–
165 634	67 247		–	–
Analysis of gross loans and borrowings by currency:				
165 634	67 247	South African rand	–	–

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

GROUP			COMPANY	
2008	2009		2009	2008
R'000	R'000		R'000	R'000
23 COMMITMENTS AND CONTINGENT LIABILITIES				
Capital commitments				
		Contracted for but not provided for in the annual financial statements	–	–
79 366	33 063			
		Authorised by the directors but not contracted for	–	–
143 074	79 333			
222 440	112 396		–	–
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.				
Crown leases its vehicles under various operating leases. There is an average escalation of 2.5% per annum imposed by these lease agreements.				
The future minimum lease payments under non-cancellable operating leases are as follows:				
4 589	1 874	Not later than one year	1 227	1 115
2 246	307	Between one and five years	–	1 227
–	–	Later than five years	–	–

Contingent liabilities and uncertainties

Environmental

At **Durban Roodepoort Deep** mine, rehabilitation of the surface has continued throughout the year. The management of the 2L24 tailings complex has been taken over by Mintails which plans to reprocess it. Rehabilitation of the No 7 Shaft pit is 90% complete, rehabilitation of the No 8 Shaft pit is 40% complete and rehabilitation of the Great Britain pit is 75% complete. Rehabilitation of all these pits will be completed in the 2010 financial year. A full closure plan update is currently being undertaken.

At **West Wits** mine, the pit is being filled with tailings from the Mogale plant.

Management of the West Rand Consolidated Mines' tailings dams has been taken over by Mintails which plans to reprocess them. Various shafts still need to be capped and closed. The closure plan for the area will be updated this year.

The Western Basin Environmental Corporation (WBEC), a section 21 company, was formed by Mintails, West Wits and Harmony to manage the underground water decant. Pilot plants were constructed and the results are very promising. The feasibility study for the full-scale plant is complete. Approvals and permission from the various regulators is now awaited so that construction can begin. The plant will be sited at the High Density Separation (HDS) plant at ERPM and will treat Western, Central and Eastern basin water. The treatment plant will take 12 months to construct. A water pipeline connecting the Western and Central basins has been proposed to stop any discharge and hence potential pollution. Regulator approval is awaited.

Blyvoor continues to pump water from underground and discharges approximately 8 million litres (ML) per day into the Wonderfontein Spruit. Regular monthly quality meetings continue to take place with the Potchefstroom Municipality and Blyvoor is fully compliant with the requirements of the agreement with Potchefstroom City Council. Blyvoor also participates in the Mining Interest Group, a sub group of the Wonderfontein Spruit Forum, which determines strategies regarding potential pollution and remedial action to do with the Wonderfontein Spruit and eventual regional closure. The regulators have produced a remediation report for the spuit which identifies certain areas requiring attention. Implementation task teams will now be set up to do the necessary studies and remediation where required. Blyvoor has also commissioned a water treatment plant that will treat approximately 6ML per day of the discharged water to potable standard for their own consumption.

Blyvoor has embarked on a surface clean-up project where slime from historic run-off and pipe bursts is picked up and the area rehabilitated.

Crown has continued to engage proactively with the local community in terms of dust and other environmental issues. Since the upgrading of pipelines there have been very limited slime spills. Dust is very well managed.

These initiatives are continuing with rehabilitation being an integral part of operational management.

ERPM has updated its Environmental Management Programme (EMP) to meet the requirements of the Mineral and Petroleum Resources Development Act (MPRDA) and submitted it to the Department of Mineral Resources for approval.

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

23 COMMITMENTS AND CONTINGENT LIABILITIES (*continued*)

Water pumping at South West Vertical Shaft was stopped on 6 October 2008 after two fatalities in September due to CO₂ gas emissions. The water level in the Central Basin has equalised with the Hercules Basin and is currently flooding at a rate of 0.7m per day. The level was 800m below surface in July 2009. This water will need to be pumped from 150m below surface to prevent pollution of ground water. Central Rand Gold may pump from deeper to preserve their resource. The water will be pumped to the proposed Western Utilities Corporation (WUC) treatment plant to be purified to potable standards and supplied to Rand Water Board pending regulatory approval. The cost of the 150m pumping option is approximately R66 million of which ERPM may have a 17% apportionment.

ERPM's mining area is completely isolated from the Central Basin.

Ergo has restarted depositing on to the Brakpan tailings facility. Cladding of the side slopes of the dam to prevent dust progressed very well throughout the year.

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 all of the company's Mineral Reserves and deposits are located in South Africa.

On 1 May 2004, the 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 common law or by statute. With effect from 1 May 2004, 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 with 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 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 and ERPM has been granted a prospecting right over the Sallies area. The company has submitted applications for conversions in respect of the group's mining rights, however, as at year-end the Department of Mineral Resources had not yet finalised the applications.

Royalty Bill

The South African government has enacted the details of the new legislation, whereby the old and new order rights will be subject to a state royalty. The Mineral and Petroleum Resources Royalty Act was published on 11 October 2006 for public comment. The Mineral and Petroleum Resources Royalty Act, No.28 of 2008 was enacted on 21 November 2008 and was published in the Government Gazette on 24 November 2008 and Mineral and the Petroleum Resources Royalty Act (Administration), No.29 of 2008 on 26 November 2008. These acts provide for the payment of a royalty, calculated through a royalty rate formula (using rates of between 0.5% and 5.0%) applied against gross revenue per year, payable half yearly with a third and final payment thereafter. The royalty is tax deductible and the cost after tax amounts to a rate of between 0.33% and 3.3% at the prevailing marginal tax rates applicable to the group. The registration process is to commence 1 November 2009 and the payment of royalties will commence on 1 March 2010.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

23 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Merafong Local Council

According to legislation, Merafong City Council has been appointed by Rand Water as the water services authority in the area. The council is charging water at a premium of 53% for domestic water consumption. This premium over the rate that was previously charged by Rand Water does not compel the council to take over the current reticulation maintenance and monitoring.

It is the opinion of our legal advisers that the amount levied is excessive because there is no value that can be enforced until an agreement has been signed regarding the rate and the entity that will maintain the infrastructure between Blyvoor and the Merafong City Council. The potential liability could amount to R18.5 million. We are currently awaiting a court date.

Litigation

A summary of legal proceedings is provided under Annexure 2 of the notice to shareholders on pages 113 to 114.

24 FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

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 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 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 operations, on the bullion market. The gold is usually sold by Rand Refinery on the same day as it is delivered and settlement is made within two days. The group does not hedge against fluctuations in the bullion market.

The following represents the maximum exposure to credit risk for all financial assets at 30 June:

	Carrying value 2009 R'000	Fair value 2009 R'000	Carrying value 2008 R'000	Fair value 2008 R'000
GROUP				
Financial assets				
Unlisted investments (refer note 11)	9 556	9 556	10 689	10 689
Loans to black empowerment entities (refer note 11)	33 442	33 442	54 668	54 668
Investments in environmental rehabilitation trust funds (refer note 11)	129 682	129 682	110 766	110 766
Trade and other receivables (refer note 16)	60 080	60 080	207 636	207 636
Cash and cash equivalents	353 555	353 555	846 114	846 114
	586 315	586 315	1 229 873	1 229 873
COMPANY				
Financial assets				
Unlisted investments (refer note 11)	1 426	1 426	1 594	1 594
Loans to subsidiaries (refer note 12)	1 346 821	1 346 821	763 773	763 773
Loans to black empowerment entities (refer note 11)	33 442	33 442	54 668	54 668
Investments in environmental rehabilitation trust funds (refer note 11)	20 296	20 296	18 188	18 188
Trade and other receivables (refer note 16)	8 233	8 233	26 770	26 770
Cash and cash equivalents	224 977	224 977	657 472	657 472
	1 635 195	1 635 195	1 522 465	1 522 465

24 FINANCIAL INSTRUMENTS (continued)

The following represents the maximum exposure to credit risk for trade and other receivables at 30 June:

GROUP				
	Carrying	Fair	Carrying	Fair
	value	value	value	value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Trade receivables (refer note 16)	30 966	30 966	58 650	58 650
Receivables from related parties (refer note 16)	86	86	515	515
Other receivables (refer note 16)	29 028	29 028	148 471	148 471
	60 080	60 080	207 636	207 636

The ageing of trade and other receivables at 30 June:

	Gross	Impairment	Gross	Impairment
	value		value	
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Not past due	48 868	(105)	167 832	(94)
Past due – 30 days	4 202	(75)	20 300	(22)
Past due 31–120 days	6 067	(260)	15 236	(104)
More than 120 days	9 257	(7 874)	12 469	(7 981)
	68 394	(8 314)	215 837	(8 201)

Impairments were raised due to the uncertainty of the timing of the cash flows.

Movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Impairment	Impairment
	2009	2008
	R'000	R'000
Balance at 1 July	(8 201)	(13 428)
Provision (recognised)/reversed	(113)	5 227
Balance at 30 June	(8 314)	(8 201)

The group has no significant credit risk as the majority of the group's receivables are from debtors with a good track record.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

24 FINANCIAL INSTRUMENTS *(continued)*

The following represents the maximum exposure to credit risk for trade and other receivables at 30 June: *(continued)*

COMPANY				
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Receivables from related parties (refer note 16)	23	23	14	14
Other receivables (refer note 16)	8 210	8 210	26 756	26 756
	8 233	8 233	26 770	26 770

The ageing of trade and other receivables at 30 June:

	Gross value	Impairment	Gross value	Impairment
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Not past due	7 784	–	9 046	–
Past due 0–30 days	392	–	13 241	–
Past due 31–120 days	1	–	2 483	–
More than 120 days	6 869	(6 813)	8 617	(6 617)
	15 046	(6 813)	33 387	(6 617)

Movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Impairment	Impairment
	2009	2008
	R'000	R'000
Balance at 1 July	(6 617)	(9 526)
Provision (recognised)/reversed	(196)	2 909
Balance at 30 June	(6 813)	(6 617)

Based on historic default rates, the company believes that no impairment allowance is necessary in respect of trade and other receivables not past due 120 days.

Interest rate and liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

24 FINANCIAL INSTRUMENTS (continued)**Interest rate and liquidity risk (continued)**

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.

Unless otherwise stated, the following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

GROUP						
	Carrying amount	Contractual cash flows	6 months or less	6–12 months	2–5 years	More than 5 years
30 June 2009	R'000	R'000	R'000	R'000	R'000	R'000
Secured						
AngloGold Ashanti Limited	2 101	(2 373)	(2 373)	–	–	–
Unsecured						
Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDSA Empowerment Trust (expected repayment)	65 146	(197 803)	–	–	(109 015)	(88 788)
Trade and other payables	322 138	(322 138)	(322 138)	–	–	–
Bank overdraft	824	(824)	(824)	–	–	–
	390 209	(523 138)	(325 335)	–	(109 015)	(88 788)
GROUP						
	Carrying amount	Contractual cash flows	6 months or less	6–12 months	2–5 years	More than 5 years
30 June 2008	R'000	R'000	R'000	R'000	R'000	R'000
Secured						
AngloGold Ashanti Limited	24 734	(28 488)	(13 972)	(12 123)	(2 393)	–
Unsecured						
Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDSA Empowerment Trust (expected repayment)	140 900	(237 065)	–	(60 577)	(147 044)	(29 444)
Trade and other payables	385 110	(385 110)	(385 110)	–	–	–
Bank overdraft	527	(527)	(527)	–	–	–
	551 271	(651 190)	(399 609)	(72 700)	(149 437)	(29 444)

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

24 FINANCIAL INSTRUMENTS *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements: (continued)

COMPANY

	Carrying amount	Contractual cash flows	6 months or less
30 June 2009	R'000	R'000	R'000
Trade and other payables	25 662	(25 662)	(25 662)
Bank overdraft	824	(824)	(824)
	26 486	(26 486)	(26 486)

	Carrying amount	Contractual cash flows	6 months or less
30 June 2008	R'000	R'000	R'000
Trade and other payables	28 187	(28 187)	(28 187)
Bank overdraft	527	(527)	(527)
	28 714	(28 714)	(28 714)

The following represents the interest rate risk profile for the group's interest-bearing financial instruments:

GROUP

	Carrying amount	Carrying amount
	2009	2008
	R'000	R'000
Variable interest rate instruments		
Financial assets	483 237	956 880
Financial liabilities	(2 925)	(25 261)
	480 312	931 619

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

30 June	2009		2008	
	Profit or (loss)		Profit or (loss)	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	R'000	R'000	R'000	R'000
Variable interest rate instruments	4 803	(4 803)	9 316	(9 316)
Cash flow sensitivity	4 803	(4 803)	9 316	(9 316)

COMPANY

	Carrying amount	Carrying amount
	2009	2008
	R'000	R'000
Variable interest rate instruments		
Financial assets	245 273	675 660
Financial liabilities	(824)	(527)
	244 449	675 133

24 FINANCIAL INSTRUMENTS (continued)

Cash flow sensitivity analysis for variable rate instruments: (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

30 June	2009		2008	
	Profit or (loss)		Profit or (loss)	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	R'000	R'000	R'000	R'000
Variable interest rate instruments	2 444	(2 444)	6 751	(6 751)
Cash flow sensitivity	2 444	(2 444)	6 751	(6 751)

Fair value of financial instruments

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

GROUP				
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Financial assets				
Unlisted investments (refer note 11)	9 556	9 556	10 689	10 689
Loans to black empowerment entities (refer note 11)	33 442	33 442	54 668	54 668
Investments in environmental trust funds (refer note 11)	129 682	129 682	110 766	110 766
Trade and other receivables (refer note 16)	60 080	60 080	207 636	207 636
Cash and cash equivalents	353 555	353 555	846 114	846 114
	586 315	586 315	1 229 873	1 229 873
Financial liabilities				
Loans and borrowings (refer note 22)				
– long-term	65 146	65 146	125 662	113 382
– short-term	2 101	2 101	39 972	39 972
Trade and other payables	322 138	322 138	385 110	385 110
Bank overdrafts	824	824	527	527
	390 209	390 209	551 271	538 991
COMPANY				
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Financial assets				
Unlisted investments (refer note 11)	1 426	1 426	1 594	1 594
Loans to subsidiaries (refer note 12)	1 346 821	1 346 821	763 773	763 773
Loans to black empowerment entities (refer note 11)	33 442	33 442	54 668	54 668
Investments in environmental trust funds (refer note 11)	20 296	20 296	18 188	18 188
Trade and other receivables (refer note 16)	8 233	8 233	26 770	26 770
Cash and cash equivalents	224 977	224 977	657 472	657 472
	1 635 195	1 635 195	1 522 465	1 522 465
Financial liabilities				
Loans from subsidiaries (refer to note 12)	310 404	310 404	1 108 554	1 108 554
Trade and other payables	25 662	25 662	28 187	28 187
Bank overdrafts	824	824	527	527
	336 890	336 890	1 137 268	1 137 268

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.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

24 FINANCIAL INSTRUMENTS *(continued)*

Fair values

Trade and other receivables

The fair value approximates the carrying value due to their short-term maturities.

Loans to black empowerment entities

The fair value of these loans cannot be reliably estimated and are reflected at their carrying value.

Preference shares held by Khumo Gold SPV (Pty) Limited and the DRDSA Empowerment Trust

Preference shares are measured at amortised cost based on expected future discounted cash flows. The original risk adjusted discount rate of 13% is used when estimating the possible future liability and are re-measured on an annual basis.

Loans from AngloGold Ashanti Limited

Loans from AngloGold Ashanti are measured at amortised cost using the market interest rate. The loans bears interest at the prime lending rate.

Cash and cash equivalents and investments in environmental trust funds

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these deposits. The carrying value of investments in environmental trust funds approximate their fair value due to these investments being cash in nature.

Listed investments

Fair value of listed investments are determined by reference to published price quotations from recognised securities exchanges.

Trade and other payables

The fair value approximates the carrying value due to their short-term maturities.

Unlisted investments

The valuations are based on the net asset values of these investments which approximates the investments' fair value.

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. The company conducted its operations in South Africa during the current year. 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. The company's results are positively affected when the US dollar strengthens against the rand and adversely affected when the US dollar weakens against the rand. The group does not hedge against foreign currency fluctuations. The company's cash and cash equivalent balances are held in US dollars, Australian dollars and South African rands ; holdings denominated in other currencies are relatively insignificant.

The following represents the exposure to foreign currency risk:

GROUP	2009		2008	
	USD	AUD	USD	AUD
Cash and cash equivalents	3	1 373	1 191	2 787
Trade and other receivables	3 929	–	7 365	12 981
Trade and other payables	(8)	(137)	(75)	(123)
Net statement of financial position exposure	3 924	1 236	8 481	15 645

The following significant exchange rates applied during the year:

	Spot rate at year-end		Average rate	
	2009	2008	2009	2008
1 US dollar	7.8821	7.9645	9.0484	7.3123
1 Australian dollar	6.3433	7.6579	6.6725	6.5648

Sensitivity analysis

A 10% strengthening of the rand against the currencies mentioned at 30 June would have increased (decreased) equity and profit or (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009		2008	
	USD	AUD	USD	AUD
	R'000	R'000	R'000	R'000
Equity	4	(784)	(889)	(11 981)
Loss	(3 097)	–	(5 862)	–

A 10% weakening of the rand against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24 FINANCIAL INSTRUMENTS (continued)

The following table represents the carrying amounts and fair values per category of financial instruments at 30 June:

GROUP				
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Financial assets				
Available-for-sale financial assets	9 556	9 556	10 689	10 689
Loans and receivables	576 759	576 759	1 219 184	1 219 184
	586 315	586 315	1 229 873	1 229 873
Financial liabilities				
Financial liabilities measured at amortised cost	390 209	390 209	551 271	538 991
	390 209	390 209	551 271	538 991
COMPANY				
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	R'000	R'000	R'000	R'000
Financial assets				
Available-for-sale financial assets	1 426	1 426	1 594	1 594
Loans and receivables	1 633 769	1 633 769	1 520 871	1 520 871
	1 635 195	1 635 195	1 522 465	1 522 465
Financial liabilities				
Financial liabilities measured at amortised cost	336 890	336 890	1 137 268	1 137 268
	336 890	336 890	1 137 268	1 137 268

25 CAPITAL MANAGEMENT

The primary objective of the board in managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position. There were no changes to the group's overall capital management approach during the current year. The group manages and makes adjustments to the capital structure as opportunities arise in the market place, as and when borrowings mature, or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof.

The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interest from continued operations, and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors also monitors the level of dividends to ordinary shareholders.

26 OPERATING SEGMENTS

During the year the group changed its accounting policy regarding segmental reporting by early adopting IFRS 8 – Operating Segments which supersedes IAS 14 – Segment Reporting. The comparative numbers have been updated to reflect these changes and the effect thereof is clear from the disclosures due to the fact that previously only one business segment was disclosed.

The following summary describes the operations in each of the group's reportable business segments:

- **Blyvoor:** incorporates the Doornfontein mine, situated on the north-western edge of the Witwatersrand Basin. The mine has underground and surface operations.
- **Crown:** is a surface retreatment operation and treats old slime and sand dumps to the south of Johannesburg's CBD. The facility consists of three plants known as Crown, City Deep and Knights.
- **ERPM:** is an underground and surface mining operation, which is situated near the town of Boksburg. The underground mining operations were placed on care and maintenance during the year. ERPM continues as a surface retreatment operation.
- **ErgoGold:** ErgoGold consists of Phase 1 of the Ergo Project which was initially known as the Elsberg Gold Mining Joint Venture and has been renamed ErgoGold following the DRDGOLD group's acquisition of Mintails' share. ErgoGold is now wholly owned by the DRDGOLD group. Phase 1 has been established as a surface retreatment operation to retreat the Elsberg dump owned by ERPM and the L29 dump.
- **Ergo JV:** Ergo Mining (Pty) Ltd is a joint venture between DRDGOLD SA and Mintails SA – known as the Ergo JV. The Ergo JV consists of Phase 2 of the Ergo Project, which is to explore, evaluate and process surface uranium- and sulphur-bearing tailings on the East and Central Rand goldfields of South Africa.
- **Offshore:** represents the group's operations in Australasia and includes Tolukuma. The Australasian operations were disposed of during the financial year ended 30 June 2008.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

26 OPERATING SEGMENTS *(continued)*

	Blyvoor	Crown	ERPM	ErgoGold ⁽²⁾	Ergo JV	Offshore	Corporate office and all other offices ⁽³⁾	Total
2009	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
FINANCIAL PERFORMANCE								
Segmental revenue	1 018 527	620 125	247 908	24 178	–	–	–	1 910 738
Operating costs	(842 329)	(456 205)	(303 581)	(69 365)	(4 057)	–	(11 822)	(1 687 359)
Operating profit/(loss)	176 198	163 920	(55 673)	(45 187)	(4 057)	–	(11 822)	223 379
Interest and other investment income	3 185	2 347	1 409	2	3	1 031	72 014	79 991
Interest expense	(521)	(5)	(860)	(1)	–	–	(2 218)	(3 605)
Retrenchment costs	–	–	(30 681)	–	–	–	(4 241)	(34 922)
Administration expenses and general costs	(1 719)	(4 980)	(1 592)	(1 256)	(1 554)	(756)	(71 726)	(83 583)
Taxation charge ⁽¹⁾	–	(41 529)	–	–	–	–	(4 660)	(46 189)
Working profit/(loss) before capital expenditure	177 143	119 753	(87 397)	(46 442)	(5 608)	275	(22 653)	135 071
Capital expenditure	(97 537)	(43 115)	(31 736)	(157 129)	(17 025)	–	(126)	(346 668)
Working profit/(loss) after capital expenditure	79 606	76 638	(119 133)	(203 571)	(22 633)	275	(22 779)	(211 597)

⁽¹⁾ The taxation charge excludes deferred tax.

⁽²⁾ With effect from 1 April 2009, ErgoGold represents DRD GOLD's 100% share in the Elsburg Gold Mining Joint Venture.

⁽³⁾ Corporate head office expenses are taken into consideration in the strategic decision-making process of the CODM and are therefore included in the disclosure here, even though they do not earn revenue.

OPERATING RESULTS ⁽⁴⁾

Ore milled	– underground	t'000	603	–	184	–	–	–	–	787
	– surface	t'000	3 433	6 577	1 430	2 296	–	–	–	13 736
	– total	t'000	4 036	6 577	1 614	2 296	–	–	–	14 523
Average yield	– underground	g/t	4.59	–	3.20	–	–	–	–	4.26
	– surface	g/t	0.37	0.38	0.33	0.05	–	–	–	0.32
	– total	g/t	1.00	0.38	0.66	0.05	–	–	–	0.53
Gold dispatched	– underground	kg	2 765	–	589	–	–	–	–	3 354
	– surface	kg	1 262	2 500	474	114	–	–	–	4 350
	– total	kg	4 027	2 500	1 063	114	–	–	–	7 704
	– underground	oz	88 898	–	18 935	–	–	–	–	107 833
	– surface	oz	40 575	80 377	15 239	3 666	–	–	–	139 857
	– total	oz	129 473	80 377	34 174	3 666	–	–	–	247 690
Operating cost	– underground	R/kg	255 517	–	361 141	–	–	–	–	274 066
	– surface	R/kg	98 124	182 482	222 430	608 465	–	–	–	164 549
	– total	R/kg	209 170	182 482	285 589	608 465	–	–	–	219 024
	– underground	\$/oz	878	–	1 287	–	–	–	–	942
	– surface	\$/oz	337	578	778	2 077	–	–	–	566
	– total	\$/oz	709	578	1 060	2 077	–	–	–	753

RECONCILIATION OF ASSETS

Reportable segment assets	463 947	150 947	49 422	888 876	150 791	–	29 236	1 733 219
Other assets	96 536	183 235	155 240	61 007	34 268	25	362 242	892 553
Total assets	560 483	334 182	204 662	949 883	185 059	25	391 478	2 625 772

⁽⁴⁾ Unaudited.

26 OPERATING SEGMENTS (continued)

	Blyvoor	Crown	ERPM	ErgoGold ⁽²⁾	Ergo JV	Offshore	Corporate office and all other offices	Total
2009	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RECONCILIATION OF LIABILITIES								
Reportable segment liabilities	182 783	297 498	87 877	66 092	84 454	60	127 538	846 302
Taxation and deferred taxation	12 403	650	–	182 150	–	–	288	195 491
Total liabilities	195 186	298 148	87 877	248 242	84 454	60	127 826	1 041 793
OTHER MATERIAL INFORMATION								
Depreciation and amortisation	(29 273)	(35 532)	(3 187)	(26 854)	(3 930)	–	(441)	(99 217)
Impairment of assets	–	(19 426)	(53 012)	–	–	–	(2 700)	(75 138)
RECONCILIATION OF REVENUES								
Total revenues for reportable segments	1 018 527	620 125	247 908	24 178	–	–	–	1 910 738
– Continuing operations	1 018 527	620 125	247 908	24 178	–	–	–	1 910 738
– Discontinued operations	–	–	–	–	–	–	–	–
Group's revenue	1 018 527	620 125	247 908	24 178	–	–	–	1 910 738
RECONCILIATION OF PROFIT/(LOSS)								
Segment working profit/(loss) before capital expenditure	177 143	119 753	(87 397)	(46 442)	(5 608)	275	(22 653)	135 071
– Depreciation	(29 273)	(35 532)	(3 187)	(26 854)	(3 930)	–	(441)	(99 217)
– Movement in provision for environmental rehabilitation	426	(11 002)	11 023	–	2 825	–	(22 817)	(19 545)
– Movement in gold in progress	(9 445)	3 658	1 573	11 232	–	–	–	7 018
– Impairments and reversal of impairments	–	(19 426)	(53 012)	–	–	–	(2 700)	(75 138)
– Recognition of goodwill on acquisition	–	–	–	–	–	–	53 006	53 006
– Net gain on financial liabilities measured at amortised cost	36 141	(1 403)	27 234	–	–	–	28	62 000
– (Loss)/profit on realisation of investments	–	–	–	–	–	(1 873)	–	(1 873)
– Growth in environmental rehabilitation trust funds	2 929	4 441	1 597	–	–	–	3 900	12 867
– Unrealised foreign exchange loss	–	–	–	–	–	(10 549)	231	(10 318)
– Unwinding of provision for environmental rehabilitation	(1 119)	(4 137)	(1 648)	–	(2 365)	–	(528)	(9 797)
– Unwinding of discount on financial liabilities measured at amortised cost	(10 388)	(3 237)	(4 398)	–	–	–	–	(18 023)
– Deferred tax per the statement of comprehensive income	(43 154)	25 593	69 525	3 503	(12)	–	19 178	74 633
Profit/(loss) after taxation	123 260	78 708	(38 690)	(58 561)	(9 090)	(12 147)	27 204	110 684
Geographical information								
	Non-current assets							
South Africa	1 910 738	1 733 219						
Australia	–	–						
Total	1 910 738	1 733 219						

Information about major customers

The group has only one major customer regarding the sale of gold ore in each geographical area due to regulatory authority.

Notes to the annual financial statements *(continued)*

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26 OPERATING SEGMENTS *(continued)*

	Blyvoor	Crown	ERPM	Ergo JV	Offshore	Corporate office and all other offices ⁽²⁾	Total
2008	R'000	R'000	R'000	R'000	R'000	R'000	R'000
FINANCIAL PERFORMANCE							
Segmental revenue	848 230	528 625	467 057	–	89 235	–	1 933 147
Operating costs	(697 281)	(362 237)	(428 255)	–	(124 437)	(15 242)	(1 627 452)
Operating profit/(loss)	150 949	166 388	38 802	–	(35 202)	(15 242)	305 695
Interest and other investment income	3 296	1 081	1 608	–	10 067	58 472	74 524
Interest expense	(498)	(9)	(778)	–	(26 505)	(7 739)	(35 529)
Retrenchment costs	–	–	(5 528)	–	–	(5 816)	(11 344)
Administration expenses and general costs	(3 005)	2 034	(3 294)	(41)	(18 102)	(77 115)	(99 523)
Taxation charge ⁽¹⁾	–	(13 272)	–	–	(32 678)	–	(45 950)
Working profit/(loss) before capital expenditure	150 742	156 222	30 810	(41)	(102 420)	(47 440)	187 873
Capital expenditure	(74 847)	(42 077)	(30 082)	(176 785)	(47 572)	(26)	(371 389)
Working profit/(loss) after capital expenditure	75 895	114 145	728	(176 826)	(149 992)	(47 466)	(183 516)

⁽¹⁾ The taxation charge excludes deferred tax.

⁽²⁾ Corporate head office expenses are taken into consideration in the strategic decision-making process of the CODM and are therefore included in the disclosure here, even though they do not earn revenue.

OPERATING RESULTS ⁽³⁾

Ore milled	– underground	t'000	687	–	303	–	56	–	1 046
	– surface	t'000	3 719	8 235	1 859	–	–	–	13 813
	– total	t'000	4 406	8 235	2 162	–	56	–	14 859
Average yield	– underground	g/t	4.70	–	5.83	–	7.45	–	5.17
	– surface	g/t	0.31	0.33	0.38	–	–	–	0.33
	– total	g/t	1.00	0.33	1.14	–	7.45	–	0.67
Gold dispatched	– underground	kg	3 229	–	1 767	–	417	–	5 413
	– surface	kg	1 162	2 717	705	–	–	–	4 584
	– total	kg	4 391	2 717	2 472	–	417	–	9 997
	– underground	oz	103 813	–	56 812	–	13 427	–	174 052
	– surface	oz	37 359	87 354	22 667	–	–	–	147 380
	– total	oz	141 172	87 354	79 479	–	13 427	–	321 432
Operating cost	– underground	R/kg	181 518	–	190 938	–	298 410	–	190 967
	– surface	R/kg	90 971	133 322	138 350	–	–	–	121 321
	– total	R/kg	158 798	133 322	173 242	–	298 410	–	162 794
	– underground	\$/oz	772	–	812	–	1 098	–	810
	– surface	\$/oz	387	553	588	–	–	–	516
	– total	\$/oz	670	553	748	–	1 098	–	692

RECONCILIATION OF ASSETS

Reportable segment assets	396 060	162 790	73 885	179 399	–	741	812 875
Other assets	131 598	180 736	107 748	41 657	133 550	854 331	1 449 620
Total assets	527 658	343 526	181 633	221 056	133 550	855 072	2 262 495

⁽³⁾ Unaudited.

26 OPERATING SEGMENTS (continued)

	Blyvoor	Crown	ERPM	Ergo JV	Offshore	Corporate office and all other offices	Total
2008	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RECONCILIATION OF LIABILITIES							
Reportable segment liabilities	218 984	330 393	168 109	136 083	599	101 095	955 263
Taxation and deferred taxation	–	1 771	–	–	–	–	1 771
Total liabilities	218 984	332 164	168 109	136 083	599	101 095	957 034
OTHER MATERIAL INFORMATION							
Depreciation and amortisation	(22 671)	(20 548)	(25 269)	–	(854)	(589)	(69 931)
Impairment of assets	–	–	(69 804)	–	(46 718)	5 889	(110 633)
RECONCILIATION OF REVENUES							
Total revenues for reportable segments	848 230	528 625	467 057	–	89 235	–	1 933 147
– Continuing operations	848 230	528 625	467 057	–	–	–	1 843 912
– Discontinued operations	–	–	–	–	89 235	–	89 235
Group's revenue	848 230	528 625	467 057	–	89 235	–	1 933 147
RECONCILIATION OF PROFIT/(LOSS)							
Segment working profit/(loss) before capital expenditure	150 742	156 222	30 810	(41)	(102 420)	(47 440)	187 873
– Depreciation	(22 671)	(20 548)	(25 269)	–	(854)	(589)	(69 931)
– Movement in provision for environmental rehabilitation	(958)	(20 334)	(10 976)	–	(4 019)	2 097	(34 190)
– Movement in gold in progress	14 373	1 354	(484)	–	(10 059)	–	5 184
– Loss on derivative financial instruments	–	–	–	–	(433)	–	(433)
– Impairments and reversal of impairments	–	–	(69 804)	–	(46 718)	5 889	(110 633)
– Net gain on financial liabilities measured at amortised cost	(64 644)	(22 169)	1 492	–	2 457	(857)	(83 721)
– (Loss)/profit on realisation of investments	–	–	–	–	5	12 000	12 005
– Growth in environmental rehabilitation trust funds	2 586	1 449	1 107	–	–	3 344	8 486
– Unrealised foreign exchange loss	–	–	–	–	(27 153)	(10 161)	(37 314)
– Unwinding of provision for environmental rehabilitation	(49)	(3 174)	(1 011)	–	–	(501)	(4 735)
– Unwinding of discount on financial liabilities measured at amortised cost	(1 757)	(574)	(4 063)	–	–	–	(6 394)
– Deferred tax per the statement of comprehensive income	30 752	18 299	32 512	12	108 086	–	189 661
Profit/(loss) after taxation	108 374	110 525	(45 686)	(29)	(81 108)	(36 218)	55 858
Geographical information							
	Non-current						
	Revenues	assets					
South Africa	1 843 912	812 875					
Australia	89 235	–					
Total	1 933 147	812 875					

Information about major customers

The group has only one major customer regarding the sale of gold ore in each geographical area due to regulatory authority.

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27 RELATED PARTY TRANSACTIONS

The group has related party relationships with its associates, subsidiaries, and with its directors and key management personnel. Details of transactions with directors are set out on pages 40 to 42. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company. For the year ended 30 June 2009, total directors' remuneration short-term benefits amounted to R16.4 million which includes end-of-contract payments amounting to R1.4 million (company: R12.8 million which includes an end-of-contract payment amounting to R0.7 million) and key management personnel remuneration (short-term benefits) to R58.6 million (company: R9.4 million).

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

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

Transactions with associates, joint ventures and subsidiary companies

During the year ended 30 June 2009, the company earned management fees from DRD GOLD South African Operations (Pty) Ltd (DRD GOLD SA) amounting to R15.6 million (2008: R17.5 million). Transactions with associates are priced on an arm's length basis.

Balances outstanding at 30 June 2009:

- Subsidiaries – refer to note 12 and page 44
- Joint ventures – refer to note 13
- Associates – refer to note 14

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 usually 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 DRD GOLD, is also a director of Rand Refinery and is a member of its Audit Committee. The group currently owns 4.0% of Rand Refinery (which is jointly owned by South African mining companies). Trade receivables to the amount of R31.0 million (2008: R58.7 million) relate to metals sold. The group received a dividend of R4.1 million (2008: R1.5 million) from Rand Refinery.

Consultancy agreement

On 23 June 2008, DRD GOLD SA approved a consultancy agreement with Khumo Gold, which owns 20% of DRD GOLD SA. The agreement provides for a monthly retainer of R200 000.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable in 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) Recoverable amount of mining assets

The recoverable amount 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 the country risk in determining the recoverable amount. During the year under review, the group calculated recoverable amount based on updated life-of-mine plans, a gold price of R270 000 per kilogram in year one escalating at an average of 7.42% per annum, and a discount rate of 12.5%. At a 10% lower gold price received of R243 000 per kilogram, or a 4% increase in the discount rate to 16.5%, no further impairment would have been raised (refer note 10).

The calculation of units-of-production rate of amortisation could be effected to the extent that actual production in the future is different from current forecast production based on proved and probable Ore Reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating Mineral Reserves. Factors could include:

- changes in proved and probable Ore Reserves;
- the grade of Ore Reserves may vary significantly from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites;
- changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates; and
- changes in Ore Reserves could similarly effect the useful lives of assets depreciated on straight-line basis, where those lives are limited to the life of the mine.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS (*continued*)

(b) Valuation of financial instruments

If the value of the financial instrument cannot 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.

An average discount rate of 8.25%, average inflation rate of 5.7% 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 (2008: discount rate of 11.0% and inflation rate of 8.9%).

(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 20).

(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 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 pricing model. The significant inputs into the model are: vested period and conditions, risk-free interest rate, volatility and price of grant. (Refer to note 20 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 estimates

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.

Ore Reserves are estimates of the amount of product that can be economically and legally extracted from the group's properties. In order to calculate Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of Ore Reserves requires the size, shape and depth of orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

The group is required to determine and report Ore Reserves in accordance with the SAMREC code.

Because the economic assumptions used to estimate Ore Reserves change from period to period and because additional geological data is generated during the course of operations, estimates of Ore Reserves may change from period to period. Changes in reported Ore Reserves may affect the group's financial results and financial position in a number of ways and including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charges in the statement of comprehensive income may change where such charges are determined by the units-of-production method, or where the useful economic lives of assets change;
- decommissioning site restoration and environmental provisions may change where changes in estimated Ore Reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

These adjustments are made prospectively where relevant.

Notes to the annual financial statements *(continued)*

for the year ended 30 June 2009

28 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(j) Estimate of deferred tax asset

The amount recognised as a deferred tax asset is generally determined utilising discounted future cash flows similar to estimates used in the calculation of depreciation and rehabilitation liabilities. Management considers all factors that could possibly affect the probability that future taxable profit will be available against which unused tax credits can be utilised. These factors included profitability of the operations and a higher gold price. The amount recognised as a deferred tax asset is sensitive to the current gold spot price. The amount recognised at 30 June 2009 is based on a future gold price received of R270 000 per kilogram (2008: R235 000 per kilogram) in year one, escalating at an average of 7.42% (2008: 11%) per year. At a 10% lower gold price received of R243 000 per kilogram (2008: R211 500 per kilogram), the deferred tax asset will reduce by R140.8 million (2008: R32.5 million). ErgoGold is still a new project, with no profit history and still faces some metallurgical challenges which it must overcome to achieve the forecasted recovery grade. Should these challenges not be overcome, the deferred tax asset raised will be impacted in the future.

29 SUBSEQUENT EVENTS

Offer for Mintails Limited's South African business assets

On 29 June 2009, DRDGOLD made an offer to Mintails Limited (Mintails) to acquire all of Mintails' South African business assets except its interest in underground explorer West Wits Mining Limited (West Wits). The purchase consideration under the offer was to be determined by the 30-day Volume Weighted Average Price (VWAP) of Mintails shares over the 30 trading days terminating on 24 June 2009, less the value of Mintails' holding in West Wits based on the West Wits trading VWAP for the same 30 trading days to 24 June 2009. DRDGOLD proposed an issue of its shares in payment for the acquisition, also calculated by a 30-trading-day VWAP to 24 June 2009.

Mintails initially conditionally accepted the offer by DRDGOLD, however the offer was rejected by the Mintails board on 22 July 2009.

Dividend

On 20 August 2009, DRDGOLD declared a dividend of 5 cents per share, which amounts to R18.9 million. Secondary tax on companies of R1.9 million is payable on the dividend. The last day to trade ordinary shares cum dividend is 2 October 2009.

Blyvoor right-sizing

On 26 August 2009, DRDGOLD announced that it had advised unions of its intention to right-size the Blyvoor operation. Blyvoor will proceed with a 60-day facilitated consultation process in terms of Section 189A of the South African Labour Relations Act to determine the future of affected employees. This had been brought about by a drop in underground production due mainly to seismic damage to high-grade panels, a significant drop in the average rand gold price received due to rand strength and an increase in underground cash operating costs. The damaged panels will take up to six months to rehabilitate, during which time monthly production from the affected areas will be reduced from 2 500m per month to 200m per month. This extended, negative impact on underground production, combined with dim prospects for a substantial rand gold price recovery in the short term, a 32% power price increase from power utility Eskom with effect from 1 July and the prospect of paying at least the 6% wage increase currently on the table with unions, makes right-sizing at Blyvoor inevitable.