RANDGOLD
RANDGOLD & EXPLORATION COMPANY LIMITED

RANDGOLD & EXPLORATION COMPANY LIMITED

(Registration number: 1992/005642/06)

**Unaudited, Disclaimed, Consolidated
Annual Financial Statements**

for the years ended 31 December 2004, 2005 and 2006

CONTENTS

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DIRECTORS' RESPONSIBILITY STATEMENT

for the years ended 31 December 2004, 2005 and 2006

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Randgold & Exploration Company Limited ("R&E"), comprising the balance sheets at 31 December 2004, 2005 and 2006, and the income statements, the statements of changes in equity and cash flow statements for each of the years in the three-year period ended 31 December 2006, and the notes to the unaudited, disclaimed, consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 37, to the extent practicable, in accordance with International Financial Reporting Standards and as far as possible in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The present board of directors have disclaimed responsibility for these financial statements for reasons discussed in the directors' report.

The consolidated annual financial statements for the years ended 31 December 2004, 2005 and 2006 are unaudited and have not been reported on by the independent auditor of R&E.

Approval of consolidated annual financial statements

The disclaimed, unaudited consolidated annual financial statements of R&E, as identified in the first paragraph, were approved for publication by the board of directors on 27 November 2009.

DC Kovarsky
Independent Non-executive Chairman

M Steyn
Director and Chief Executive Officer

V Botha
Chief Financial Officer

27 November 2009
Johannesburg, South Africa

DECLARATION BY THE COMPANY SECRETARY

I declare that, in terms of Section 268 (G)(d) of the Companies Act, 1973, as amended, (“the Companies Act”) and prior to my appointment on 1 November 2005, due to the alleged frauds and misappropriations referred to in the Directors’ Report, the Company had not lodged with the Companies and Intellectual Property Registration Office (“CIPRO”) all such returns as were required of a public company in terms of the Companies Act in respect of the financial period from December 2004 to December 2006.

Subsequent to November 2005, the Company has remedied the majority of these shortcomings and has obtained a dispensation from the Registrar of Companies from lodging the unaudited interim financial reports for the half years ended 30 June 2005 and 30 June 2006.

RP Pearcey
Company Secretary

27 November 2009
Johannesburg, South Africa

INTRODUCTION

On 31 March 2006, Randgold & Exploration Company Limited ("R&E" or "the Company") published provisional unaudited financial results for the financial years ended 31 December 2005 and 2004, and restated provisional results for the year ended 31 December 2003 ("the previous provisional results").

In the accompanying commentary to the provisional results, the then R&E directors indicated, *inter alia*, that due to the extent of the alleged frauds and misappropriations, for which details were included in the commentary thereto, there may have been other material events and circumstances of which the then R&E directors were not aware of and which may have a material effect on R&E. These may have had an effect on the completeness and accuracy of the information reflected in the previous provisional results and/or may have had the effect that the previous provisional results do not reflect a true and complete account of the financial and other affairs of R&E. In these circumstances the then R&E directors disclaimed any liability in respect of the accuracy, correctness and/or completeness of the information reflected in the previous provisional results. The present R&E directors have maintained this position relating to all financial information for the years ended 31 December 2004 to 31 December 2006.

The present board of R&E have relied upon forensic reports and used their respective reasonable endeavours to make available information to prepare the consolidated annual financial statements for the years ended 31 December 2004, 2005 and 2006. Notwithstanding the reasonable endeavours of the directors, attention is drawn to the fact that:

- the present board of R&E was appointed subsequent to material events and circumstances which had a direct effect on the financial and other affairs of R&E;
- the directors, comprising the present board of R&E, are not necessarily aware of all material events and circumstances which have affected or could affect the financial and other affairs of R&E and its group; and
- consequently, due to the extent of the alleged frauds and thefts, there may be other material events and circumstances or liabilities of which the directors are not aware, which may have a material effect on R&E and its group and which may affect the accuracy and completeness of the information reflected in these financial statements and/or may have the effect that these financial statements do not reflect a true and complete account of the consolidated financial position, financial performance and cash flows of R&E for the years ended 31 December 2004, 2005 and 2006.

In the light hereof the present board of R&E disclaims the accuracy, correctness and completeness of the information, relating to all financial information for the years ended 31 December 2004 to 31 December 2006 included in these financial statements.

KPMG Inc. was appointed as the independent auditor of R&E during October 2005. In view of the uncertainties relating to all financial information for the years ended 31 December 2003 to 31 December 2006 and the disclaimer by the present R&E directors, they were unable to, and do not express an audit or review opinion on the financial statements for the years ended 31 December 2004, 2005 and 2006.

Subject to the above, the directors consider these consolidated financial statements for the years ended 31 December 2004, 2005 and 2006 suitable in the circumstances for the purpose of providing its shareholders with financial information relevant to the historical consolidated financial position, financial performance and cash flows of R&E.

The audited financial statements for the years ended 31 December 2007 and 2008 were approved by the board of directors on 27 November 2009 and should be referred to for a better understanding of the consolidated and separate financial position of the Company.

NATURE OF BUSINESS

Randgold & Exploration Company Limited is a company incorporated in the Republic of South Africa. The address of the registered office is 10 Benmore Road, Sandton, 2196. The annual financial statements for the years ended 31 December 2004, 2005 and 2006 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). R&E is an investment holding company with assets in the mining industry. The Company aims to invest in high quality assets that will ensure maximum return for its shareholders. It currently holds prospecting rights directly and indirectly through subsidiary companies which it plans to develop further, if proven viable, in order to add value to its investments.

MISAPPROPRIATION OF ASSETS

Between 1999 and 2006, various fraudulent schemes are alleged to have been perpetrated against R&E and the Group. Shareholders are referred to the circular to R&E shareholders dated 5 December 2008 for full details of the extent of the frauds and misappropriations in respect of R&E's assets (which are alleged to have occurred) as published on the Company's website.

Opening retained income at 1 January 2004 is shown after taking into account losses on assets alleged to have been misappropriated prior to 31 December 2003. Where misappropriations are alleged to have occurred in the financial reporting periods ended 31 December 2004, 31 December 2005 or 31 December 2006 the assets were written off in the respective periods in which such thefts are alleged to have occurred.

SHARE CAPITAL

Full details of the Company's ordinary share capital are set out in note 16 to the financial statements.

DIVIDENDS

No dividends were declared during 2004, 2005 or 2006.

DIRECTORATE

Directors in office at the date of this report (27 November 2009) are:

Name	Designation
DC Kovarsky	Independent non-executive chairman
M Steyn	Chief executive officer
MB Madumise	Independent non-executive
DI de Bruin	Independent non-executive

The following directorate changes took place during the 2004 to 2006 financial years:

Name	Appointed	Resigned
D Ashworth	29.09.1992	20.08.2004
RAR Kebble	05.03.1998	24.08.2005
HC Buitendag	01.03.2000	24.08.2005
RB Kebble	24.07.2003	24.08.2005
LR Ncwana	24.07.2003	24.08.2005
MB Madumise	24.07.2003	–
GT Miller	18.11.2003	06.05.2005
S Tainton	20.08.2004	06.04.2005
JC Lamprecht	24.08.2005	16.05.2006
PH Gray	24.08.2005	–
DM Nurek	07.10.2005	–
J Blersch	14.08.2006	–
TG Dale	14.08.2006	–
M Steyn	13.12.2006	–

For subsequent changes to the directorate after December 2006 refer to the annual financial statements for the years ended 31 December 2007 and 2008.

DIRECTORS' INTEREST

The interests of the directors in the issued ordinary share capital of the Company are set out below:

As at 31 December 2006

Director	Direct beneficial	Indirect non-beneficial	Indirect beneficial	Total
JC Lamprecht (resigned 16 May 2006)	330 000	–	–	**330 000**

As at 31 December 2005

Directors	Direct beneficial	Indirect non-beneficial	Indirect beneficial	Total
RAR Kebble (resigned 25 August 2005)	1 250 000	–	–	**1 250 000**
RB Kebble (resigned 25 August 2005)	100 000	–	–	**100 000**
JC Lamprecht (resigned 16 May 2006)	330 000	–	–	**330 000**

As at 31 December 2004

Directors	Direct beneficial	Indirect non-beneficial	Indirect beneficial	Total
HC Buitendag (Resigned 25 August 2005)	1 000	–	–	**1 000**
RAR Kebble (Resigned 25 August 2005)	1 250 000	–	–	**1 250 000**
RB Kebble (Resigned 25 August 2005)	100 000	–	1 006	**101 006**

DIRECTORS' REMUNERATION

In terms of the Company's Articles of Association, directors' emoluments are to be determined from time to time by ordinary resolution. Directors fees were increased at a meeting held on 16 August 2006. Executive directors do not receive directors' fees or committee fees and changes in their remuneration are disclosed hereunder. The Company has no liability in respect of retirement provisions for executive directors.

	Basic salary/fees			Bonus			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Directors	R	R	R	R	R	R	R	R	R
Executive									
PH Gray	1 242 000	500 000	–	1 156 000	2 700 000	–	2 398 000	3 200 000	–
JC Lamprecht	1 148 193	500 000	–	300 000	7 056 250	–	1 448 193	7 556 250	–
RAR Kebble	–	20 000	625 500	–	–	–	–	20 000	625 500
M Steyn	250 000	–	–	–	–	–	250 000	–	–
Non-executive									
D Ashworth	–	–	65 000	–	–	–	–	–	65 000
HC Buitendag	–	–	37 500	–	–	–	–	–	37 500
RB Kebble	–	–	15 000	–	–	–	–	–	15 000
L Ncwana	–	–	27 500	–	–	–	–	–	27 500
MB Madumise	120 000	52 500	139 500	–	–	–	120 000	52 500	139 500
S Tainton	–	–	22 500	–	–	–	–	–	22 500
GT Miller	–	–	37 500	–	–	–	–	–	37 500
DM Nurek	250 000	62 500	–	–	–	–	250 000	62 500	–
AC Nissen	110 625	15 000	92 000	–	–	–	110 625	15 000	92 000
TG Dale	75 000	–	–	–	–	–	75 000	–	–
J Blersch	75 000	–	–	–	–	–	75 000	–	–

SHARE OPTION SCHEME

The share option scheme that was operated by the Company was cancelled on 17 December 2007.

DE-REGISTRATION OF US SECURITIES – AMERICAN DEPOSITARY SHARES ("ADR")

On 24 March 2008, pursuant to the conclusion of a settlement between R&E and the Securities Exchange Commission ("SEC"), the SEC issued an order under section 12(j) of the Securities Exchange Act.

In terms of that order, the registration of R&E's ordinary shares and ADRs in the United States was revoked. In consequence of the issue of this order by the SEC, no member of a national securities exchange, broker, or dealer may make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce the purchase or sale of R&E's ordinary shares and ADRs in the US. The effect of this is to prohibit trading in R&E's shares and ADRs in the United States.

The revocation of the registration of R&E's ordinary shares and ADRs in the United States was announced by R&E on SENS on 25 March 2008.

REGULATORY REPORTING

In accordance with the Auditing Profession Act, the Company's external auditors reported the alleged misappropriations referred to in the introductory paragraph of the directors' report as reportable irregularities in terms of the Auditing Profession Act to the Independent Regulatory Board for Auditors during 2006. The R&E directors have taken the necessary civil and criminal actions against the perpetrators to endeavour to recover the Company's misappropriated assets and to cooperate with all regulatory authorities. The external auditor has also replied to the Independent Regulatory Board for Auditors that the reportable irregularities are no longer taking place and that adequate steps have been taken for the recovery of any resulting losses.

These financial statements have not been audited for the reasons discussed in the introductory paragraph of the directors' report. An ordinary resolution has been put forward to shareholders in the notice of annual general meeting of R&E, included in the 2007 and 2008 annual report, whereby the requirement for audited financial statements for the Company and the Group for the years ended 31 December 2004, 2005 and 2006 is waived and whereby shareholders accept the unaudited, disclaimed consolidated financial statements for the years ended 31 December 2004, 2005 and 2006 as sufficient disclosure of the financial information to the shareholders of the Company.

COMPANY SECRETARY

Mr RP Pearcey (FCIS, FCIMA) will continue to serve in office as Company secretary.

PUBLIC OFFICER

Mr V Botha CA(SA) is the present incumbent and was appointed on 13 November 2007, and as Chief Financial Officer on 1 August 2009.

AUDITORS

KPMG Inc. will continue in office in accordance with section 270(2) of the Companies Act.

UNITED KINGDOM SECRETARIES

St James's Corporate Services acted as secretaries to the Company in the United Kingdom for the period under review.

UNITED KINGDOM REGISTRARS

Capita Registrars acted as registrars and transfer agents in the United Kingdom during the period under review.

INTRODUCTION

The facts reported in press announcements and circulars to shareholders subsequent to December 2004, clearly indicate that many principles and codes outlined in the King II Report, were not strictly adhered to by certain members of the previous board of directors. The new board of directors (appointed in August 2005 and subsequently during 2006 and 2007) are committed to the principles of transparency, integrity and the provision of timeous, relevant and meaningful reporting to all stakeholders. The directors have taken cognisance of the inadequacy of governance issues prior to August 2005, and have addressed non-compliance issues where possible and will continue to strive for full compliance with the Code of Corporate Practices and Conduct ("the Code"), as contained in the King II Report on Corporate Governance.

BOARD OF DIRECTORS

A board charter was approved and adopted with effect from 24 June 2004, setting out its mission, role, duties and responsibilities.

THE AUDIT COMMITTEE

The audit committee charter was approved and adopted, with effect from 24 March 2004.

During 2004 the committee comprised of the following members:
Ms MB Madumise (Chairperson)
Mr AC Nissen
Mr D Ashworth (resigned 20 August 2004)

During 2005 the committee comprised of the following members:
Ms MB Madumise (Chairperson)
Mr AC Nissen

During 2006 the committee comprised of the following members:
Mr J Blersch (Chairman)
Mr TG Dale
No meetings were held during the year ended 31 December 2006.

THE NOMINATION COMMITTEE

A nomination committee charter was approved of and adopted with effect from 24 June 2004.

During 2004 the committee comprised of the following members:
Mr. RAR Kebble
Ms. MB Madumise
Mr. LR Ncwana

During 2005 the committee comprised of the following members:
Mr. RAR Kebble (resigned 24 August 2005)
Ms. MB Madumise
Mr. LR Ncwana (resigned 24 August 2005

During 2006 the entire board of non-executive directors constituted the nomination committee.

THE REMUNERATION COMMITTEE

A remuneration committee mandate was approved and adopted by the board of directors, with effect from 24 March 2004.

During 2004 the committee comprised of the following members:
Mr. AC Nissen (Chairman)
Ms. MB Madumise
Mr. LR Ncwana
Mr. D Ashworth

During 2005 the committee comprised of the following members:
Mr. AC Nissen (Chairman)
Ms. MB Madumise
Mr. LR Ncwana (resigned 24 August 2005)

During 2006 the committee comprised of the entire board of directors.

SECRETARY

The secretary is required to provide the directors of the Company, collectively and individually, with detailed guidance as to their duties, responsibilities and powers. The secretary is also required to ensure that the directors are aware of all laws, legislation, regulations and matters of ethics and good governance relevant to, or affecting the Company. The secretary is also responsible for compliance with all statutory requirements. The secretary is required to ensure that minutes of all shareholders' meetings, directors' meetings and meetings of the various committees of the board of directors are properly recorded in accordance with the Companies Act. These minutes are circulated to all members of the board. All directors have access to the advice and services of the secretary and, with the prior agreement of the non-executive chairman, are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

During 2004 Consolidated Mining Management Services Limited acted as the secretaries to the Company.

Consolidated Mining Management Services Limited acted as the secretaries to R&E up to 1 November 2005 when Mr RP Pearcey was appointed as Company secretary and still carries that appointment.

CODE OF CONDUCT

The Company approved and adopted a Code of Conduct on 24 May 2004.

SPONSOR AND CORPORATE ADVISOR

The Company terminated the services of HSBC on 24 June 2004 and appointed Sasfin Capital to act as sponsor and corporate advisor to the Company. Sasfin Capital continued to act as sponsor to the Company during 2005 and 2006.

INCOME STATEMENTS

for the years ended 31 December
(unaudited and disclaimed)

		GROUP		
	Notes	2006 R'000	2005 R'000	2004 R'000
Revenue	2	2 920	21 863	–
Profit on sale of prospecting rights		3 924	–	–
Recoveries		95 846	–	480
Other income	3	7 142	12 141	12 970
Profit on disposal of non-current assets		–	–	1 721
Personnel expenses	4	(11 375)	(21 654)	(2 025)
Depreciation	5	(24)	(6 927)	(182)
Impairment of prospecting rights	11	–	(40 189)	–
Profit on disposal of equity securities		41 225	–	6 913
Fair-value adjustment of equity securities	6	(564)	51 234	(218 106)
Net reversal of loans	13	277 615	–	–
Other operating expenses	7	(40 944)	(36 816)	(68 845)
Finance expenses	8	(13)	(14)	(7 883)
Finance income	8	10 036	18 831	12 618
Investments written-off	6	–	(104 971)	(337 539)
Scrip lending profit/(loss)	13	158 467	(169 006)	–
Profit/(loss) before taxation		544 255	(275 508)	(599 877)
Taxation	9	(2 597)	(2 263)	(2 746)
Profit/(loss) for the year		541 658	(277 771)	(602 623)
Attributable to:				
Equity holders of the holding company		539 089	(274 845)	(603 110)
Minority shareholders' interest		2 569	(2 926)	487
Profit/(loss) for the year		541 658	(277 771)	(602 623)
Basic and diluted earnings/(loss) per share – cents	17	721	(367)	(984)

BALANCE SHEETS

at 31 December
(unaudited and disclaimed)

		GROUP		
	Notes	2006 R'000	2005 R'000	2004 R'000
ASSETS				
Non-current assets		409 964	1 209 107	557 389
Plant and equipment	10	69	86	25 020
Intangible assets	11	474	474	25 816
Investments in equity securities	12	325 635	859 200	266 308
Loans receivable	13	83 786	349 347	240 245
Current assets		53 293	7 584	9 717
Trade and other receivables	14	31 504	115	3 077
Cash and cash equivalents	15	21 789	7 469	6 640
Total assets		463 257	1 216 691	567 106
EQUITY AND LIABILITIES				
Shareholders' equity		351 487	45 456	75 046
Ordinary share capital	16	748	748	748
Share premium		986 054	986 054	986 105
Foreign currency translation reserve		(1)	2	(357)
Other reserves		8 484	241 539	246
Accumulated loss		(643 798)	(1 182 887)	(911 696)
Minority shareholders' interest		39 978	37 409	46 655
Total equity		391 465	82 865	121 701
Non-current liabilities		40 760	536 324	423 770
Post-retirement medical benefit obligation	19	35 618	43 969	44 669
Loans and borrowings	20	5 142	492 355	379 101
Current liabilities		31 032	597 502	21 635
Income tax payable		9 406	6 809	5 618
Scrip account		–	561 203	–
Trade and other payables	22	21 626	29 490	16 017
Total equity and liabilities		463 257	1 216 691	567 106

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December (unaudited and disclaimed)

Group	Number of shares [2]	Ordinary share capital [2] R'000	Share premium [2] R'000	Foreign currency translation reserve R'000	Other reserves [1] R'000	Accu-mulated loss R'000	Total share-holders equity R'000	Minority share-holders interest R'000	Total equity R'000
Balance at 1 January 2004	**55 280 785**	**553**	**614 119**	–	**246**	**(299 378)**	**315 183**	**36 960**	**352 143**
Loss for the year	–	–	–	–	–	(603 110)	(603 110)	487	(602 623)
Share options exercised	15 000	–	165	–	–	–	165	–	165
Shares issued during the year	19 517 343	195	372 872	–	–	–	373 067	–	373 067
Share issue expenses	–	–	(1 051)	–	–	–	(1 051)	–	(1 051)
Transaction with minorities	–	–	–	–	–	(9 208)	–	9 208	–
Foreign currency translation differences for foreign operations	–	–	–	(357)	–	–	–	–	–
Balance at 31 December 2004	**74 813 128**	**748**	**986 105**	**(357)**	**246**	**(911 696)**	**75 046**	**46 655**	**121 701**
Loss for the year	–	–	–	–	–	(274 845)	(274 845)	(2 926)	(277 771)
Share issue expenses	–	–	(51)	–	–	–	(51)	–	(51)
Changes in shareholding of subsidiary	–	–	–	–	–	–	–	(6 320)	(6 320)
Foreign currency translation differences for foreign operations	–	–	–	4 013	–	–	4 013	–	4 013
Release of FCTR on disposal of foreign operations	–	–	–	(3 654)	–	3 654	–	–	–
Fair-value adjustment of available-for-sale investments, net of deferred tax	–	–	–	–	241 293	–	241 293	–	241 293
Balance at 31 December 2005	**74 813 128**	**748**	**986 054**	**2**	**241 539**	**(1 182 887)**	**45 456**	**37 409**	**82 865**
Profit for the year	–	–	–	–	–	539 089	539 089	2 569	541 658
Foreign currency translation differences for foreign operations	–	–	–	(3)	–	–	(3)	–	(3)
Fair-value adjustment of available-for-sale investments, net of deferred tax	–	–	–	–	(233 055)	–	(233 055)	–	(233 055)
Balance at 31 December 2006	**74 813 128**	**748**	**986 054**	**(1)**	**8 484**	**(643 798)**	**351 487**	**39 978**	**391 465**

Notes

[1] Other reserves comprise the cumulative fair value adjustments of available-for-sale financial assets, net of deferred tax

[2] The number of shares, share capital and share premium as reflected above constitute all shares issued by R&E currently trading in the market. R&E has however contested the issue of certain of these shares and is proceeding with the claims, supported by the forensic reports as previously published. Refer to forensic reports published on the R&E website www.randgold.co.za for further information.

CASH FLOW STATEMENTS

for the year ended 31 December
(unaudited and disclaimed)

		GROUP	
	Notes	2006 R'000	2005 R'000
Cash flow from operating activities		19 931	(9 890)
Cash generated by operating activities	25	9 908	(9 035)
Interest received	8	10 036	240
Finance costs	8	(13)	(14)
Taxation paid	26	–	(1 081)
Cash flow from investing activities		(5 611)	(49 241)
Proceeds on disposal of prospecting rights		–	6 261
Acquisition of additional investment in equity securities		–	(3 959)
Proceeds on disposal of equipment		–	18
Additions to plant and equipment		(7)	–
Dividends received		1	29
Loans advanced		(5 605)	(51 590)
Cash flows from financing activities		–	59 960
Payment of share issue expenses		–	(51)
Loans received		–	60 011
Increase in cash equivalents		14 320	829
Cash and cash equivalents at beginning of year		7 469	6 640
Cash and cash equivalents at the end of the year	15	21 789	7 469

No cash flow statement is presented for 2004 as no reliance could be placed on the 2003 balance sheet figures for the reasons set out in the directors' report.

REPORTING ENTITY

Randgold & Exploration Company Limited ("R&E" or "the Company") is a company domiciled and incorporated in the Republic of South Africa. The consolidated financial statements of the Company for the years ended 31 December 2004, 2005 and 2006 comprise of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared, to the extent practicable, in accordance with International Financial Reporting Standards ("IFRS") and as far as possible in the manner required by the Companies Act of South Africa. The consolidated financial statements were authorised for issue by the board of directors on 27 November 2009.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments held for trading are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

Functional and presentation currency

The consolidated financial statements of the Group are presented in South African rand which is the functional currency of the Company. All financial information presented in rand 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 application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent form other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the consolidated financial statements where applicable.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise disclosed. The Group has adopted IFRS on 1 January 2004. The adoption of IFRS did not significantly impact the financial position of the Group, unless otherwise disclosed.

The accounting policies have been applied consistently by all Group entities.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those 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 presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising form intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses on transactions are eliminated in the same way as unrealised gains except that they only eliminated to the extent that there is no evidence of impairment.

Transactions with minorities

Transactions with minorities are accounted for as transactions with equity holders in their capacity as equity holders. As a result, increases or decreases in the Company's shareholder's interest is recognised directly in equity as long as the Company controls the subsidiary.

FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair-value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2004, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement. 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 FCTR.

Net investment in foreign operations

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

In accordance with IFRS, *First Time Adoption of International Financial Reporting Standards*, optional excemptions, the Group has elected to transfer the foreign currency translation differences, recognised as a seperate component of equity, to accumulated loss on 1 January 2004.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans receivable, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value for the income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset and such transfer qualifies for derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Regular purchases and sales of financial assets are recognised on the trade-date the date on which the Group commits to purchase or sell the asset.

Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans receivable are measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and are stated at amortised cost. 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.

Available-for-sale financial assets

Certain of the Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value with fair-value changes being recognised in equity. Where the fair value of equity securities classified as available-for-sale financial assets is no longer reliably measureable, any gain or loss recognised directly in equity relating to these instruments is transferred to the income statement. The carrying value of the equity securities at the date where fair value is no longer reliably measureable is treated as its new cost. Subsequently, the equity investment is carried at cost less impairment. Any impairment losses are recognised in the income statement.

Financial assets at fair value through the income statement

An instrument is classified at fair value through the income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the income statement if the Group manages 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 the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Trade and other receivables

Trade and other receivables are stated at amortised cost using the effective interest method less impairment losses.

Trade and other payables

Trade and other payables are stated at amortised cost.

Share capital

Ordinary shares

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 effects.

PLANT AND EQUIPMENT

Recognition and measurement

Items of 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 the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in the income statement as incurred.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised within "other income" in the income statement. Plant and equipment used in operating mining activities are classified as mining assets.

Depreciation and amortisation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. No depreciation is recognised on paintings or works of art.

The estimated useful lives are as follows:

Mining equipment	3 years
Motor vehicles	5 years
Computer equipment	3 years

INTANGIBLE ASSETS

Prospecting rights

Intangible assets include prospecting rights. Prospecting rights are measured at cost less accumulated impairment losses. Prospecting rights are not amortised as they are not yet available for use. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of prospecting rights are determined by comparing the proceeds from disposal with the carrying amount and are recognised in the income statement.

Exploration costs

Exploration costs incurred prior to determination of the feasibility of mining operations are expensed as incurred. Prospecting property acquisition costs, and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Group, are capitalised until the property to which they relate is placed into production, sold, allowed to lapse or abandoned.

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.

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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity. In 2004 and up to the end of 2005 the company's accounting policy was to recognise the reversal of previously recognised impairments of available-for-sale financial instruments that were equity securities in the income statement. Refer to note 6.

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, the reversal is recognised in the income statement. 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 non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications 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 or amortisation, if no impairment loss had been recognised.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration to employees is charged to the income statement. An accrual is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Defined-benefit plans – post-retirement medical benefit obligation

A defined-benefit plan is a post-employment benefit plan other than a defined-contribution plan. The Group's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value, and, if any, the fair value of any related assets is deducted. The discount rate is the yield at the reporting date of instruments that have maturity dates approximating the terms of the Group's obligations. The calculation is performed at the reporting date by a qualified actuary using the projected unit credit method. The Group recognises all actuarial gains and losses arising from defined-benefit plans in the income statement.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

CONTINGENT ASSETS

Contingent assets, including claims against third parties, are not recognised in the balance sheet unless realisation is virtually certain. Recognised claims are reflected as "Recoveries" in the income statement.

REVENUE

Revenue is recognised net of indirect taxes, rebates and trade discounts and comprises sales to customers, management fees received commissions and dividends received from listed investments.

Commissions received

Commssions received are recognised when the Group has unconditionally earned the commission.

Dividends received

Dividends received are recognised when the right to receive payment is established.

Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

FINANCE INCOME AND EXPENSES

Finance expenses are recognised in the income statement using the effective interest method.

Finance income is recognised in the income statement as it accrues, using the effective interest method.

LEASES

Operating lease payment

Leases where the lessor retains risks and rewards of ownership of the underlying asset are classified as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statements as an integral part of total lease expense.

INCOME TAX

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

Current taxation

Current taxation comprises taxation payable, calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment of taxation payable for previous years. Interest and penalties on taxation payable is included under "taxation" in the income statement.

Deferred tax

Deferred tax is provided using the balance sheet method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not provided for:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- Differences relating to investments in subsidiaries to the extent that they will probably not reserve in the foreseeable future

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend 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 associated unused tax losses, unredeemed capital expenditure and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

SEGMENT REPORTING

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

1. Segment reporting

The Group operates in a single reportable operating segment as an investment holding company with assets in the mining industry.

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
2.	**Revenue**			
	Sale of goods	–	21 834	–
	Commission	2 919	–	–
	Dividends received	1	29	–
		2 920	21 863	–
3.	**Other income**			
	Option income	–	36	7 033
	Foreign exchange gain	359	2 114	–
	Negative goodwill written off – refer note 27	–	9 496	–
	Other income	6 783	495	5 937
		7 142	12 141	12 970
4.	**Personnel expenses**			
	Personnel expenses include directors' salaries and bonuses			
	Directors' emoluments	4 727	10 906	1 062
5.	**Depreciation**			
	Plant and equipment	24	6 927	182
6.	**Investments**			
6.1	**Fair-value adjustment of equity securitites**			
	Fair-value adjustment of available-for-sale investments	–	(11 499)	(203 605)
	Reversal of previously recognised impairments on available-for-sale investments	–	66 865	–
	Fair-value adjustment of investments held for trading	(564)	(4 132)	(14 501)
		(564)	51 234	(218 106)
6.2	**Investments written-off**			
	Simmer and Jack Limited shares allegedly misappropriated	–	–	(8 000)
	Afrikander Lease Limited shares allegedly misappropriated	–	(104 971)	–
	Randgold Resources Limited shares allegedly misappropriated	–	–	(329 539)
		–	(104 971)	(337 539)

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
7.	**Other operating expenses**			
	Administration and office expenses	1 685	3 233	6 179
	Auditors' remuneration:	2 853	2 049	2 734
	Audit fees	2 853	1 991	2 734
	Other services	–	58	–
	Consulting fees	12 637	5 438	738
	Exploration costs	49	15 129	15 748
	Foreign exchange losses realised on misappropriations	–	–	38 650
	Insurance	1 634	53	108
	Legal fees	11 341	782	624
	Listing fees and corporate action costs	464	369	1 936
	Loss on sale of subsidiary (refer to note 28)	–	8 857	–
	Travel	91	165	1 077
	Penalty on cancellation of contract	10 000	–	–
	Interest and penalties on VAT	171	378	208
	Other expenses	19	363	843
		40 944	36 816	68 845
8.	**Net financing income**			
	Finance income	10 036	18 831	12 618
	Interest on loans	–	–	3 924
	Interest – cash and cash equivalents	649	240	434
	Inkwenkwezi Gold (Pty) Ltd	–	11 001	470
	Scrip account	779	–	–
	JCI group	8 608	7 590	7 790
	Finance expenses	(13)	(14)	(7 883)
	Loan – other	–	–	(7 883)
	Financial institutions	(13)	(14)	–
		10 023	18 817	4 215

9. Taxation

Recognised in the income statement

	GROUP		
	2006 R'000	2005 R'000	2004 R'000
South African normal tax – current	(2 054)	(2 263)	(2 214)
Interest and penalties	(543)	–	(532)
Total tax charge	(2 597)	(2 263)	(2 746)

	2006 %	2005 %	2004 %
Reconciliation of effective taxation rate:			
South African normal tax rate	29.00	(29.00)	(29.00)
Penalties and interest	0.10	(0.19)	0.09
Exempt income	–	–	0.05
Expenses not deductible for tax purposes	(3.11)	24.21	17.73
Income not subject to tax	(28.34)	–	–
Change in unrecognised deferred tax asset	2.83	5.84	11.58
Effective tax rate	0.48	0.86	0.45

10. Plant and equipment

	2006			2005			2004		
	Cost	Accumulated depreciation and impairment	Carrying value at end of year	Cost	Accumulated depreciation and impairment	Carrying value at end of year	Cost	Accumulated depreciation and impairment	Carrying value at end of year
Group	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Owned assets									
Mining equipment	–	–	–	–	–	–	24 772	–	24 772
Motor vehicles	368	(368)	–	368	(348)	20	479	(336)	143
Computer equipment	61	(56)	5	54	(52)	2	99	(58)	41
Paintings and artwork	64	–	64	64	–	64	64	–	64
	493	(424)	69	486	(400)	86	25 414	(394)	25 020

The carrying amount of assets can be reconciled as follows:

	Carrying value at beginning of the year	Additions	Depreciation	Carrying value at end of year
2006	R'000	R'000	R'000	R'000
Owned assets				
Motor vehicles	20	–	(20)	–
Computer equipment	2	7	(4)	5
Paintings and artwork	64	–	–	64
	86	7	(24)	69

10. Plant and equipment (continued)

2005	Carrying value at beginning of the year R'000	Disposals R'000	Disposals through sale of subsidiary R'000	Depreciation R'000	Translation of foreign operations R'000	Carrying value at end of year R'000
Owned assets						
Mining equipment	24 772	–	(22 002)	(6 783)	4 013	–
Motor vehicles	143	–	–	(123)	–	20
Computer equipment	41	(18)	–	(21)	–	2
Paintings and artwork	64	–	–	–	–	64
	25 020	(18)	(22 002)	(6 927)	4 013	86

2004	Carrying value at beginning of the year R'000	Depreciation R'000	Carrying value at end of year R'000
Owned assets			
Mining equipment	24 772	–	24 772
Motor vehicles	305	(162)	143
Computer equipment	61	(20)	41
Paintings and artwork	64	–	64
	25 202	(182)	25 020

11. Intangible assets

	2006			2005			2004		
Group	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value at end of the year R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value at end of the year R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value at end of the year R'000
Owned assets									
Prospecting rights	18 108	(17 634)	474	18 108	(17 634)	474	25 816	–	25 816

The carrying amount of intangible assets can be reconciled as follows:

	2006		
	Carrying value at beginning of the year R'000	Amortisation/ Impairments R'000	Carrying value at end of the year R'000
Owned assets			
Prospecting rights	474	–	474

	2005				
	Carrying value at beginning of the year R'000	Additions, including business combinations R'000	Written off R'000	Impairments R'000	Carrying value at end of the year R'000
Owned assets					
Prospecting rights	25 816	14 847	(22 555)[1]	(17 634)[1]	474

[1] Certain of the prospecting rights held by the Group were written off or impaired in 2005 when their conversion to new order mineral rights under the Mineral and Petroleum Resources Act of 2002 was rejected.

There were no additions to, disposals of or amortisation or impairment charges to intangible assets during 2004.

12. Investments in equity securities

	GROUP		
	2006 R'000	2005 R'000	2004 R'000
Held for trading	10 322	9 860	12 505
Available-for-sale	315 313	226 791	253 803
Equity securities held as collateral	–	622 549	–
	325 635	859 200	266 308

12.1 Investments in equity securities (continued)

	2006			2005			2004		
The Group held investments in the following companies:	Number of shares held	Percentage held %	Fair value 31 December R'000	Number of shares held	Percentage held %	Fair value 31 December R'000	Number of shares held	Percentage held %	Fair value 31 December R'000
Unlisted investments									
JCI Limited – SR debentures	–	–	–	50 651	0,02	45	50 651	0,02	43
Listed investments									
Afrikander Lease Ltd	–	–	–	–	–	–	53 049 442	15,77	94 959
JCI Limited[1]	265 935 854	11,95	42 550	37 560 613	1,69	6 009	37 560 613	1,79	10 141
Kelgran Limited	2 324 830	2,47	372	2 324 830	2,47	488	2 324 830	2,47	372
Gold Fields Limited	2 028 684	0,37	269 308	–	–	–	–	–	–
Western Areas Limited [2]	–	–	–	5 361 613	3,48	219 828	5 361 613	4,52	134 040
Pan Palladium Limited (Australia)	18 100 000		13 405	13 100 000	–	10 281	13 100 000	–[3]	26 753
Collateral – scrip account (See Note 12.2)	–	–	–		–	622 549	–	–	–
			325 635			859 200			266 308

[1] JCI Limited was suspended from trading on the JSE at a price of R0,16 per share on 1 August 2005 and as a result this investment was valued at cost less impairment as fair value cannot be measured reliably. The carrying amount for this investment represents the directors' best estimate of fair value.

[2] Included in the above 5 361 613 WAL shares is an amount of 1 410 013 shares which were held by CMMS on behalf of R&E and which were returned to the R&E trading account on 18 August 2006.

[3] Data unavailable

	2005	
	Number of shares held	Fair value 31 December R'000
12.2 Listed equities held as collateral	89 526 009	14 324
JCI Limited	11 646 157	9 083
Matodzi Limited	4 000 000	414 300
Randgold Resources Limited	4 508 334	184 842
Western Areas Limited		622 549

These shares were held as security over the open positions in the disputed scrip lending account and are classified as held for trading. Refer to note 13 for details regarding the scrip lending account.

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
13.	**Loans receivable**			
	Disputed loan from Consolidated Mining Management Services Limited ("CMMS")	–	125 728	86 807
	Lyons Financial Solutions (Pty) Ltd ("Lyons")	2 032	–	–
	Inkwenkwezi Gold (Pty) Ltd	–	150 270	86 336
	Tuscan Mood Limited	44	54	–
	JCI group	81 710	73 295	67 102
		83 786	349 347	240 245

The CMMS loan receivable as reflected above, the CMMS loan account in note 20, the listed equities held as collateral as reflected in note 12.2 and the adjustment as reflected in the income statement (in the amount of R277,615 million) relate to various transactions which are disputed by the R&E Group. Such transactions stem from a disputed R&E scrip lending account held at Ttotlisa Securities ("T-Sec") (which forensic findings have indicated was conducted for the benefit of the JCI group and not for the benefit of the R&E Group) and various transactions ostensibly recorded in an intercompany loan account between CMMS and the R&E Group (which R&E does not recognise any liability as owing in respect of). The de-recognition of the items referred to above has resulted in the adjustment of R277,615 million, in respect of which no liability is recognised by the R&E Group. Shareholders are informed further that in terms of the mediation and arbitration agreement concluded between R&E and JCI on 7 April 2006 and amended in July 2006 and September 2007, no formal claims have been lodged by JCI against R&E and none are recognised by R&E.

JCI's Litigation Statement, included in the circular to JCI's shareholders dated 15 December 2008, similarly makes no reference to any claims against R&E. In the summary of JCI's alleged defences to the R&E claims (which is attached to the same circular), JCI refers however to an alleged right to set-off amounts of R208,2 million and R50 600 respectively, against the R&E claims. If and when formal claims are made against R&E by JCI, R&E will consider its position and respond appropriately. In the interim it is premature to give consideration thereto. Shareholders are reminded that R&E has asserted claims of between R1,7 billion and R14 billion against JCI which, although not proven, on the face thereof significantly exceed the alleged right to set-off amounts alluded to by JCI. The attention of shareholders is also drawn to the table headed 'Reconciliation of Assets Allegedly Misappropriated' which features in the 2007/2008 annual report of R&E.

CMMS through T-Sec, entered into a securities lending facility with Societe Générale Johannesburg Branch ("SocGen") thereby facilitating the raising of finance to meet its ongoing cash commitments for the benefit of JCI. In the first instance JCI/CMMS commenced this form of trading in approximately 2001/2002. On 3 March 2004, 1 000 000 Randgold Resources Plc ("RRL") shares (on a pre-split basis) belonging to Randgold Resources Holdings ("RR(H)") were used for the first time as collateral for the SLA between SocGen and T-Sec when RR(H) purportedly authorised the pledging of these shares in favour of SocGen. In terms of the SLA, SocGen would have had recourse in the event of default to T-Sec and T-Sec would in turn have had recourse against CMMS/JCI. This was subsequently increased to 2 000 000 (pre split) RRL shares by the pledge of an additional 1 000 000 RRL shares belonging to RR(H) on 30 April 2004. The share pledge letter, Crest transfer forms and pledge resolutions appear to be forgeries (with alleged forged Brett Kebble and PB Bawden signatures) and did not constitute the written consent of the board of directors of RR(H). The RR(H) resolution purportedly authorising the pledge was dated 2 July 2004. The transfer secretaries were requested to "flag" these shares in the share register and under no circumstances remove the "flag" without authorisation from SocGen. This was the beginning of the pledging process with RRL shares being used to collateralise T-Sec's exposure to SocGen on the short sales position.

Refer to previously published forensic reports for further details.

The Lyons loan bears interest at prime, is unsecured and was repaid during 2008.

FSD has a loan receivable from the JCI group to the value indicated above. The R&E board believes that this amount is fully recoverable from the JCI group. The loan is secured by a pledge of 79 million JCI shares, bearing interest at the bank prime rate and is further secured by a suretyship from JCI. The loan is due and payable on demand. Subsequent to the reporting date, further loans were advanced from the Group to the JCI group. Refer to the annual financial statements for the years ended 31 December 2007 and 2008 for further details.

The loan to Inkwenkwezi Gold (Pty) Ltd ("Inkwenkwezi") bore interest at the prime overdraft rate plus 1.5% and was settled during July 2006.

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
14.	**Trade and other receivables**			
	Trade receivables	3 573	17	12
	Prepayments	2 264	98	2 794
	RAR Kebble – recovery	25 667	–	271
		31 504	115	3 077

The RAR Kebble recovery relates to a settlement reached during 2006 of R30 million of which R25,6 million was unpaid at 31 December 2006. The final amount was repaid during May 2008.

		2006 R'000	2005 R'000	2004 R'000
15.	**Cash and cash equivalents**			
	Bank balances	957	7 379	1 543
	Call deposits	20 832	90	5 093
	Petty cash	–	–	4
		21 789	7 469	6 640
16.	**Ordinary share capital**			
	Authorised			
	75 000 000 (2005: 75 000 000) ordinary shares of 1 cent each	750	750	750
	Issued			
	74 813 128 (2005: 74 813 128) ordinary shares of 1 cent each	748	748	748

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

Dividends

No ordinary dividends were declared or paid during 2004, 2005 and 2006.

		GROUP		
		2006 Per share (in cents)	2005 Per share (in cents)	2004 Per share (in cents)
17.	**Earnings per share**			
	Basic and diluted earnings/(loss) per share	721	(367)	(969)

The calculation of basic and diluted earnings/(loss) per ordinary share is based on a profit of R539,0 million (2005: loss of R274,8 million and 2004: loss of R603,1 million) attributable to equity holders of the company and weighted average of 74 813 128 (2005: 74 813 123 and 2004: 62 243 429) ordinary shares in issue during the year.

	GROUP		
	2006 Per share (in cents)	2005 Per share (in cents)	2004 Per share (in cents)
17. Earnings per share (continued)			
Headline earnings/(loss) and diluted headline earnings/(loss) per share	663	(425)	(646)
The calculation of the headline loss per share and diluted headline loss per share is based on a weighted average of 74 813 128 (2005: 74 813 128 and 2004: 62 243 429) ordinary shares in issue during the year.			
Reconciliation between basic earnings/(loss) and headline loss:			
Profit/(loss) for the year attributable to equity holders of the company	539 089	(274 845)	(603 110)
Adjusted for:			
Loss on disposal of portion of investment in subsidiary	–	12 033	–
Profit on disposal of prospecting rights	(10)	(3 176)	(171)
Loss on sale of available-for-sale investments	–	–	1 087
Profit on sale of available-for-sale investments	(3 914)	–	(1 550)
Fair-value adjustments of available-for-sale investments	(39 100)	(52 157)	201 572
Headline earnings/(loss) for the year attributable to equity holders of the company	496 065	(318 145)	(402 172)

	Per share (in cents)	Per share (in cents)	Per share (in cents)
Fully diluted headline earnings/(loss) per share	663	(425)	(646)

The calculation of the fully diluted headline earnings/(loss) per share is based on a headline profit of R496.1 million (2005: loss of R318,1 million and 2004: loss of R402,1 million) and 74 813 128 (2005: 74 813 128 and 2004: 62 243 429) shares, being the weighted average number of ordinary shares in issue during the year, adjusted for the effect of all possible dilutions.

18. Contingent assets

Claims

R&E has various claims against third parties with which R&E is proceeding. Such claims could be substantial, although there is no guarantee that such claims will result in awards being granted in favour of R&E or for that matter that R&E will be able to make successful recoveries in respect thereof.

19. Post–retirement medical benefit liability

The Company pays post-retirement medical benefits for a closed group of retired employees. The plan is unfunded as it is governed by the Medical Aid Schemes Act of 1998. The Company has provided in full for their post-retirement medical cost obligations on the latest calculations by independent actuaries at 31 December 2004, 2005 and 2006, respectively, which include appropriate mortality tables and assuming long-term estimates of increases in medical costs and appropriate discount rates.

	GROUP		
	2006 R'000	2005 R'000	2004 R'000
Unfunded obligation at 31 December	35 618	43 969	44 669
Post-retirement medical benefit liability			
Movement in the net unfunded liability recognised in the balance sheet are as follows:			
Balance at the beginning of the year	43 969	44 669	58 670
Current service cost	2	–	418
Interest cost	3 298	4 108	5 574
Actuarial loss/(gain) recognised	1 115	(1 408)	(15 932)
Benefits paid during the year	(3 603)	(3 400)	(4 061)
Plan amendment	(9 163)	–	–
Balance obligation at 31 December	35 618	43 969	44 669
Current service cost	2	–	418
Interest cost	3 298	4 108	5 574
Actuarial loss/(gain) recognised in the year	1 115	(1 408)	(15 932)
The expense is recognised as personnel expenses in the income statement	4 415	2 700	(9 940)

The Company has accrued in full for their post-retirement medical cost obligations on the latest calculations by independent actuaries at 31 December 2006, which include appropriate mortality tables and assuming long-term estimates of increases in medical costs and appropriate discount rates.

	2006	2005	2004
Principal assumptions			
Healthcare cost of inflation	7.00%	6.50%	8.00%
Discount interest rate	8.00%	7.50%	9.00%
Post-retirement mortality rate	PA90-1 ultimate	PA90-1 ultimate	PA90-1 ultimate
Sensitivity analysis			
A 1% change in inflation on healthcare cost will affect the liability as follows:			
One percent increase	36 727	47 926	48 689
One percent decrease	31 579	40 451	41 095

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
19.	**Post–retirement medical benefit liability (continued)**			
	A 1% change in inflation on healthcare cost will affect the interest costs as follows:			
	One percent increase	3 595	4 382	–
	One percent decrease	3 034	3 698	–
	A 1% change in inflation on healthcare cost will affect the current service costs as follows:			
	One percent increase	3	120	489
	One percent decrease	2	65	359

		GROUP		
		2006 R'000	2005 R'000	2004 R'000
20.	**Loans and borrowings**			
	Disputed CMMS loan account	–	487 213	379 101
	Minority shareholders' loan	5 142	5 142	–
		5 142	492 355	379 101

The minority shareholders' loan was due to the 36% minority shareholders of Goldridge Gold Mining Company (Pty) Ltd ("Goldridge"), a 64% subsidiary of R&E. The loan is interest free and has no fixed terms of repayment.

For more information on the scrip account liability and the CMMS loan account, refer to note 13.

21. Deferred tax

The Group remained in a net deferred tax asset position for all the reporting periods presented.

Deferred tax assets have not been recognised in respect of the net deferred tax assets because it is not probable that future taxable income will be available against which the Group entities can utilise the benefits there from.

		2006 R'000	2005 R'000	2004 R'000
22.	**Trade and other payables**			
	Trade payables	11 705	23 927	4 747
	Employee related payables	6 548	5 533	2 331
	Accruals	480	30	8 939
	VAT	2 893	–	–
		21 626	29 490	16 017

23. Operating lease commitments

The Group does not have any significant commitments.

24. Related parties

Identity of related parties

Subsidiaries

The Group has a related party relationship with its subsidiaries and with its directors and executive officers. Subsidiaries of the Group are set out below:

	Issued share capital R'000	Effective holding 2006 %	2005 %	2004 %
Direct Holdings				
African Strategic Investments (Holdings) Ltd (incorporated in Jersey) (formerly Randgold Resources Holdings)	*	100	100	100
Bentonite Nominees Ltd	*	100	100	100
Continental Base Metal Mining Company (Pty) Ltd	2	100	100	100
Corgroup (Neptune) Investments Ltd	4	100	100	100
Doornrivier Minerals Ltd	*	100	100	100
First Wesgold Mining (Pty) Ltd	340	100	100	100
Free State Development and Investment Corporation Ltd	2 223	55.1	55.1	55.1
Lunda Alluvial Operation (Pty) Ltd	*	100	100	100
Minrico Ltd	*	74	74	74
Pan African Exploration Syndicate (Pty) Ltd	4	100	100	100
Rand Mines Lands Ltd	*	100	100	100
Randgold Prospecting And Minerals Holdings Ltd	*	100	100	100
Randgold Finance BVI Ltd (incorporated in British Virgin Islands)	*	100	100	100
Versatex Trading 446 (Pty) Ltd	*	100	100	100
Indirect Holdings				
Goldridge Gold Mining Company (Pty) Ltd	*	35.3	35.3	–
Palmietfontein Mining Ventures (Pty) Ltd	*	55.1	55.1	55.1
Southern Holdings Ltd	*	55.1	55.1	55.1
Refraction Investments (Pty) Ltd	*	100	100	100
Luembe Mining (Pty) Ltd	1	–	–	70
Sub Sahara Investimentos E Consultoria, Limitada ("Sub Sahara")	8	–	–	70

Common directorship

During the reporting period, certain directors had common directorships with JCI Limited and its subsidiaries (the "JCI goup"), which include CMMS and JCI Gold Limited ("JCI group") and as a result, the JCI group has been identified as a related party. In addition the R&E Group and the JCI Group had various cross holdings in each other at the dates of these financial statements.

Key management

The directors and details of emoluments paid are listed in the directors' report. Other than directors there are no other key management members.

Material transactions with the Group

Loans to and from related parties – refer to note 13 and 20.

Interest received on loans to related parties – refer to note 8.

		GROUP	
		2006 R'000	2005 R'000
25.	**Notes to the cash flow statements**		
	Cash generated by/(utilised in) in operations		
	Profit/(loss) before taxation	544 255	(275 508)
	Adjustment for:		
	Finance incomes	(10 036)	(18 831)
	Dividends received	(1)	(29)
	Finance expenses	13	14
	Fair-value adjustments of equity investments	(40 661)	(51 234)
	Depreciation	24	6 927
	Impairment of prospecting rights	–	40 189
	Reversal of loan	(277 615)	–
	Loss on disposal of subsidiary	–	8 857
	Negative goodwill written off	–	(9 496)
	Investment written-off	–	104 971
	(Profit)/loss on scrip account	(158 467)	169 006
	Change in post-retirement medical benefit liability	(8 351)	(700)
	Operating profit/(loss) before working capital changes	49 161	(25 834)
	(Increase)/decrease in trade and other receivables	(31 389)	2 829
	Decrease/(increase) in trade and other payables	(7 864)	13 970
	Cash generated by/(utilised in) operations	9 908	(9 035)
26.	**Taxation paid**		
	Amount outstanding at beginning of year	6 809	5 618
	Income statement charge	2 597	2 263
	Liability acquired through acquisition of liability	–	9
	Amount outstanding at end of year	(9 406)	(6 809)
	Taxation paid	–	1 081

27. Acquisition of subsidiary

In August 2003, a mineral swap agreement between Free State Development and Investment Corporation Limited ("FSD") and other parties gave rise to the Company's 64% investment in Goldridge. In terms of the agreement certain suspensive clauses appeared never to have been met and Goldridge was therefore not consolidated into the accounts of FSD at the end of 2004. The investment was also acquired at no cost to FSD, and as such no value could be attributed thereto.

In August of 2007 (i.e. before the date of this report, but after the 2004 report was issued), the statutory three year prescription period passed and it became apparent that the suspensive conditions previously adjudged as unmet had become immaterial. As a result, Goldridge was consolidated into FSD's accounts as of 1 January 2005 and this was treated as the acquisition date for accounting purposes.

Goldridge is a mineral rights holding company incorporated in the Republic of South Africa. The 64% investment was acquired for no consideration. The portion of the net asset value of Goldridge at the acquisition date attributable to FSD was treated as negative goodwill and immediately recognised in the income statement.

27. Acquisition of subsidiary (continued)

The acquisition had the following effect on the Group's net assets and liabilities on the acquisition date:

Identifiable assets and liabilities acquired:	Recognised value on acquisition R'000
Mineral rights	14 847
Loans payable	(5 142)
Tax provision	(9)
Net asset value brought into consolidation	9 696
Minority shareholders' interest	(200)
Negative goodwill written off at acquisition	9 496

The subsidiary had no other assets or liabilities at the date of the acquisition.

28. Sale of investment in subsidiary

On 31 December 2005 the Group disposed of its investment in Luembe Mining (Pty) Ltd, which included its shareholding in Sub Sahara. The total consideration of R6,4 million was settled in cash.

Identifiable assets and liabilities disposed of:	R'000
Assets	
Plant and equipment	22 002
Trade receivables	133
Cash and cash equivalents	96
Liabilities	
Trade payables	(497)
NAV	21 734
Minority share	(6 520)
Net asset value	15 214
Loss on disposal	(8 857)
Total proceeds on disposal	6 357
Cash disposed of	96
Net cash flow	6261

29. Approval of financial statements

These annual financial statements were approved on the same date as the annual financial statements for the years ended 31 December 2007 and 31 December 2008 and should be read in conjunction with the aforementioned annual financial statements for a better understanding of subsequent events.

SHAREHOLDER ANALYSIS

Register date: 29 December 2006

Issued Share Capital: 74 813 128 shares

SHAREHOLDER SPREAD	**Number of shareholders**	**%**	**Number of shares**	**%**
1 – 1 000 shares	1536	68.94	407 239	0.54
1 001 – 10 000 shares	466	20.92	1 505 740	2.01
10 001 – 100 000 shares	153	6.87	4 868 702	6.51
100 001 – 1 000 000 shares	59	2.65	20 335 446	27.18
1 000 001 shares and over	14	0.62	47 696 001	63.76
	2 228	100	74 813 128	100

DISTRIBUTION OF SHAREHOLDERS	**Number of shareholders**	**%**	**Number of shares**	**%**
Banks	71	3.19	17 473 960	23.36
Brokers	16	0.72	11 351 151	15.17
Close corporations	53	2.38	184 753	0.25
Control account	1	0.04	163 837	0.22
Endowment funds	4	0.18	132 657	0.18
Individuals	1678	75.31	3 146 517	4.21
Insurance companies	5	0.22	382 971	0.51
Investment companies	13	0.58	1 364 121	1.82
Mutual funds	33	1.48	13 102 351	17.51
Nominees and trusts	169	7.59	8 069 594	10.79
Other corporations	32	1.44	84 449	0.11
Pension funds	49	2.20	7 371 843	9.85
Private companies	91	4.08	5 957 946	7.96
Public companies	13	0.59	6 026 978	8.06
	2 228	100	74 813 128	100

PUBLIC/NON-PUBLIC SHAREHOLDERS	**Number of shareholders**	**%**	**Number of shares**	**%**
Non-public shareholders	5	0.22	20 719 858	27.70
Associated holdings	4	0.18	9 139 955	12.22
Strategic holdings (more than 10%)	1	0.04	11 579 903	15.48
Public shareholders	2 223	99.78	54 093 270	72.30
	2 228	100.00	74 813 128	100.00

Beneficial shareholders holding 5% or more	**Number of shares**	**%**
Bank of New York Unrestricted Depositary Receipts	11 579 903	15.48
Juspoint Nominees Proprietary Limited	6 560 812	8.77
Nedgroup Securities (Pty) Ltd	5 573 000	7.45
Allan Gray Equity Fund	3 740 649	5.00

SHAREHOLDER ANALYSIS (continued)

Register date: 30 December 2005
Issued Share Capital: 74 813 128 shares

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2026	73.41	505 636	0.68
1 001 – 10 000 shares	510	18.48	1 658 588	2.22
10 001 – 100 000 shares	149	5.40	4 719 784	6.31
100 001 – 1 000 000 shares	62	2.25	20 225 139	27.03
1 000 001 shares and over	13	0.46	47 703 981	63.76
	2 760	100	74 813 128	100

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	82	2.97	23 291 260	31.13
Brokers	20	0.72	11 525 929	15.41
Close corporations	57	2.07	192 316	0.26
Endowment funds	4	0.14	154 194	0.21
Individuals	2109	76.41	4 320 453	5.77
Insurance companies	5	0.18	382 971	0.51
Investment companies	8	0.29	613 009	0.82
Mutual funds	42	1.52	11 215 828	14.99
Nominees and trusts	231	8.37	5 680 691	7.59
Other corporations	40	1.45	307 643	0.41
Pension funds	49	1.78	6 959 299	9.30
Private companies	96	3.48	5 384 164	7.20
Public companies	17	0.62	4 785 371	6.40
	2 760	100	74 813 128	100

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	5	0.18	25 186 853	33.67
Director Holdings	1	0.04	330 000	0.44
Associated holdings	3	0.10	7 889 955	10.55
Strategic holdings (more than 10%)	1	0.04	16 966 898	22.68
Public shareholders	2 755	99.82	49 626 275	66.33
	2 760	100	74 813 128	100

Beneficial shareholders holding 5% or more	Number of shares	%
Bank of New York Unrestricted Depositary Receipts	16 966 898	22.68
Nedgroup Securities (Pty) Ltd	5 573 000	7.45
Juspoint Nominees Proprietary Limited	4 043 888	5.41
Allan Gray Equity Fund	3 740 649	5.00

SHAREHOLDER ANALYSIS (continued)

Register date: 31 December 2004

Issued Share Capital: 74 813 128 shares

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 245	72.33	605 065	0.81
1 001 – 10 000 shares	638	20.55	2 010 697	2.69
10 001 – 100 000 shares	141	4.55	4 545 562	6.08
100 001 – 1 000 000 shares	69	2.22	21 420 537	28.62
1 000 001 shares and over	11	0.35	46 231 267	61.80
	3 104	100.00	74 813 128	100.00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	109	3.51	28 281 973	37.80
Close corporations	58	1.87	176 956	0.24
Endowment funds	8	0.26	257 318	0.34
Individuals	2 424	78.09	4 448 892	5.95
Insurance companies	6	0.19	626 347	0.84
Investment companies	13	0.42	421 819	0.56
Mutual funds	46	1.48	11 702 660	15.64
Nominees and trusts	219	7.06	1 058 734	1.42
Other corporations	57	1.84	258 540	0.35
Pension funds	52	1.68	7 406 951	9.90
Private companies	87	2.80	3 451 131	4.61
Public companies	25	0.80	16 721 807	22.35
	3 104	100.00	74 813 128	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	10	0.32	32 257 813	43.12
Holdings more than 10%	1	0.03	20 246 491	27.06
Associated holdings	4	0.13	10 659 316	14.25
Directors and Associates of the Company holdings	5	0.16	1 352 006	1.81
Public shareholders	3 094	99.68	42 555 315	56.88
	3 104	100.00	74 813 128	100.00

Beneficial shareholders holding of 5% or more	Number of shares	%
Bank of New York (ADR Programme)	20 246 491	27.06
Allan Gray	9 020 825	12.06
JCI Limited	6 595 900	8.82
Afrikander Lease Limited	6 000 000	8.02

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